

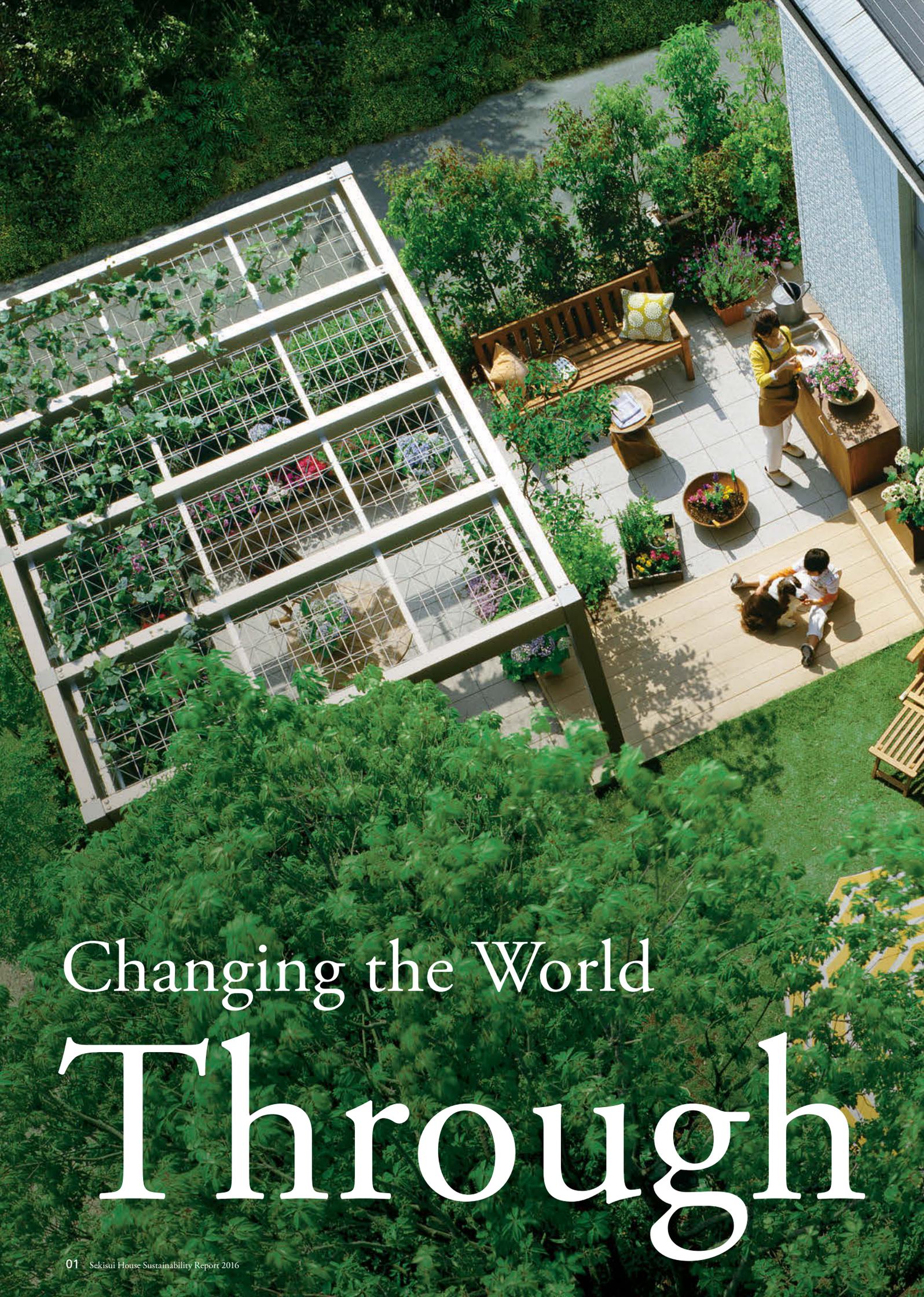


For the year ended January 31, 2016

Sustainability Report 2016

Focused on Creating Shared Value





Changing the World
Through

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

Underpinning the Sekisui House Group corporate philosophy is **a love of humanity**.

This means desiring happiness for others and treating their joy as our own.

Desiring happiness for all our stakeholders and the realization of a sustainable society,

we strive to create and share **four key values**:

environmental value, economic value, social value and homeowner value.

Today, we are surrounded by a variety of accumulating **social issues**,

including responses to natural disasters, energy problems, falling birthrates and aging populations,

the future of communities and abandoned homes.

We want to share happiness with our stakeholders

by creating new value

and contributing to the resolution of social issues precisely because the Sekisui House Group develops housing-related growth strategies.

This achieved through our

Creating Shared Value (CSV) strategy.

Living

Contents

Integrated Reporting

About the Sekisui House Group

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

The Sekisui House Mindset

TOP MANAGEMENT COMMITMENT

Resolving Social Issues with Initiatives Going Beyond Conventional Thinking

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

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

Sekisui House Strategy

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

Editorial Policy

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

In selecting topics to be reported and formulating an editing policy, we referred to the 2012 Environmental Reporting Guidelines of Japan's Ministry of the Environment. The selected topics are reported in accordance with ISO 26000, an international standard providing guidance on social responsibility. Moreover, this is the first report created in accordance with the "core" option identified in Standard Disclosures of the GRI (Global Reporting Initiative) Sustainability Reporting Guidelines (G4).

Energy usage, waste and greenhouse gas emissions, water used in factory production and social reporting (occupational accident and job-related illness frequency rates) disclosed in Sustainability Report 2016 are assured by third-party institutions to heighten reliability (see page 70, Independent Third-Party Assurance Report). Furthermore, with regard to the reliability of greenhouse gas emissions data disclosed herein, the symbol on the right indicates this report meets greenhouse gas reporting examination and registration mark standards established by The Japanese Association of Assurance Organizations for Sustainability Information.



CSV Strategies — Creating Shared Value through Business

1 Promoting Net-Zero-Energy Housing 23



2 Preserving Biodiversity 29



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



Features of the Sustainability Report 2016

- The content of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration social conditions and survey responses to the Sustainability Report 2015 received from 1,124 internal and external stakeholders.
- In accordance with the G4 "core" option, all general standard disclosures ("core" items required for disclosure compliance) as well as specified standard disclosures (46 aspects) and 19 material aspects narrowed down into six CSV strategies are disclosed in this report and online.
- This year's report includes Integrated Reporting pages aimed at providers of financial capital.
- As an annual report, this publication contains a summary of our corporate activities during FY2015, which can be found in the "CSV Strategies" pages. This report also includes a self-evaluation of our performance towards achieving our goals.
- This report shows changes in key performance indicators (KPI) in important areas, such as in the progress of our Eco-First Promise.
- The report also includes comments from stakeholders in various sectors, including our customers and external experts, who provide objective third-party views on our corporate activities.

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



5 Promoting diversity and developing human resources 43



6 Developing overseas business 49



Organizational Management

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

Environmental Report

Material Balance 61
 Eco-First Initiatives 63

Social Report

Post-Disaster Restoration and Reconstruction 65
 Social Action Programs 67

Outside Opinions, Evaluations and Related Data

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

Areas of Business

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

Areas of Business Activity

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

- ▶ Period covered: FY2015 (February 1, 2015 to January 31, 2016)
 Note: Some activities undertaken in FY2016 are covered in this report.
- ▶ Date of publication: This Japanese version of this report is published annually in May.
 Note: English and Chinese versions are published annually in July.
- ▶ Direct Inquiries about This Report to: Corporate Social Responsibility Office
 Corporate Communications Department Tel: +81-6-6440-3440
 Environment Improving Department Tel: +81-6-6440-3374
[Online inquiries > http://www.sekisuihouse.co.jp/english/information/contact.html](http://www.sekisuihouse.co.jp/english/information/contact.html)

Reporting Media Approach

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



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

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

Sekisui House Group Business

Deploying Housing-Related Growth Strategies

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

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

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

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

Detached Housing Business

Design, construction, and contracting of detached houses



IS STAGE steel-framed two-story house



Gravis Villa SHAWOOD wooden-frame detached house



BIENA steel-frame three- to four-story homes

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

Detached Home Sales (FY2014)

15,266 houses No.1 among prefabricated house manufacturers

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

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

19,251 houses No.1 in Japan

Built-to-order business

Detached homes, rental housing

Rental Housing Business

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



BEREO three- to four-story rental housing



Celeblio assisted-living complex for senior citizens

Main Affiliates

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

Number of three-story rental housing starts (FY2014)

1,259 buildings No.1 in Japan

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

Sale of Properties Business

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



Seaside Momochi, a streetscape that grows increasingly attractive over time

Main Affiliates

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

Condominium Development Business

Sale of condominiums

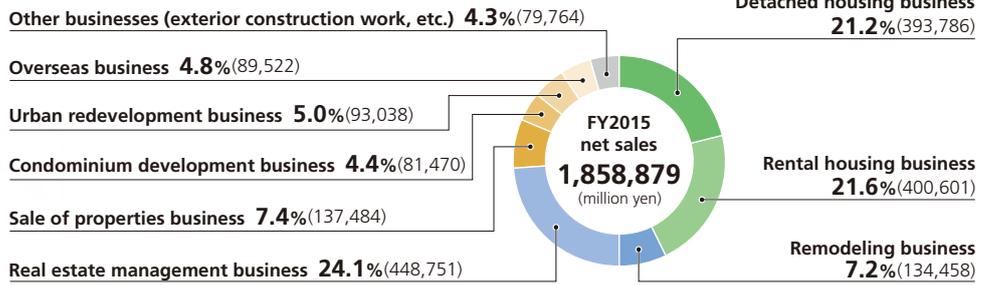


Grand Maison Josui Garden City South Forest

Main Affiliates

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

Consolidated Sales by Segment



Housing stock business

Remodeling, real estate management

Remodeling Business

Expansion and renovation of houses, etc.



Renovation Work Examples

Main Affiliates

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

Real Estate Management Business

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



Pro+Nube two-story rental housing

Main Affiliates

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

Total number of houses constructed

2,284,659 houses No.1 in the world

Remodeling business sales

134.4 billion yen No.1 in Japan

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

10,679 units No.1 in Japan

Development business

Ready-built houses, condominiums, urban development

Overseas Business

Urban Redevelopment Business

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



Umeda Sky Building

Overseas Business

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



Central Park, Australia

Main Affiliates

- Sekisui House Australia Holdings Pty Ltd.

Other Businesses

Exterior construction work, etc.



Example of Gohon no ki exterior construction and landscaping

Main Affiliates

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

Exterior business sales

60.3 billion yen

No.1 in Japan

The Sekisui House Group's Unique Strengths

Maximizing Value to Customers through Synergy Effects of Group Collaboration

Unlike consumable products, the value and quality demanded of homes are not fixed. To respond to changes in the environment surrounding housing, physical and mental changes in homeowners and their needs and secular changes affecting buildings, as well as to ensure customers feel comfortable at any given time, Sekisui House itself must continue to exist by engaging in sustainable management.

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

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



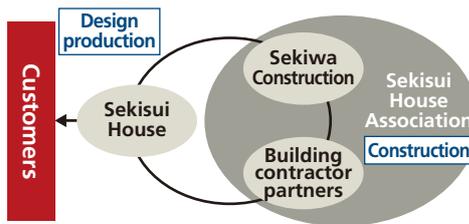
How are You Able to Realize High-Quality Construction?
How are You Different from Other Companies?

Ensuring the Highest Level of Construction Quality through Project Accountability

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

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

Rather than utilizing agencies, Sekisui House contracts directly with customers to create a project accountability structure guaranteeing solid construction quality. Wholly-owned Sekiwa Construction and building contractor partners comprising the Sekisui House Association constantly strive to improve their skills through training and other activities. Our proprietary management system facilitates construction schedule planning and construction progress status visualization that is continually shared with the Sekisui House Association to thoroughly manage quality.



Strong Customer Base

2.28 million total houses built

Built-to-order business

Detached homes, rental housing



What Does After-Sales Service Entail?

1,400 Employees Responsible for After-Sales Service

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

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

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





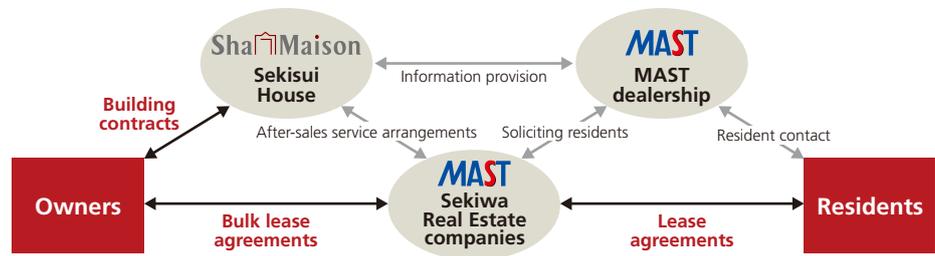
How Do You Maintain Asset Value with Minimum Management Effort?

Group-wide Management Support for Rental Housing Operation and Management

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

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

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



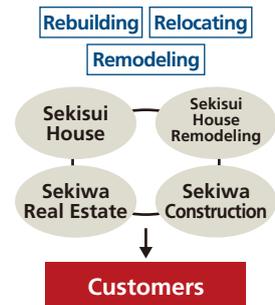
What are the Merits of Sekisui House Group Remodeling?

Remodeling Making Use of Numerous Construction Achievements

Group-wide Support, from Remodeling to Rebuilding and Relocation

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

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



Housing stock business

Remodeling, real estate management

Development business

Ready-built houses, condominiums, urban development

Overseas Business

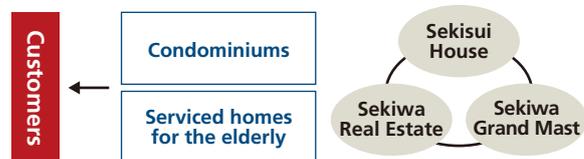


What are the Positive Effects of Your Development Business?

Supporting the Next-Generation of Multi-Generational Exchange Communities

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

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



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

TOP MANAGEMENT COMMITMENT

Resolving Social Issues with Initiatives Going Beyond Conventional Thinking

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

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

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



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

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

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



Isami Wada
Chairman & CEO

Household electricity consumption ratio

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

Source: IEA/OECD Electricity Statistics

Reduction of household asset value

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

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

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



Growing aged population

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

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

Source: Cabinet Office

Economic Burden of Healthcare Expenses

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

Approximately 36% was spent on people 75 years or older

Source: Ministry of Health, Labor, and Welfare

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

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

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

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



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

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

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

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

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

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

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

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



The super-aged society has arrived in Japan



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

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

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

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

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

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

TOP MANAGEMENT COMMITMENT

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

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

Supporting Well-Balanced Profit Growth with Three Business Models

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

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

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

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



Toshinori Abe
President & COO

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

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

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



ZEH compliant product Green First Zero ZEH



Rental housing Sha Maison contributes to the housing stock business

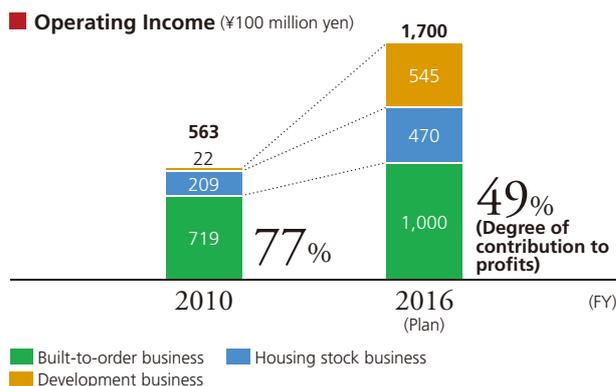
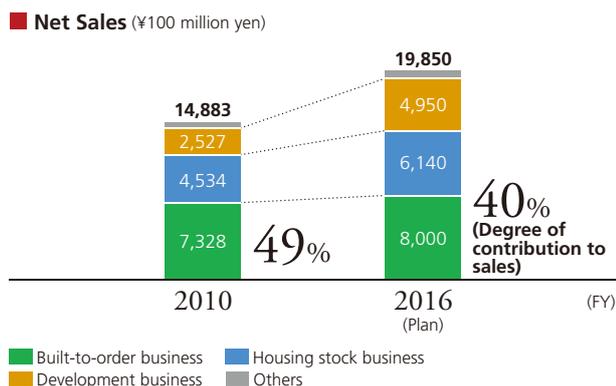
of residents by improving the thermal environment. The combination of improved insulation, the introduction of energy-efficient equipment and photovoltaic systems will enable even greater CO₂ reductions.

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

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

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

Balanced Earnings Composition Changes



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

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

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

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

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

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

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

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

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

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



Original exterior wall Dyne Concrete new pattern Shade Border



Female employees are also active at construction worksites

Development of Philosophy and Value Creation

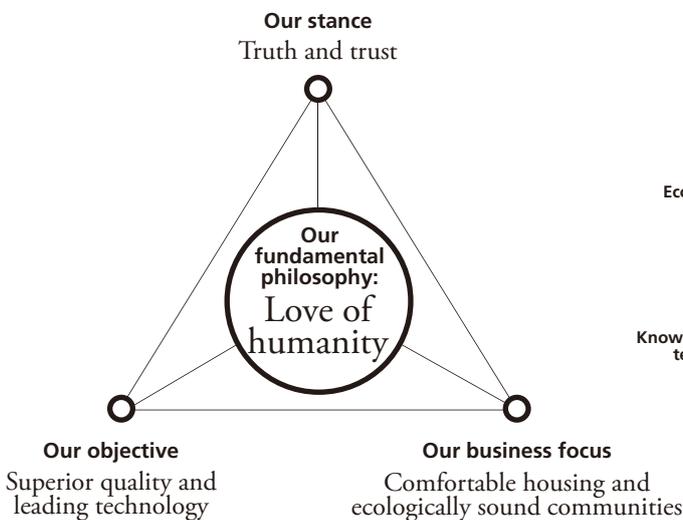
Progress of Sekisui House's Creation of Four Values through Housing

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

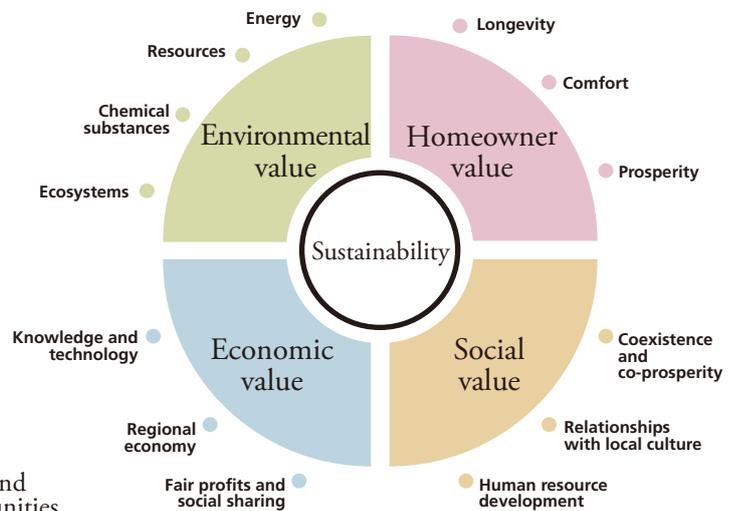
In 2005, we defined "a sustainable society" as the vision we must aim towards and announced four values—environmental, economic, social and homeowner—to realize and verify this goal, which is intended to achieve balanced management. After that, the four values were enhanced by accelerating the development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

We will target sustainable development through the continued creation of shared value.

Corporate philosophy



4 Values and 13 Guidelines



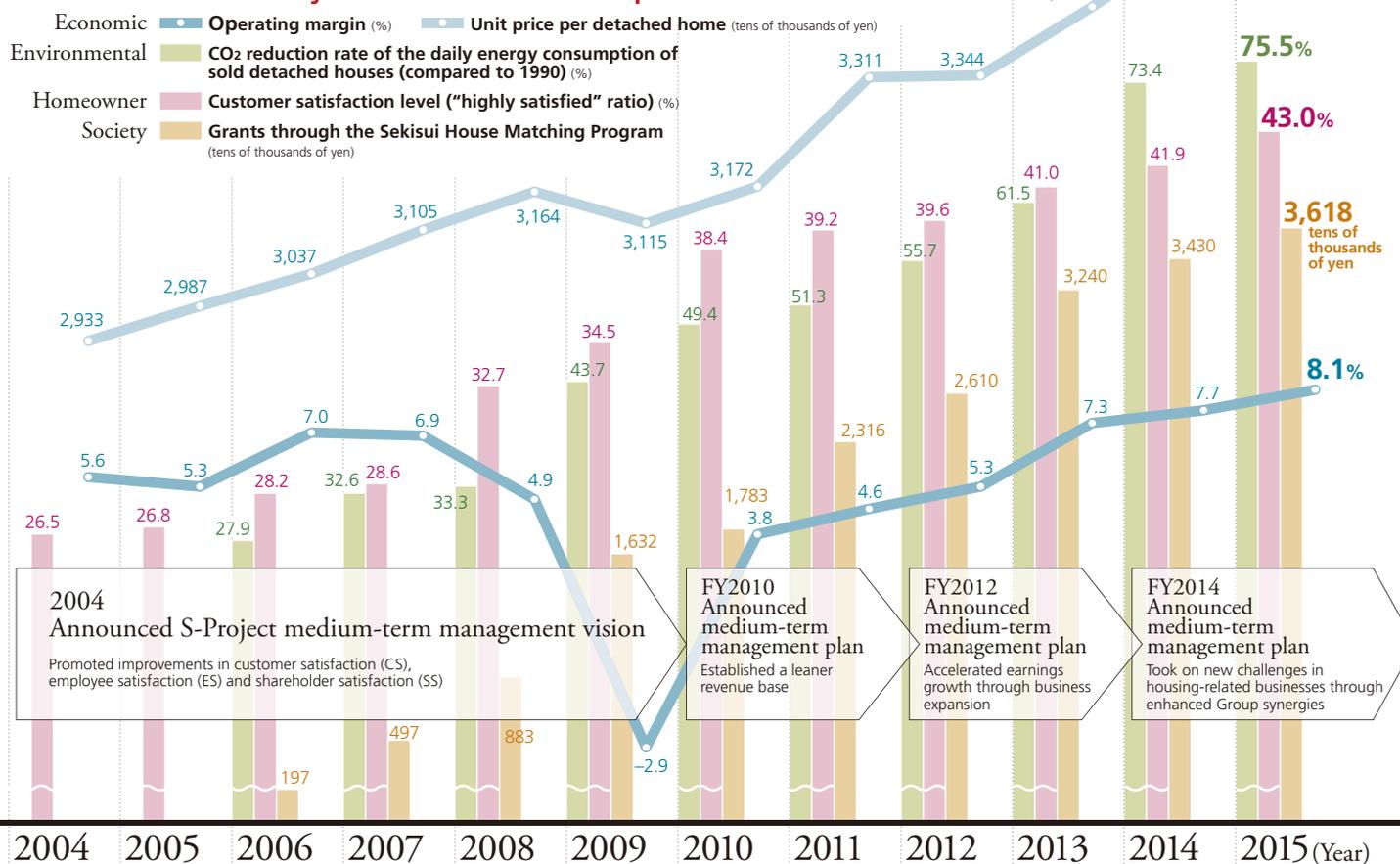
Our fundamental philosophy, a love of humanity, means doing all things in good faith and with a spirit of service. It means desiring happiness for others, and treating their joy as our own, with the awareness that each and every human being has irreplaceable value. This was formulated in 1989 based on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

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

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



Shared Value Created by the Sekisui House Group



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

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

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

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

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

2005 Announced the Sustainable Vision
Formulated the Urban Development Charter

2007 Introduced the SHEQAS seismic control system
Formulated Wood Procurement Guidelines

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

2009 Launched the Green First model of eco-friendly homes

2010 Commemorated 50th anniversary
Achieved the milestone of 2 million homes

2011 Launched the Green First HYBRID model
Launched the Airkis high-quality indoor air system

2013 Led initiative to promote energy-neutral housing
Launched the Green First ZERO model

2014 Launched Disaster Risk Reduction Factory of the Future

2004 Niigata Prefecture Chuetsu earthquake

2005 Kyoto Protocol takes effect

2006 Basic Act for Housing comes into effect in Japan

2007 Niigata Prefecture Chuetsu Offshore earthquake

2008 Lehman Shock causes global financial crisis
Hokkaido Toyako Summit held

2009 Japanese government launches Long-Term Quality Housing Certification Program

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

2011 Great East Japan Earthquake

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

Business Model

Creating Shared Value Aimed at Sustainable Development

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

The Source of Our Value Creation

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

Sekisui House's mission is to develop the skills of a diverse range of human resources, utilize those skills to create high added value and become a corporate group needed by the world. To cultivate professionals having a deep sense of humanity who will understand customer housing concepts and make them a reality, we systematically conduct a variety of level- and position-based training. In 2015, we invested approximately ¥734 million in education and training (excluding expenses related to OJT and self-development support).

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

1,400 people, about 10% of Sekisui House employees, work in the after-sales service division. They of course promptly visit owners who have requests or inquiries and even when there are no special requests, they regularly conduct visits three months, one year, two years, five years, 10 years and 20 years after move in. Additionally, we conduct monthly "LOHAS visits" during the first year after move in to provide information on seasonal care. In 2015, these voluntary visits were conducted over 210,000 times.

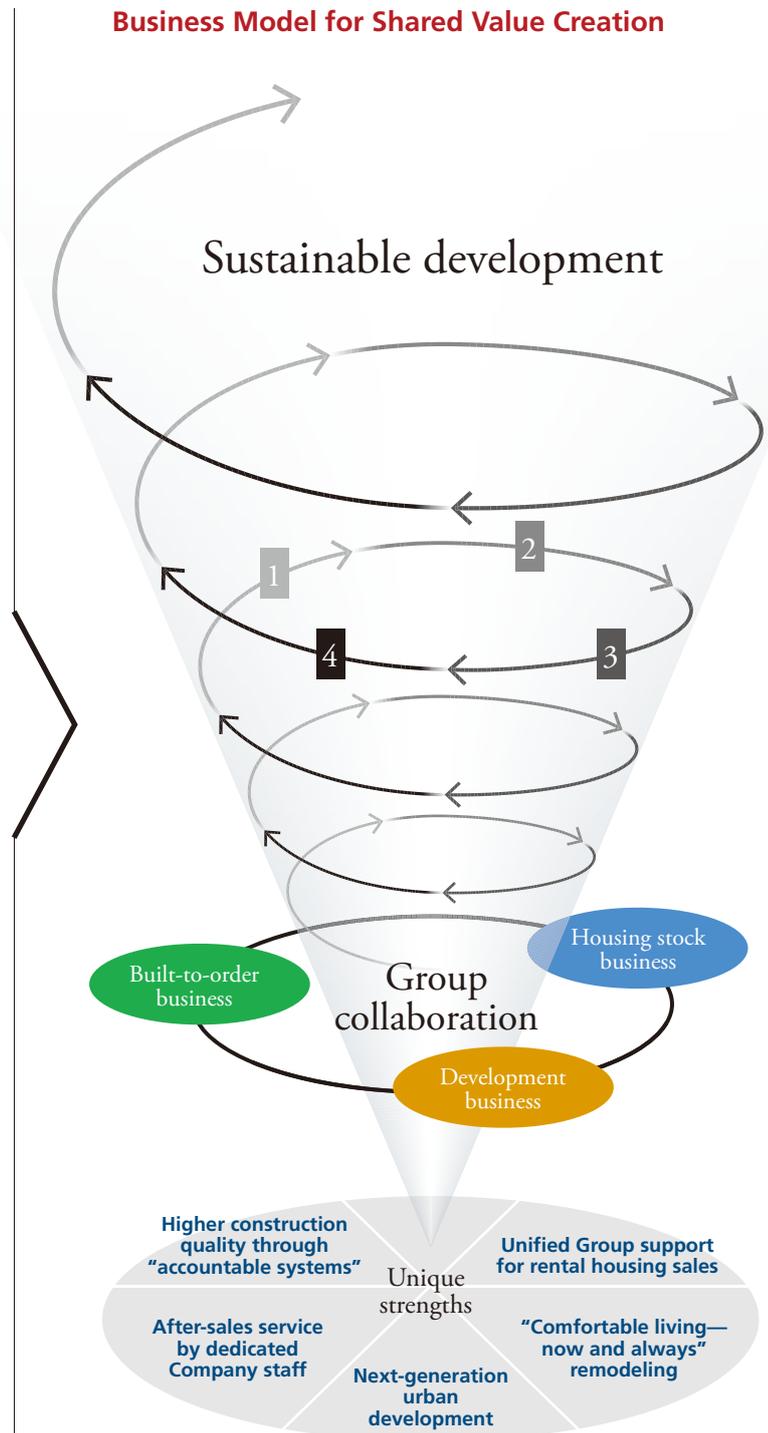
Cumulative total of houses built: **2,284,659**

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

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

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

Business Model for Shared Value Creation





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Investment for future profits

We invest profits earned from business activities in human resource development, IT aimed at operational efficiency and cost reductions, overseas business and other forward-looking activities.

CSV Strategy 5 6

Housing stock business expansion

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



CSV Strategy 1 3 4 5

Building a solid customer base

For more than half a century, we have been the housing industry leader, developing business specializing in housing and building a solid customer base boasting the largest number of detached and rental housing units in the world.



CSV Strategy 1 2 3 4 5

Providing housing with high added value

Realizing high added value while at the same time comfort, economy and eco-friendliness with Green First Zero and other housing.

CSV Strategy 1 2 3 4 5 6

Primary Value Creation and Impact on Society

Economic value

Operating margin 8.1%

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

Unit price per house ¥ 37 million

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

Environmental value

CO2 reduction rate of detached houses 75.5%

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

Green First Zero ratio 70.9%

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

Homeowner value

Customer satisfaction level 95.2%

In questionnaires submitted one year after moving in, the total ratio of very satisfied (43%), satisfied and somewhat satisfied homeowners has hovered around 95% for the past several years. The questionnaire results are analyzed in detail and incorporated into the PDCA cycle.

Rental housing occupancy rate 96.5%

The construction of high-quality rental housing and batch leasing has led to the realization of more stable sales. Occupancy rates have been steadily rising each year since 2010.

Social value

Sekisui House Matching Program grants ¥ 36.18 million

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

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

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

Medium-Term Management Plan and CSV Strategies

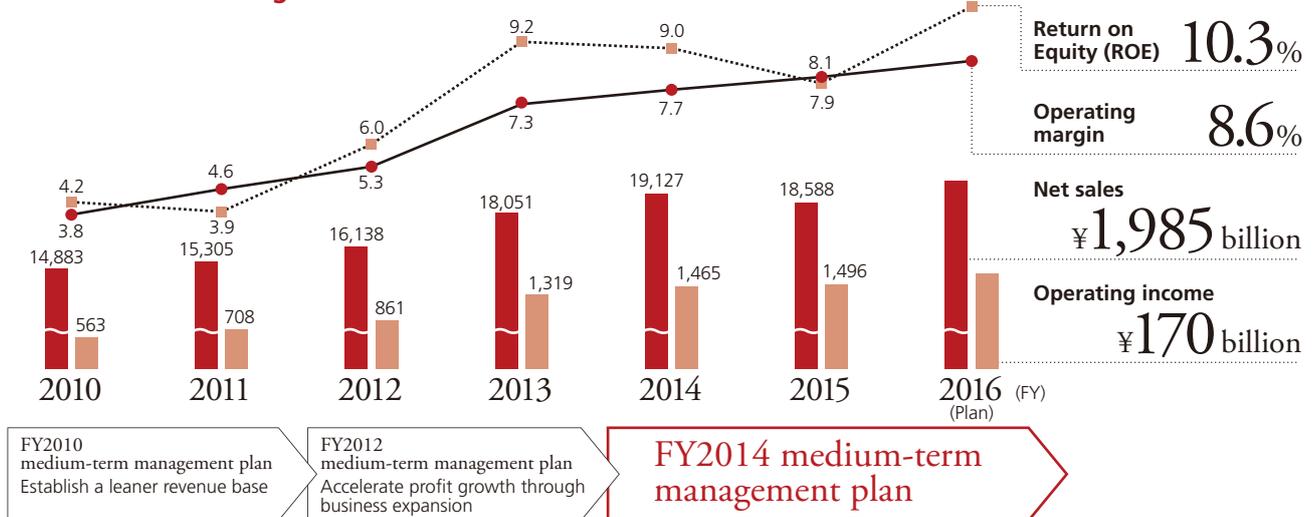
A Growth Strategy Centered on Housing

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

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

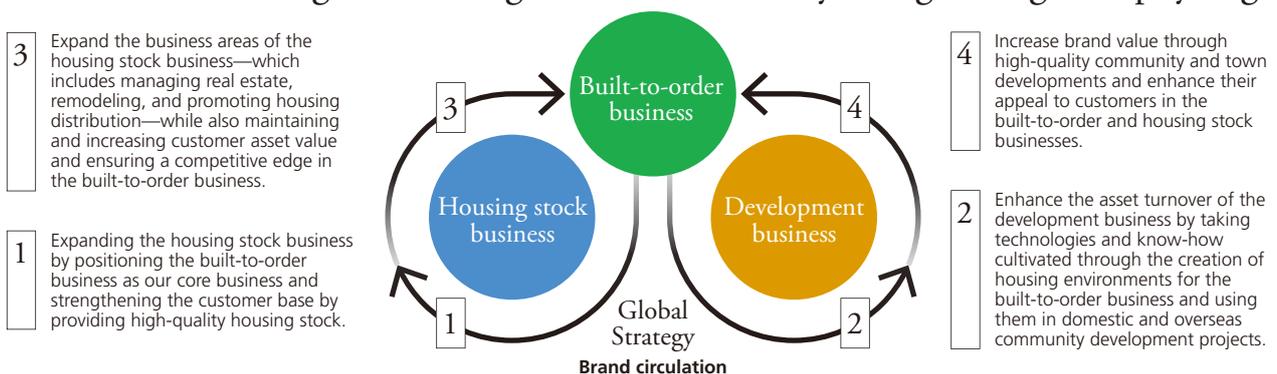
Specific strategies and progress updates are disclosed in the medium-term management plan and other policies.

Medium-Term Management Plan and Performance Trends



FY2014 Medium-term Management Plan Basic Policies

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



FY2014 Medium-term Management Plan Progress

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

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

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

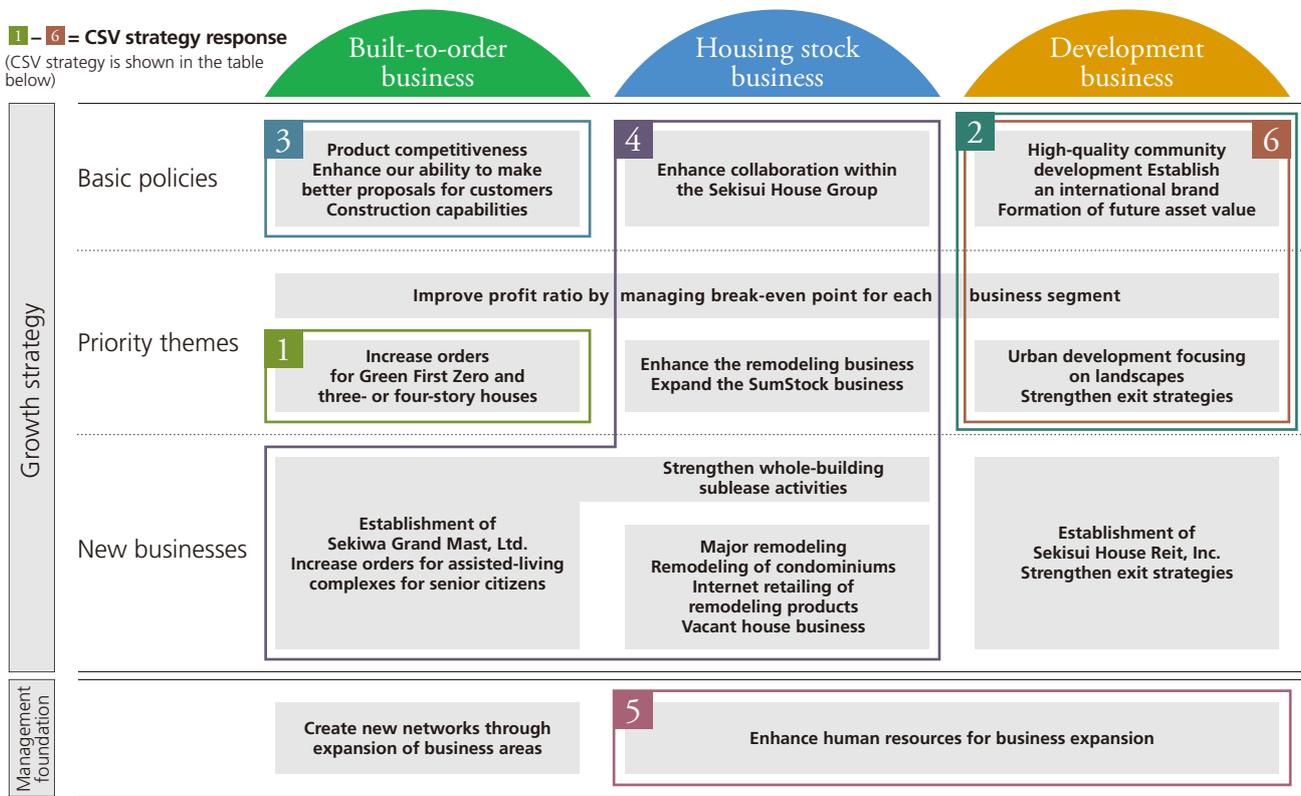
Green First Zero, three- to four-story home high added value products, major renovations and general remodeling orders were all on track, enabling us to achieve medium-term management plan targets in fiscal 2016, the final year of the plan, leading us to revise our forecast upward in anticipation of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



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

FY2014 Medium-Term Management Plan and CSV Strategies

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



CSV Strategy and G4 Material Aspects

	CSV Strategies	Correlation with specific G4 material aspects
1 Promoting net-zero-energy housing	Contribute to customer healthy life expectancy and the environment by realizing high-quality living not constrained by energy problems	<ul style="list-style-type: none"> Environment: Energy Environment: Atmospheric emissions Environment: Products and services
2 Preserving biodiversity	Protect ecosystem networks through use of sustainable natural capital that considers impacts on business	<ul style="list-style-type: none"> Environment: Biodiversity Environment: Supplier's environmental evaluation Economy: Procurement practices
3 Maintain and improve technological development, manufacturing and construction quality	Realize maximum customer satisfaction through superior quality and leading technologies	<ul style="list-style-type: none"> Product responsibility: Customer safety and health Product responsibility: Compliance Labor practices: Occupational health and safety
4 Extend lifespan of houses and enhance after-sales support	Long-term support of customer lifestyles through Group company collaborations. Link to improved value of housing and resource recycling	<ul style="list-style-type: none"> Environment: Effluents and waste Environment: Products and services Product responsibility: Customer safety and health Product responsibility: Compliance Product responsibility: Products and services labeling
5 Promoting diversity and developing human resources	Aim to become a sustainable corporate group generating high added value while encouraging diverse employees to realize their potential and respect one another	<ul style="list-style-type: none"> Labor practices: Diversity and equal opportunity Labor practices: Occupational health and safety Labor practices: Training and education Labor practices: Employment Human rights: Investment
6 Developing overseas business	Contribute to the preservation of the environment and the promotion of safe, secure and comfortable global lifestyles through the expansion of high-quality and sustainable housing and urban development	<ul style="list-style-type: none"> Environment: Energy Environment: Biodiversity Product responsibility: Customer safety and health

Communication with Shareholders and Investors

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

Visitor Days and Briefings

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

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



Comprehensive Housing R&D Institute tour



Company briefing and seminar

Shares in a Unit

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

Exercise of Voting Rights via Internet

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

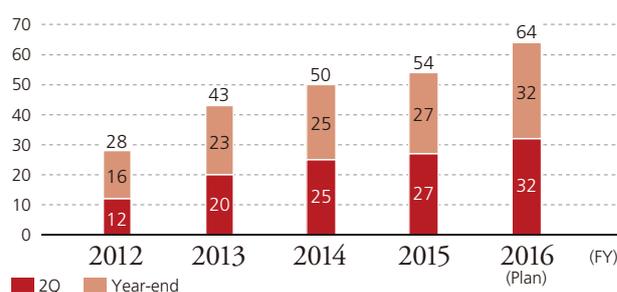
Returning Profits to Shareholders —Ensuring High Dividends and Total Return Ratio

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

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

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

■ Dividend (Yen)



Shareholder Preferential Gift Program

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

Donating Shareholders' Preferential Gifts

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



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

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

CSV Strategies

— Creating Shared Value through Business —

1 Promoting net-zero-energy housing P.23

Contribute to customer healthy life expectancy and the environment by realizing high-quality living not constrained by energy problems



2 Preserving biodiversity P.29

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



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

Realize maximum customer satisfaction through superior quality and leading technologies



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

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



5 Promoting diversity and developing human resources P.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 P.49

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





1 Promoting net-zero-energy housing

Contribute to customer healthy life expectancy and the environment by realizing high-quality living not constrained by energy problems

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

Backdrop

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

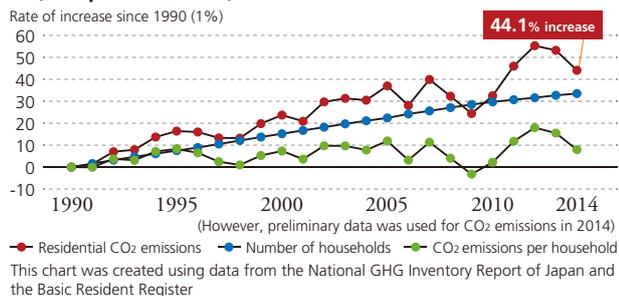
CO₂ emissions must be reduced globally to control global warming. At COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations) held in Paris in 2015, Japan committed to reducing greenhouse gas emissions 26% by 2030 compared to 2013 levels. To achieve this, we must achieve a substantial 39.9% reduction in the residential sector.

To reduce home energy consumption and control CO₂ emissions, the Japanese government is promoting the spread

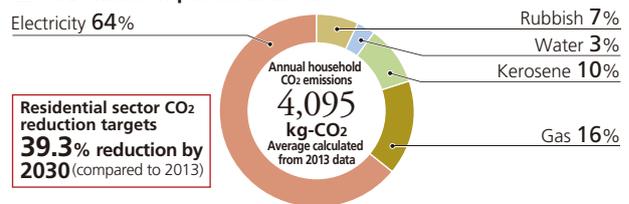
of net-zero-energy housing (ZEH) enabling zero net energy consumption through the utilization of high energy-saving performance photovoltaic systems and fuel cells. To this end, the government is targeting the implementation of ZEH as the standard for newly built housing by 2020.

The spread of ZEH and “smart towns” that optimize energy consumption on a community-wide scale are extremely promising in terms of resolving energy problems and disaster response.

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



CO₂ emission per household



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

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

Approach

Our goal

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

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

Positioning energy conservation as one of our basic functions, we proactively propose Green First newly built detached homes and energy-saving and energy creating remodeling and renovation

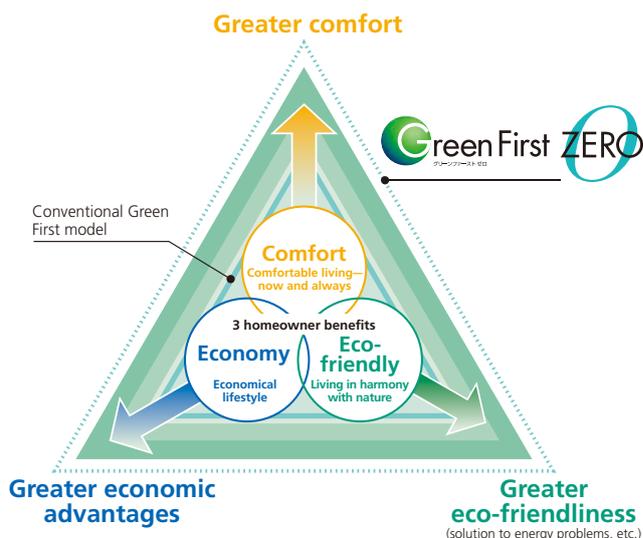
for existing homes. These proposals enhance home comfort and economy while significantly reducing energy consumption and contributing to the achievement of national objectives for the reduction of greenhouse gas emissions.

We aim to achieve the COP21 residential sector commitments with both newly built and existing homes.

Anticipating Government Promotion of ZEH with Green First ZERO Homes

Since 2009, Sekisui House has provided homeowners with rich and comfortable lifestyles by promoting the spread of eco-friendly Green First homes that significantly reduce impacts on the environment. In response to various conditions, including the customer's family structure, lifestyle and housing site conditions, we propose optimal combinations of photovoltaic systems, fuel cells and high-efficiency water heaters.

In May 2013, we launched sales of Green First ZERO in anticipation of government policies promoting ZEH. We are encouraging the spread of housing enabling the pursuit of lifestyle comfort without being limited by energy problems.



Action policies

① Expanding Net-Energy-Zero Housing

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

Furthermore, we will implement initiatives aimed at meeting the COP21 residential sector commitment in terms of existing housing.

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

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

② Strengthen Energy-Saving and Energy Creating Proposals for Remodeling

We are also promoting Green First remodeling and renovations for existing housing to realize comfortable, eco-friendly living. The combination of home energy saving using high insulation and the latest equipment with energy creation using photovoltaic systems and fuel cells will significantly reduce existing home CO₂ emissions.

Sekisui House Remodeling handles detached houses, Sekiwa Real Estate handles rental housing and Sekiwa Construction Group handles general conventional method constructed housing and condominiums. All three promote aggressive proposal activities.

Impact of These Activities on the Company

ZEH housing significantly reduces CO₂ emissions and utility expenses, while supporting more comfortable living and homeowner healthy life expectancy. We emphasize these merits to the customer in an attempt to expand sales of housing products with high added value.

In addition, the remodeling and renovation of existing homes through the aggressive promotion of ZEH and energy conservation contributes to the accumulation of quality housing supply and is expected to expand business by stimulating potential demand.

Risk management

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

Our response 1 The level of our standard specifications are high, so ZEH can be achieved at comparatively little extra cost. Furthermore, as a major housing manufacturer, we control cost increases through central purchasing, which reduces buyer burden. Additionally, with ZEH specifications, utility expenses are significantly lower, thus increased costs can be recovered in a comparatively short amount of time.

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

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

State of Progress

① Expanding Net-Energy-Zero 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 to emphasize the merits of Green First ZERO to customers.

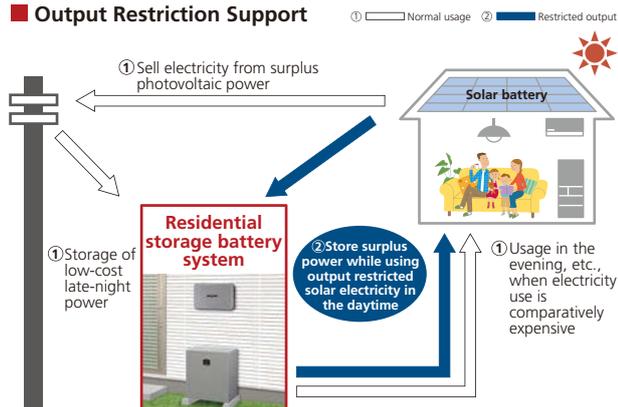
In FY2015, we aggressively proposed the net-zero-energy house support business to customers, which provides subsidies for new construction and purchase of ZEH homes. Sekisui Homes acts as an agent to assist with the subsidy application process. We made every effort to create manuals and policies and conduct study meetings for employees engaged in these duties.

Sekisui House is the First Housing Manufacturer to Launch Sales of “Green First Energy Storage Style” Corresponding to Photovoltaic System Output Restrictions

In accordance with January 2015 revisions to the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities, some electric power companies restrict the output of residential photovoltaic systems. Output restrictions balance electric power supply and demand in the event there is a risk of wide-scale power outage when the power supplied by power stations exceeds demands at each power company. In response, Sekisui House launched sales of Green First Energy Storage Style in May 2015. This output restricting energy storage system for detached homes is the first of its kind sold by a housing manufacturer.

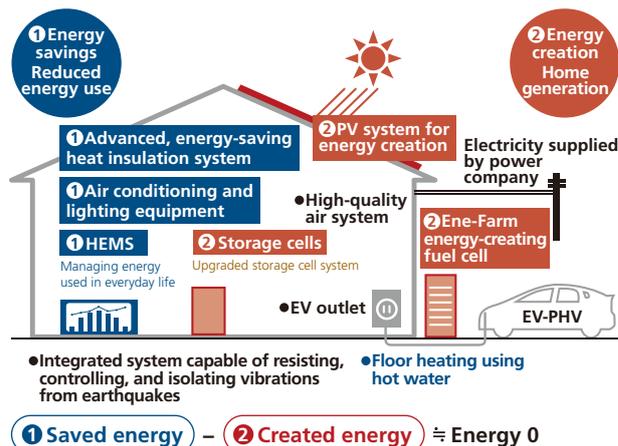
This product restricts output in afternoon hours when energy cannot be sold and automatically stores excess power, enabling nighttime or shared usage. Also, in the event of a power outage caused by natural disaster, or skyrocketing electric costs in the future, the photovoltaic system and storage battery ensure the supply of electric power, eliminating customer concerns.

■ Output Restriction Support



■ Green First Zero model

In addition to high insulation and energy-saving equipment, photovoltaic systems and other advanced energy-creating equipment aims to achieve net zero energy consumption.

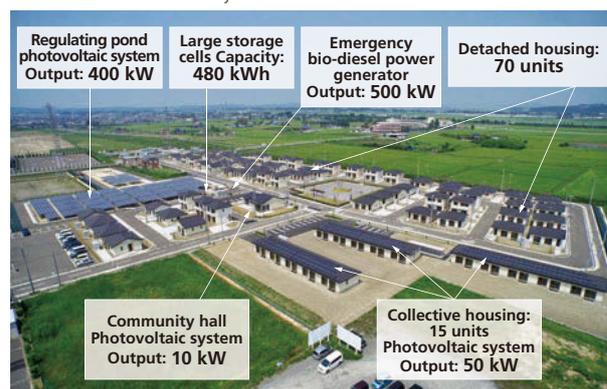


Residents Begin Moving in to Higashi-Matsushima City Disaster-Ready Smart Eco-Town, Featuring Japan's First Micro Grid

Sekisui House is developing “smart communities” in 16 locations across Japan with the aim of creating energy self-sufficient towns that are resilient to natural disasters.

The joint public-private project with Higashi Matsushima in Miyagi Prefecture constructed Higashi Matsushima Disaster-Ready Smart Eco-Town. This included the creation of Japan's first micro grid, which facilitates the mutual exchange of energy across properties. Supplying electricity from photovoltaic systems in nearby facilities such as disaster-ready public housing and hospitals reduces CO2 emissions by 256 tons annually. Large storage cells ensure three days of electric power in the event system power is cut due to a natural disaster or other event. In August 2015, regional residents from temporary housing began moving in to the 85 disaster-ready public housing units (Yanagi no Me municipal housing). In May 2016, the town-wide system went into full operation.

Note: This project, subsidized by the Ministry of the Environment, is an “independent and distributed low carbon energy society creation” initiative conducted by the Low Carbon Society Promotion Association.



World's First Fuel Cell-Equipped High-Rise Condominiums Make Use of Excess Electricity

Until now, space issues and power supply load instability due to occupant lifestyles prevented the introduction of fuel cells in collective housing. Working with Osaka Gas Co., Ltd., Sekisui House has introduced new miniaturized fuel cells in two high-rise condominiums currently being developed in Osaka. The ability to sell the fuel cell-generated electricity not used by residents is expected to reduce primary energy consumption approximately 25% compared to conventional condominiums.

This initiative was adopted from the Ministry of Land, Infrastructure, Transport and Tourism's Fiscal 2015 Second

Sustainable Building Leadership Business initiative.

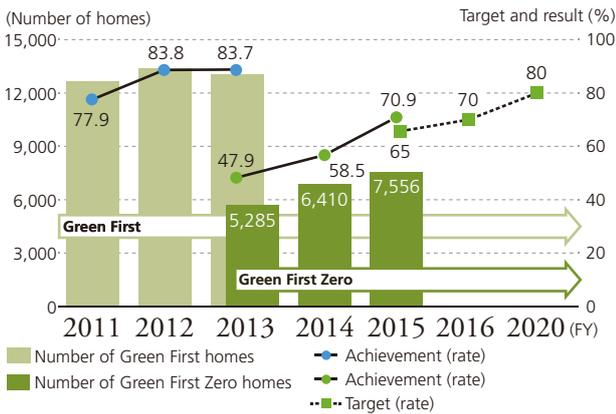
Surplus Power Purchasing Scheme



Key performance indicators (KPIs)

Indicator	Unit	FY2011	FY2012	FY2013	FY2014	FY2015	Definition and remarks
Green First ZERO	%	—	—	47.9	58.5	70.9	Ratio within Sekisui House detached housing
Amount of CO ₂ reduction compared to 1990	t-CO ₂	39,372	42,074	50,256	43,015	41,599	Reduction of residential CO ₂ emissions from new detached homes compared to 1990 levels (amount and %)
Rate of CO ₂ reduction compared to 1990	%	51.3	55.7	61.5	73.4	75.5	

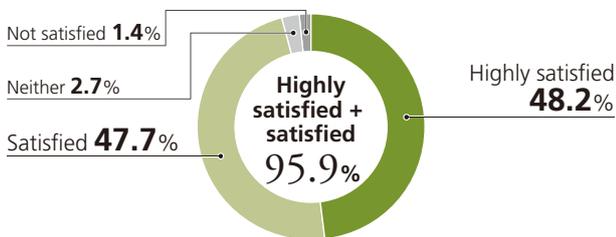
Growth in the number of Green First and Green First Zero homes



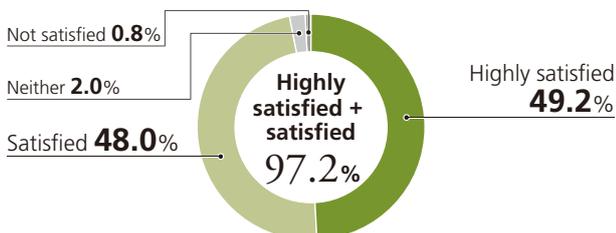
Established adoption of Green First eco-friendly housing. From FY2013, targeted achievement initiatives for more advanced Green First ZERO.

Sekisui House ZEH Occupant Customer Satisfaction

Overall satisfaction (evaluation includes utilities expenses)

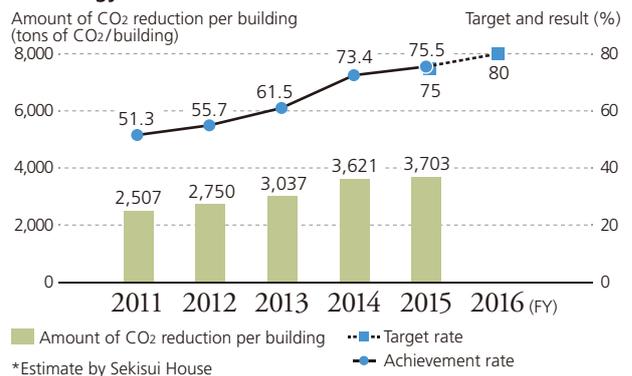


Satisfaction with housing comfort (comfort evaluation)



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

Reduction in CO₂ emissions achieved by the Green First strategy*



*Estimate by Sekisui House

Evaluation

Green First ZERO ratio was 70.9%, which exceeded the target (65%). CO₂ emissions declined compared to 1990 in line with a decrease in the number of units supplied, and the reduction per building increased, resulting in a 75.5% reduction in CO₂ compared to 1990 and achievement of the target (75%).

Customer satisfaction (highly satisfied + satisfied) was solid, surpassing 95% for the second year in a row in terms of both overall satisfaction and satisfaction with housing comfort.

Future Initiatives

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

We will also strengthen initiatives to reduce CO₂ emissions from existing detached and low-rise rental housing.

② Strengthen Energy-Saving and Energy Creating Proposals for Remodeling

Activities Report

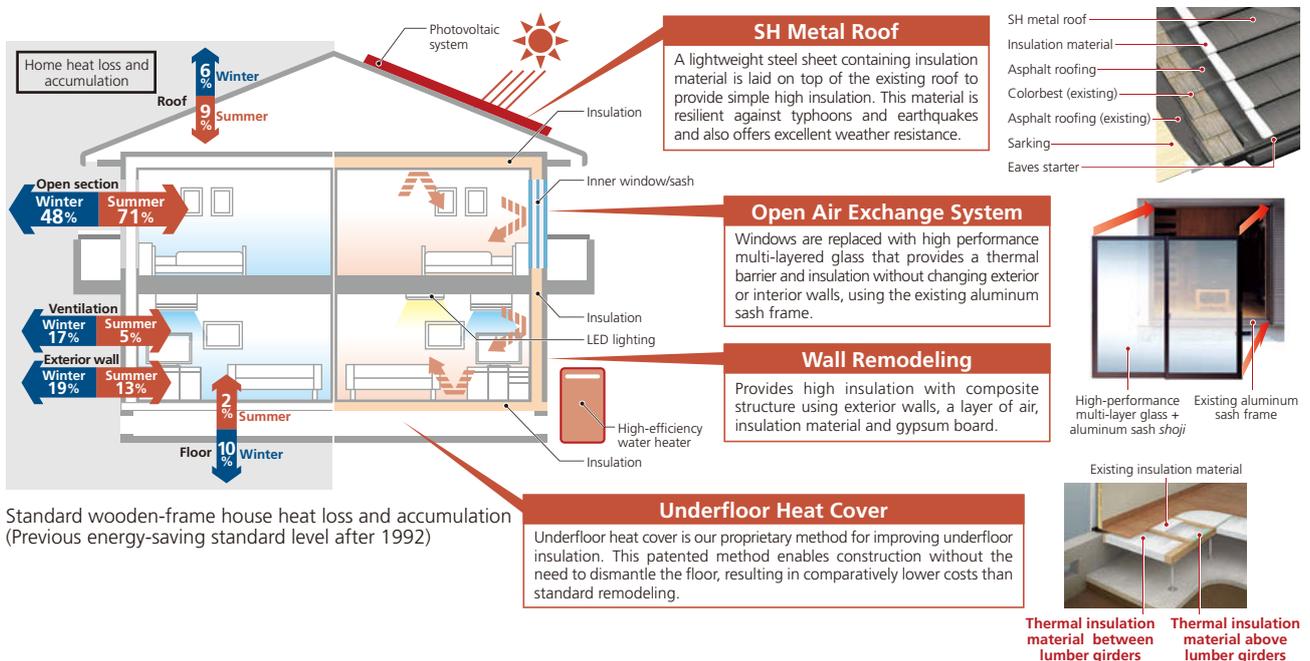
Promoting Green First Remodeling and Renovation Linked to Homeowner Healthy Life Expectancy

Sekisui House Remodeling proposes a variety of remodeling projects for detaching housing, rental housing and condominium owners based on the concept of “comfortable living—now and always.” In recent years, efforts have been focused on expanding Green First remodeling and renovation specifically targeting energy saving/generation and improved comfort.

Existing housing can be converted into ZEH through the

combination of a variety of remodeling work to improve home insulation, the installation of energy-saving equipment such as high-efficiency water heaters and air conditioners, and the addition of photovoltaic and energy storage systems. Green First remodeling and renovation not only improves a home’s environmental performance, economy and comfort, it prevents heat shock with better insulation and extends homeowners’ healthy life expectancy.

■ Energy-Saving Remodeling that Improves Insulation



Standard wooden-frame house heat loss and accumulation (Previous energy-saving standard level after 1992)

TOPICS

Remodeling and Renovation Corner Established at Tohoku *Sumai no Yume Kojo*

Hands-on displays that facilitate learning and enjoyment of various technologies related to Sekisui House home construction have been established inside Company factories across Japan.

Specifically, we created the “Green First Remodeling and Renovation” corner at the Tohoku *Sumai no Yume Kojo*, which has been open since March 2016. This corner introduces Company initiatives related to detached housing remodeling handled by Sekisui House Remodeling and general conventional housing and condominium remodeling handled by Sekiwa Construction. Visitors can see an overview of Green First existing housing promoted throughout the Sekisui House Group.



Remodeling and Renovation Corner

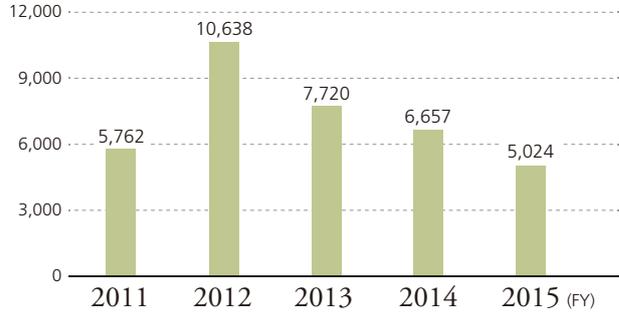
Key performance indicators (KPIs)

Energy Saving and Generation Remodeling Achievements*

Energy saving and generation remodeling menu	FY2015 achievements
Photovoltaic power system installations	1,481 units
Energy-efficient bath fixtures	4,641 units
Open insulation reform	4,808 units
Ene-Farm (residential fuel cells)	295 units
Eco-Jozu (latent heat recovery gas water heater system)	3,344 units
Eco-Cute (heat pump water system)	862 units
Underfloor heat cover	2,565 units

Note: Sekisui House Remodeling Co., Ltd.

CO₂ Reduction from Energy Saving and Generation Remodeling* (tons of CO₂/year)



Note: Sekisui House Remodeling Co., Ltd.

VOICE

Enjoying comfort for many years to come with the underfloor heat cover

Mr. and Mrs. N
Chiba Prefecture



Every winter until now, our feet always felt cold even when using the stove. We had already switched to double-glazed windows, and when we considered the floor, we recalled the underfloor heat cover introduced to us by the Sekisui House representative. When we saw the samples, the insulation looked quite thick and effective, so we decided to go ahead and have it installed. Sekisui House did a really careful job on the construction, which only took two days to complete. The installation was performed underneath the floor, so there was no need to move heavy furniture and other items in our house. The whole process was easy and we never had to lift a finger.

Since the remodeling, the entire room quickly heats up even when we set the stove 2–3 degrees lower. There is no longer any need to keep the stove on for long periods of time, which caused our gas bill to go down—this is very helpful in terms of our household finances. We are extremely satisfied with our new, more comfortable lifestyle.

Evaluation

We substantially improved home floor insulation performance and promoted the spread of underfloor heat covers that contribute to homeowner healthy life expectancy (up 164% compared to the previous fiscal year). The effects of lower electricity purchase prices and postponed renewable energy connections caused photovoltaic power systems to decline (down 50%), but the adoption of Ene-Farm and energy-efficient bath fixtures rose (up 61%).

Future Initiatives

We will strive to promote Green First remodeling and renovation to contribute to the reduction of CO₂ from existing housing. We will also focus efforts on proposals and adoption of “*sukoyaka*” remodeling*, initiatives linked to homeowner healthy life expectancy, including improved insulation, high-efficiency equipment installation and other energy saving and generating remodeling.

Note: For details, see CSV Strategy 4, p. 39

Promoting CO₂ Reductions throughout the Home Lifecycle

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

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

Indicator	Unit	FY2011	FY2012	FY2013	FY2014	FY2015	Definition and remarks
Total energy input*1	TJ	2,851	2,830	3,542	3,039	3,061	Amount of energy input at the various stages of development and design, factory production, transportation, construction and demolition
CO ₂ emitted during development, design, factory production, construction and demolition*1	t-CO ₂	119,969	114,780	148,329	126,209	130,482	Amount of CO ₂ emitted at these stages per fiscal year
CO ₂ emitted during transportation*2	t-CO ₂	39,967	38,959	45,815	37,749	36,499	Amount of CO ₂ emitted at these stages per fiscal year

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

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



CSV Strategy

2

Preserving biodiversity

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

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

Backdrop

Affecting Urban Ecosystems with Landscaping

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

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

The Importance of Ensuring Legal Traceability in Lumber Procurement

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

Of particular importance is carefully confirming that lumber used does not come from illegal logging. In recent years, logging exceeding the allowable limit to meet strong demand in foreign countries and illegal logging and distribution, including logging in prohibited areas such as protected forests, timber theft and smuggling are becoming major problems. Illegal logging causes wide-spread destruction of ecosystems and exacerbates global warming, which not only impacts the function of multifaceted environmental protections for forests, but also has an adverse impact on broader society as it harms the lifestyle of local residents, creates instability in the lumber market and timber resource valuation, and hinders sustainable forest management.

Approach

Our goal

Establish and Spread Ecosystem Preservation throughout Society Driven by the Supply Chain

Sekisui House, Japan’s largest manufacturer and supplier of prefabricated housing, is also one of Japans largest landscape gardeners, planting nearly one million trees each year. Our selection of tree species has a major impact on market trends. From this perspective, Sekisui House promotes tree planting to contribute to the protection of regional ecosystems and focuses efforts on sustainable lumber procurement linked to the protection of global biodiversity.

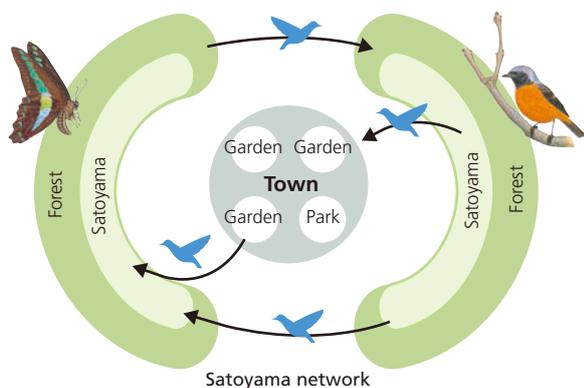
Natural capital and ecosystem services such as planting and lumber require a long time to mature and recover. Furthermore, these initiatives cannot be completed by one company alone. We steadfastly maintain activities with suppliers based on long-term scenarios and inculcate an understanding of value among customers through the provision of rich and comfortable lifestyles, all of which is aimed at spreading these activities as societal trends.

Action policies

① Promoting Indigenous Species in Consideration of Regional Ecosystems through the *Gohon no Ki* Greenery Project

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

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

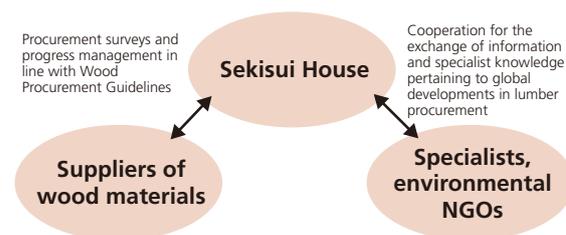


② Promoting the Use of Legal and Sustainable FairWood Lumber

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

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

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



Impact of These Activities on the Company

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

Furthermore, in the lumber procurement area, the process of conforming to our guidelines heightens supplier awareness of each company's procurement process and facilitates increasingly precise traceability information on the lumber handled by each supplier. As a result, the market for high-quality FairWood steadily expands leading to the spread of sustainable lumber.

Risk management

Risk 1

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

Our response 1

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

Risk 2

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

Our response 2

As logging area trends and other breaking news is monitored by local environmental NGOs, we will obtain information from a network of global environmental NGOs and promptly share it with suppliers of wood materials to enable the preparation of revisions to preferred lumber supply systems.

State of Progress

① Promoting Indigenous Species in Consideration of Regional Ecosystems through the *Gohon no Ki* Greenery Project

Activities Report

Ongoing Promotion of the *Gohon no Ki* Project

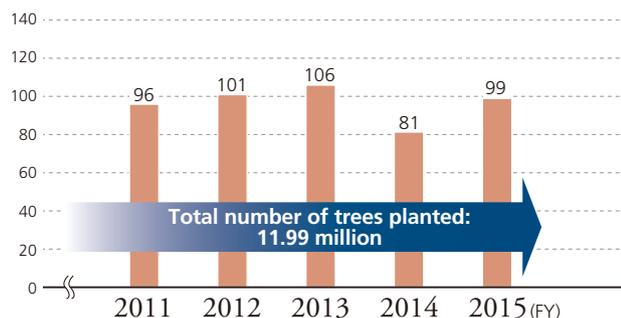
Sekisui House is promoting tree planting that is friendly to regional ecosystems based on the *Gohon no ki* project. In FY2015, 990,000 trees were planted in the gardens of newly built and

rental housing across Japan, for a total of 11.99 million trees planted since this initiative began in 2001.

Key performance indicators (KPIs)

Indicator	Unit	FY2011	FY2012	FY2013	FY2014	FY2015	Definition and remarks
Number of trees planted annually	Tens of thousands	96	101	106	81	99	Number of trees planted in Sekisui House gardening and greening

■ Number of Trees Planted Annually (Tens of thousands)



■ Exterior Construction Work Net Sales (Hundreds of millions of yen)



Evaluation

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

As a result, exterior construction work, including greening and tree planting, has risen to ¥60 billion per year in net sales.

Future Initiatives

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

To this end, we decided to conduct a survey on the comfort greening provides homeowners, as well as its relationship to butterfly varieties in the gardens. The survey, which is unusual in Japan, will look at a wide variety of butterfly varieties in individual gardens to promote the visualization of ecosystem preservation and customer comfort.

VOICE

NPO Japan Butterfly Conservation Society
Yasuhiro Nakamura
Executive Director



The green trees growing in gardens and parks are connected to a variety of living things. An average of more than 20 varieties of butterfly can be seen in gardens, where the greenery of the garden plays an important role for wild living things.

If *Gohon no ki* initiatives are expanded, gardens will become linked, connecting urban and suburban areas to create a green network. If these connections are widened, even more creatures will be able to exist in stable environments, enabling this network to fulfill a critical role above and beyond preservation of the ecosystem.

By simply planting indigenous species in gardens, and doing so on a wide-scale, initiatives to recover biodiversity will lead to higher awareness and concern for the natural environment of humans, I look forward to the full-scale implementation of these initiatives.

We are conducting the Garden Butterfly Survey in conjunction with Sekisui House.
<https://butterfly-garden.jp/sekisuihouse/>



② Promoting the Use of Legal and Sustainable FairWood Lumber

Activities Report

Sekisui House procures wood based on the following standards.

10 Wood Procurement Guidelines

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

Ranking wood products according to their level of compliance with the procurement guidelines

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

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

Promoting the Introduction of FairWood in Consideration of Producing Area Economies

In consideration of cultivating agroforestry and other sustainable community forestry from the responsibility for potentially affecting logging areas through numerous suppliers of wood materials, we do not set individual procurement targets for the sole adoption of certified wood. However, detailed inspections of all wood indicates that certified wood (including certified processed wood) accounts for 98% of structural wood material and 59% of individual interior installation.

Shawood Pure Domestic Timber Premium Model Receives "Wood Design Award" from the Ministry of Agriculture, Forestry and Fisheries

Amid an increasing focus on the problem of illegal logging in countries around the world, the destruction of mountain forests in Japan where logging cannot be conducted is becoming a problem. To contribute to improving this situation, Sekisui House promotes the adoption of domestic materials. In 2013, in conjunction with the Wood Utilization Point System promoted by the Ministry of Agriculture, Forestry and Fisheries, we launched sales of the Shawood Pure Domestic Wood Premium Model using select domestic brand wood for the columns and beams.

During the period this system was in effect until September 2015, we received orders for 520 houses. In December 2015, we received the "First Wood Design Award" from the Ministry of Agriculture, Forestry and Fisheries.

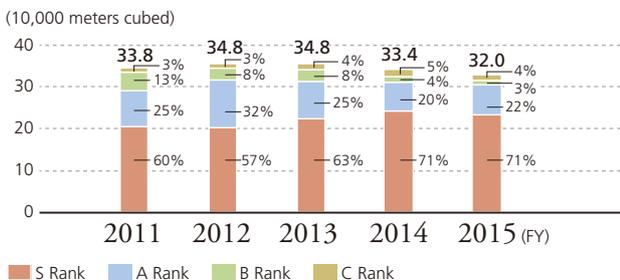


Shawood Pure Domestic Timber Premium Model

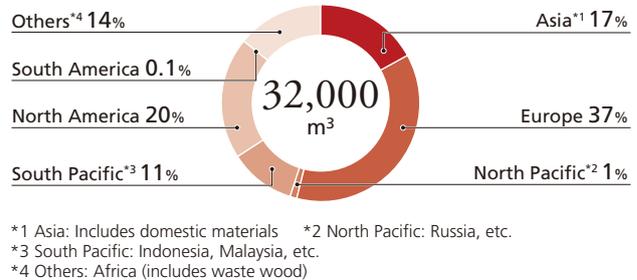
Key performance indicators (KPIs)

Indicator	Unit	FY2011	FY2012	FY2013	FY2014	FY2015	Target	Definition and remarks
Ratio of Rank S and Rank A wood products as defined by the Wood Procurement Guidelines	%	85	89	88	91	93	95	Sekisui House survey of about 50 companies supplying main wooden building materials

FairWood Procurement Volume and Rank Breakdown



Percentage of Wood Products by Region



Evaluation

In FY2015, the percentage of management target S Rank and A Rank wood increased two points over the previous fiscal year to 93%, demonstrating a clear increase in supplier management precision.

Future Initiatives

Going forward, Sekisui House will continue to strengthen alliances with suppliers. We will also proactively disseminate information through the FairWood Research Institution, comprising international environmental NGOs and leading operators to make public our own accumulated data.



CSV
Strategy

3 Maintain and improve technological development, manufacturing and construction quality

Realize maximum customer satisfaction through superior quality and leading technologies

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

Backdrop

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

The frequent occurrence of large-scale natural disasters across Japan in recent years has heightened the importance of housing's role as the cornerstone of life. However, in 2015, one scandal after another came to light in the construction industry, including the falsification of construction and product performance data having a direct impact on lifestyle safety and peace of mind. This caused anxiety to increase among consumers, whose confidence in construction quality was 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 while also improving the workforce retention rate.

Approach

Our goal

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

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

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

Action policies

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

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

② Enhancing Production and Distribution Quality, Improving Operational Efficiency

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

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

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

Impact of These Activities on the Company

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

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

Risk management

Risk 1 Shortage of workers in the construction and transportation industries

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

Risk 2 Quality risks associated with production and construction processes

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

SHEQAS Seismic Control System Certified by the Ministry of Land, Infrastructure, Transport, and Tourism

When an earthquake is transmitted to a building, it is shaken and deformed. There is a strong 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, comprising a special high-damping rubber, maintains its efficacy through repeated earthquakes and aftershocks realizing housing in which residents can continue to live with peace of mind. In FY2015, 94% of our homes were fitted with SHEQAS.



We developed Hybrid SHEQAS, which significantly enhances design flexibility through the use of a SHEQAS Frame combining a load-bearing wall and a seismic-control wall offering the same level of seismic-control capability. This enables open plans incorporating larger windows and doors.

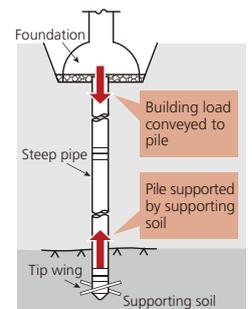
Airkis High-Quality Indoor Air System

Air pollution is becoming a serious problem at present. In terms of indoor air quality, from early on we focused attention on the health impact of chemical substances in our construction materials. We were the first to conduct research on healthy indoor air environments. As a result, we developed the Airkis high-quality indoor air system, which takes into consideration the fact that children are more susceptible to the impact of air pollution than adults. Using Airkis in

the homes 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. In FY2015, 85% of our homes were fitted with Airkis.

Achieving Safety and Rapid Construction with “Shark Pile Method” Soil Reinforcement

Developed in 2015, the “shark pile method” is a new way to strengthen soft soil during foundation work. This method has been certified by the Minister of Land, Infrastructure and Transportation. Sekisui House made an ingenious change to steep pipe piles that are driven into the ground. The tips of the steel pipe piles were widened to increase the load-bearing capacity of each 1.5–2 times that of conventional piles. This method facilitates rapid construction as it reduces the number of piles used and time required to drive each of them into the ground, while maintaining the necessary degree of strength. This method can also be used for large-scale construction projects and the construction of four-story housing with stricter design standards. In FY2015, after switching to the shark pile method in August, we used it to create foundations for 510 homes across Japan.



Shark pile method

Key performance indicators (KPIs)

Indicator	Unit	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 targets
SHEQAS seismic control system installation ratio (steel-framed two-story detached housing)	%	58.5	75.0	87.0	89.0	94.0	95.0
Airkis high-quality indoor air system installation ratio (steel-framed detached housing)	%	67.4	76.3	77.8	80.0	85.5	90.0

Evaluation

Many customers opted to install the SHEQAS seismic control system, which protects during earthquakes and enables freedom in planning, as well as the Airkis high-quality indoor air system, which is the only one of its kinds offered by a housing manufacturer. In FY2015, SHEQAS was installed in 95% of steel-framed detached housing, while Airkis was installed in 85% of steel-framed detached housing. Both increased 5% compared to the previous fiscal year.

Future Initiatives

In FY2016, we are targeting a 95% installation rate for SHEQAS and a 90% installation rate for Airkis. We have also newly developed β system, the world's first steel rigid-frame construction for industrial housing and β SHEQAS, certified by the Minister of Land, Infrastructure and Transportation. In April 2016, we launched sales of flagship model "Biena Urban Fort" as a new standard for housing.

② Enhancing Production and Distribution Quality, Improving Operational Efficiency

Activities Report

Promoted Automated Production of Main Structural Components

All five of our factories manufacture original parts including pillars, beams, exterior walls and other major housing components. As Sekisui House builds detached houses to specifications tailored to each customer, the components we use also differ from one house to another. 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. This enables the production line to operate around the clock and the establishment of a build-to-order system for accommodating customer-specific designs. Furthermore, as the new system enables component production to be optimally timed to match the construction schedule, it helps improve efficiency in both shipping and construction.

In FY2015, we engaged in preparation for enhancements and the transition to the " β system" automated production line in response to an increase in orders for steel rigid-frame three- to four-story construction homes.



Industry-first automated production line produces a variety of frames to enable customer-specific design

Promoting Distribution Efficiency through Collaborations with Distributors

Housing components built at our factories are gathered at seven distribution bases throughout Japan, where they are sorted and shipped to the appropriate construction sites. We are implementing a just-in-time inventory system that allows us to adjust the schedule and quantity of component shipments on-demand to optimally meet construction schedules. Furthermore, trucks dispatched from these distribution bases make rounds to collect waste materials and tools from each construction site and bring them back to the bases. To increase work efficiency at construction sites, the distribution bases are also used for assembling some of the housing components.

In recent years, social issues such as an insufficient number of truck drivers and expansion of the remodeling and renovation business is increasing the importance of distribution efficiency. Accordingly, in FY2015, we created a distribution improvement roadmap and began working activities. Information is shared with production divisions as well as the supplies division and each office in an attempt to standardize and improve the efficiency of distribution operations. In FY2016, we will strengthen collaborations with distributors and make distribution more efficient.

Key performance indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	Definition and remarks
Breakeven point shipment area	%	100.0	100.9	102.4	98.5	Index utilizes FY2012 as 100

Evaluation

Orders for β system products grew significantly, and parts with a high production load such as structural components and exterior walls increased, resulting in a temporary decline from FY2013. However, Company-wide improvement activities strengthened production capacity while maintaining high quality, with the improvement trend continuing from FY2015.

Future Initiatives

We are promoting automation and enhancements on production lines at all factories. In April 2016, the beam production line at the Shizuoka Factory was completed. Major repairs to the original Dyne Concrete exterior-wall component production line at the Kanto Factory will be completed and operations are scheduled to commence in August. As a result, we will realize further productivity improvements.

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

Activities Report

“My Idea” Construction Improvement Proposal System

My Idea is a system we started in 1988 as a way for employees and building contractor partners to submit their suggestions for improvements. Sekisui House gives recognition and support to ideas covering a range of areas, such as improving the competence of construction workers or raising customer satisfaction levels. Once a year, the company solicits ideas for practical improvements in construction methods and new architectural techniques. An impartial panel of judges rates the ideas and awards certificates for the best submissions.

The 28th edition in 2015 saw 1,388 ideas come in from across Japan. Two Gold, nine Silver, one Environmental Bronze, and 33 Bronze awards were given out.

Through this system, we have received a total of 49,851 proposals, many of which have given rise to new tools, equipment, and construction methods. Award-winning ideas are introduced in our *Tsuchioto* newsletter and on our company intranet, so they can be shared with construction sites and among our employees and building contractor partners across Japan.



Gold prize: NB exterior wall adjustment tool invention



Gold prize: Floor ink 2 dispenser

Cultivating Young Technicians at School and Through Seminars

Sekisui House strives to pass on technologies to young technicians through employee training to maintain and improve construction quality and ensure stable construction capabilities into the future. These efforts include Sekisui House Training Schools directly operated by Sekisui House as accredited vocational ability development schools located in East Japan (Ibaraki Prefecture), Central Japan (Shiga Prefecture) and West Japan (Yamaguchi Prefecture). Young employees of Sekiwa Construction companies and our partner building contractors receive training on technologies and skills as well as the education and etiquette necessary for adults in society with the aim of cultivating human resources able to work at the front lines of our industry. One of the aspects of this school that differentiates it from others is, in addition to the knowledge and skills required for construction, employees also study the importance of the Sekisui House corporate philosophy in terms of realizing customer satisfaction. Trainees go on to become construction technicians and managers at locations throughout Japan.

After training, employees who participated in programs at each training center continue studying to improve their techniques and skills. We offer a diverse curriculum, including foundational training, training on interiors and exteriors and other specialized subjects. Employees are able to participate in ongoing training that corresponds to their experience and skill level.

Key performance indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015
Construction workers (foundations, construction, carpentering)	People	10,249	10,899	10,518	10,393
Educational training center and school participants (total)	People	2,208	2,294	2,385	2,480
Employees who passed the Sekisui House Senior Technician exam (total)	People	14,301	14,458	14,607	14,808
Certified Construction Masters	People	205	312	318	305

VOICE

Winning the Gold Prize at the 28th My Idea Contest (2015)

Takayoshi Abeyama
Sekiwa Construction Kinki



I won the Gold Prize for the NB exterior wall adjustment tool, a jig for accurately and quickly adjusting the level of exterior walls. Up to now, cover plates or bars were used by two people to adjust exterior walls, so I invented an electric tool that can be used by one person. Requiring only one person do the work saves labor and is more efficient, enabling the exterior wall to be lifted with little effort. It also prevents foundation and exterior wall damage (scratches and chipping).

Going forward, I will continue to think proactively about what tools I wish I had or that would enhance convenience. I will make an effort to transform these ideas into reality to increase construction quality and satisfy customers.

Evaluation

In FY2015, a total of 95 employees attended Sekisui House Training Schools: 31 employees participated in the building frame exterior course and 64 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%. The power of youth invigorates worksites and contributes to enhanced construction capabilities. The number of employees expressing a desire to participate in this training rises each year.

Future Initiatives

In line with the increasing number of training participants, we are strengthening our acceptance preparation and post-training follow-up activities. In recent years, a growing number of women have shown an interest in these training opportunities, thus we are moving forward with dormitory remodeling and rebuilding in response to these needs. We have also established an applied skills course for trainee participants scheduled to commence in FY2016.



CSV Strategy

4

Extend lifespan of houses and enhance after-sales support

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

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

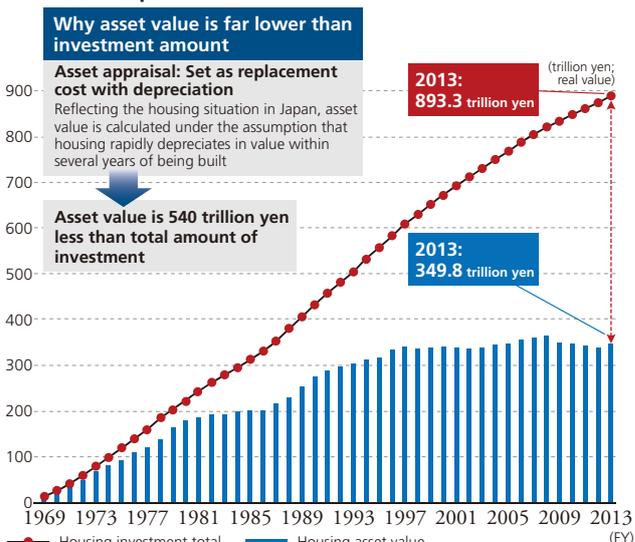
Backdrop

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

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

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

Total amount of housing investment and housing asset value in Japan



Source: FY2013 "Roundtable on Stimulating the Resale Housing Market" Report, Ministry of Land, Infrastructure, Transport, and Tourism

Approach

Our goal

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

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

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

Action policies

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

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

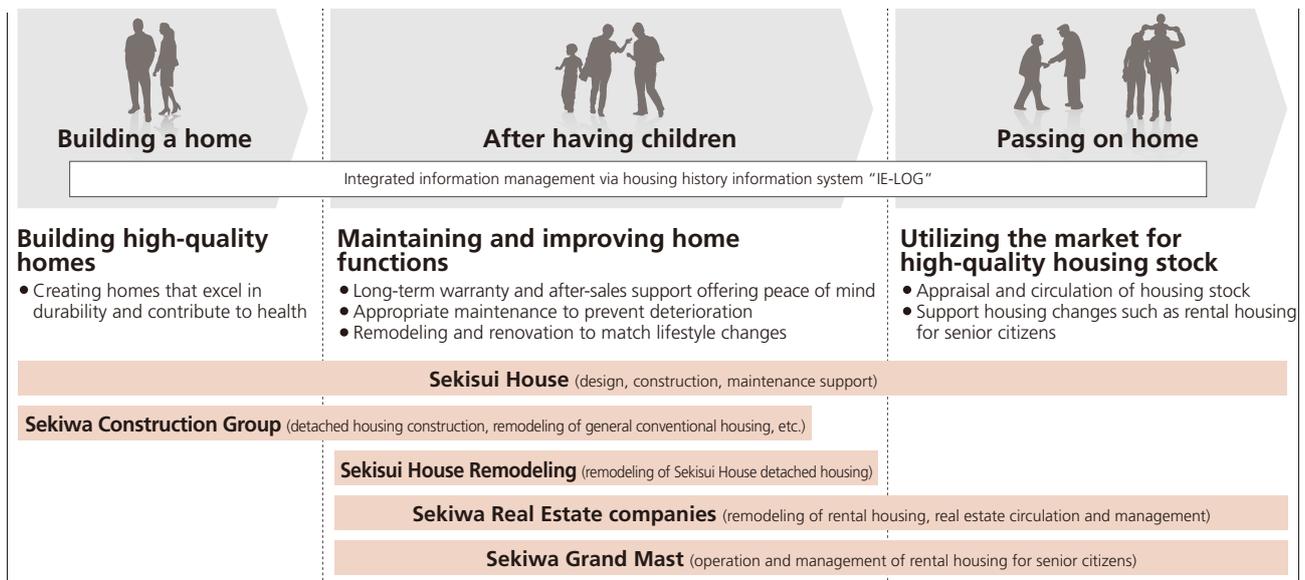
Going beyond usual remodeling aimed at repairs and improved comfort and convenience, we conduct renovations in accordance with large-scale transformations and utilitarian changes that correspond to customer needs, providing an extremely high level of safety, security and comfort that heighten customer satisfaction.

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

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

Furthermore, we will contribute to the formation of a recycling-oriented society through the effective use of limited resources by focusing efforts on the increasing waste and emissions resulting from the promotion of remodeling and renovation.

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



Impact of These Activities on the Company

If homes can be circulated while maintaining their asset value, this will ensure living expenses for the elderly in old age, expand housing options in line with the life stage of younger people in the housing stock market and support an ample

lifestyle for homeowners.

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

Risk management

Risk 1

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

Our response 1

With more than a 5% share in the domestic newly built home market, there is still room for Sekisui House to grow further. We will expand our market share and enhance our brand power through the provision of high-quality homes and comprehensive after-sales support.

Risk 2

Intensifying competition due to expansion in the remodeling market

Our response 2

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

State of Progress

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

Activities Report

Long-Term Support for Customer Housing through Group Collaboration

Comprehensive Full-Time Maintenance Support System
As housing is used over the long-term, we believe in the importance of providing a quality support system after move-in. Sekisui House employs approximately 1,400 people—accounting for nearly 10% of all employees—as dedicated staff in our Customer Center. They support the lifestyles of customers living in 770,000 detached homes and 220,000 rental housing units through assistance with daily repairs and remodeling consultations. Our unique organizational structure enables us to quickly reflect customer feedback into our product development and management structure.

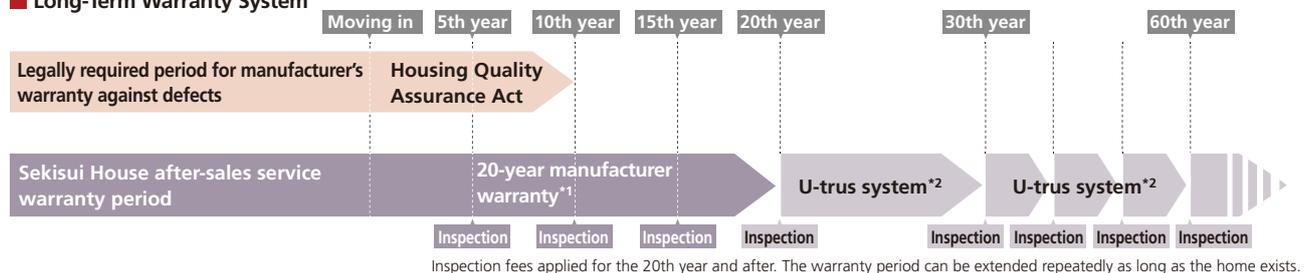
Long-Term Warranties and Housing History Information System “IE-LOG”

We offer a long-term warranty system that includes a 20-year warranty applicable to structural frames, along with other

warranties that apply to each housing component for a specified period of time. Owners of houses whose after-sales service warranty period has expired can take advantage of our U-trus system. This provides extended warranties at 10-year intervals, on the condition that required inspections, maintenance, and repairs are conducted at the homeowner’s expense.

A house is composed of tens of thousands of components. To keep track of them all, the Sekisui House Group operates “IE-LOG,” a housing history information system that corresponds to the Long-Term Quality Housing Certification Program in Japan, which shares construction information and other data in digital form. Group companies nationwide utilize IE-LOG historical data to propose everyday repairs, energy conservation and remodeling aimed at heightening comfort and convenience, as well as renovations in line with large-scale transformations and utilitarian changes.

■ Long-Term Warranty System



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

Sekisui House Remodeling Realizes Modern Comfort

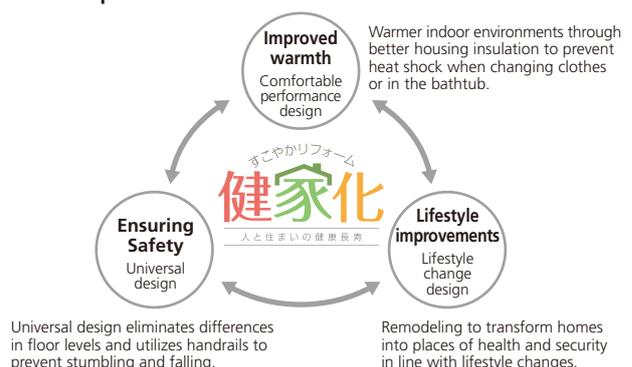
With respect to housing used by more than one generation, the elements and technologies required for comfort and convenience are changing due to homeowner lifestyles and contemporary trends. Regarding existing homes, Sekisui House Remodeling makes use of synergy effects only possible through collaboration with Group companies to propose appropriate remodeling and renovation based on the integrated management of building specifications and past interactions with customers. We have created a Group-wide structure enabling a wide-range of support for customer needs.

In particular, we aggressively promote “Sukoyaka remodeling” to create housing that contributes to healthy life expectancy by preventing sudden heat shock due to indoor temperature differences and domestic accidents, such as stumbling or falling, which are an increasing risk for the elderly.

Sekisui House contributes to the healthy life expectancies of both people and homes by providing a diverse array of remodeling options in response to changes in lifestyle, including

better insulation and warmer indoor environments to prevent heat shock and the adoption of universal designs to prevent stumbling and falling.

■ Sukoyaka Remodeling for the Healthy Life Expectancies of People and Houses



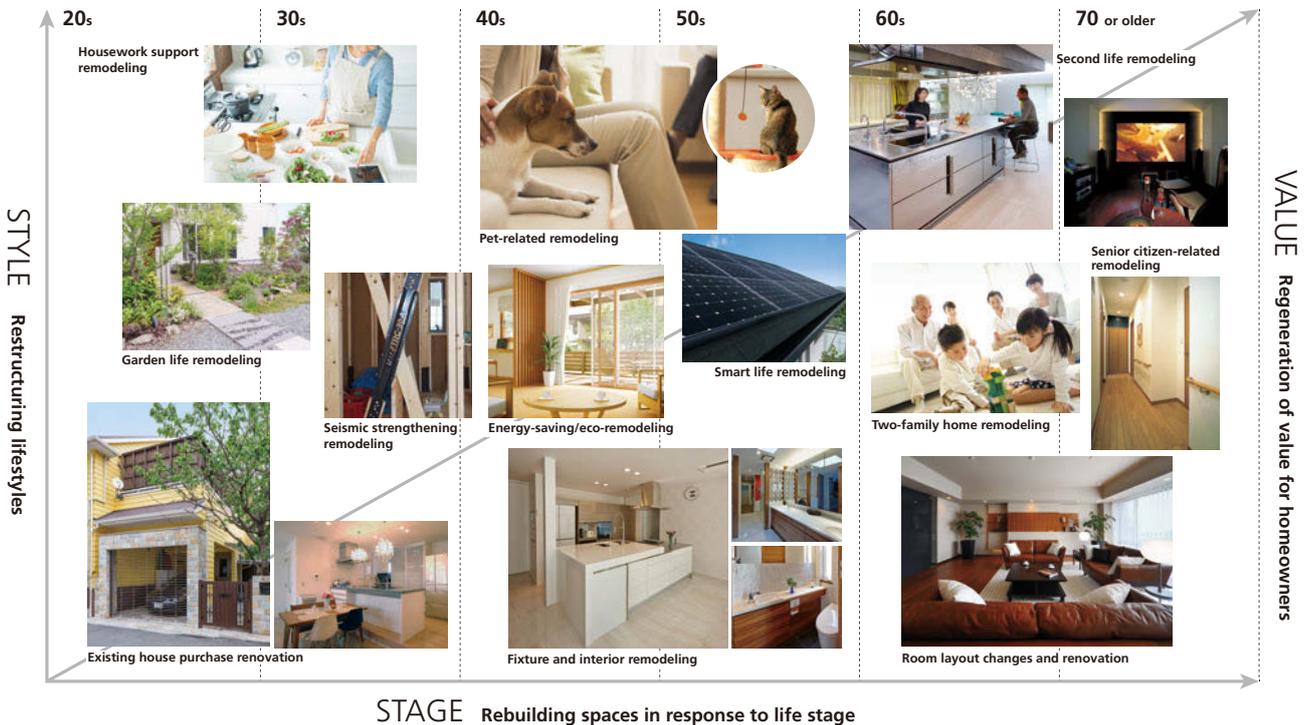
Proposing Remodeling that Enhances Comfort and Convenience to Wider Society

Meeting a Wide-Range of Needs with Sekiwa Construction's "Re:QUEST"

In line with the maturing of society, the creation of a market for housing stock focused on the maintenance and improvement of quality housing stock—not just Sekisui House homes, but all buildings in general—is becoming an extremely important issue for Japanese housing policy.

In light of these conditions, Group company Sekiwa Construction created "Re:QUEST" in FY2015, a new integrated remodeling business brand. Re:QUEST makes proposals in line

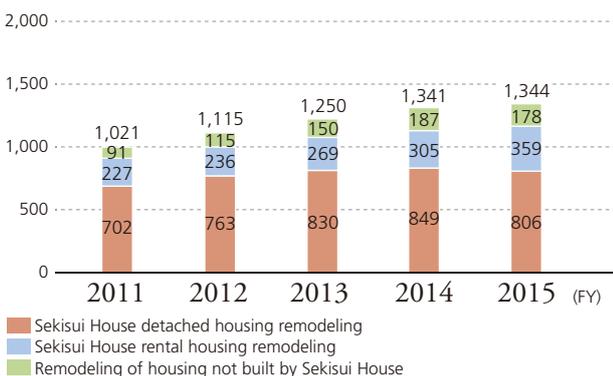
with customer needs, from major renovations and remodeling consultation to small-scale remodeling packages, incorporating remodeling technologies and expertise accumulated up to now targeting housing, stores and condominiums not built by Sekisui House. We will contribute to the effective utilization of existing housing by preparing a diverse lineup to satisfy a wide-range of ages, from younger people to senior citizens.



Key performance indicators (KPIs)

Indicator	Unit	FY2011	FY2012	FY2013	FY2014	FY2015	Definition and remarks
Long-Term Quality Housing certification acquisition rate	%	90.9	92.1	92.1	92.1	92.0	
Ratio of "very satisfied" customers in survey	%	39.2	39.6	41.0	41.9	43.0	Ratio of "very satisfied" in seven-rank assessment

Remodeling Business Net Sales (hundreds of millions of yen)



Evaluation

Sekisui House maintains a high rate of certification issued by the Japanese government to houses that meet prescribed criteria regarding various home features, including durability, seismic resistance, ease of maintenance and remodeling, barrier-free design, and energy-saving performance.

Similarly, with respect to customer satisfaction surveys, the success of repeated and steadfast activities such as the sharing of details on initiatives aimed at satisfaction and improving issues in each survey result area and targeted activity has led to an increase in customers indicating they are "very satisfied."

Future Initiatives

The Platinum Business Provides Living Environments in which the Elderly Can Live with Peace of Mind

Expansion of Platinum Business for the elderly

As the elderly segment grows, housing manufacturers play a vital role in providing housing and an array of support services that enable the elderly to live with peace of mind. Sekisui House promotes the Platinum Business, which promotes secure living environments to provide the elderly with an independent lifestyle they can call their own.

Grand Mast, developed as part of this business, is assisted-living housing for the elderly that enables lifestyles with peace of mind to healthy seniors as well as those who require care. Group company Grand Mast Ltd., works with rental housing owners to provide total operational and management support in the form of building management, subleasing, management consulting, and the coordination of various service providers.

Revitalizing Multi-Generational Interaction, From Seniors to Families

In May 2015, we completed Mast Clarion Kagurazaka, Located in Tokyo's Shinjuku Ward, this multigenerational rental apartment complex offers housing for senior citizens, families and newlyweds. This 10-story rental apartment building

contains 45 assisted-living units for the elderly, and 71 units for couples or families with children, enabling natural interaction among various age groups and operating as a "community bond" enabling everyone to live with peace of mind.

Many seniors have needs in terms of apartment size, comfort and enjoyable communities, desiring to live in elderly care housing that provides monitoring and caregiving services. Mast Clarion Kagurazaka assisted-living elderly care housing apartments range from 52–86 square meters in size, large enough to accommodate a spouse. Also, the rooftop garden and library lounge provide spaces for those raising children to interact. These popular amenities make life here more enjoyable.



Mast Clarion Kagurazaka

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

Activities Report

Spread of "SumStock" Quality Housing Stock

Aiming to invigorate the circulation of quality housing stock and create an appropriate market, 10 major housing manufacturers including Sekisui House operate the Provision of Quality Housing Stock Association. Salespeople certified by the Association appraise a house's basic structure ("skeleton") and its interior furnishings and facilities ("infill") separately. The value of the building and the land are indicated separately in our proprietary circulation system "SumStock," the adoption of which we are striving to expand. The Sekisui House Group companies are also expanding SumStock housing proposals using IE-LOG.



■ SumStock Appraisals and Sales Contracts



VOICE

I Was Able to Sell at a Fair Price and the Move to a New House Went Smoothly

Mrs. K
Saitama Prefecture



I both sold and bought homes using "SumStock" through Sekiwa Real Estate. Both were Sekisui House homes. They appraised the beloved home I had been living in at an asset value based on clear standards, enabling me to sell my home at a fair price.

I was also able to quickly find a new house to move into. Before the previous residents moved, they remodeled the home. I was surprised at how beautiful it looks. It's hard to believe it is 25 years old. The Customer Center provides peace of mind by keeping a watchful eye on Sekisui House homes, including the meticulous recording of housing history data and maintenance and repair systems offering of more than 50 years of long-term care. When I think about decorating the atrium in the wide entrance with a favorite painting and my embroidery I can't wait to enjoy life in my new home.

Promoting the Recycling of Waste Increasing in Line with Remodeling and Renovation Group-wide

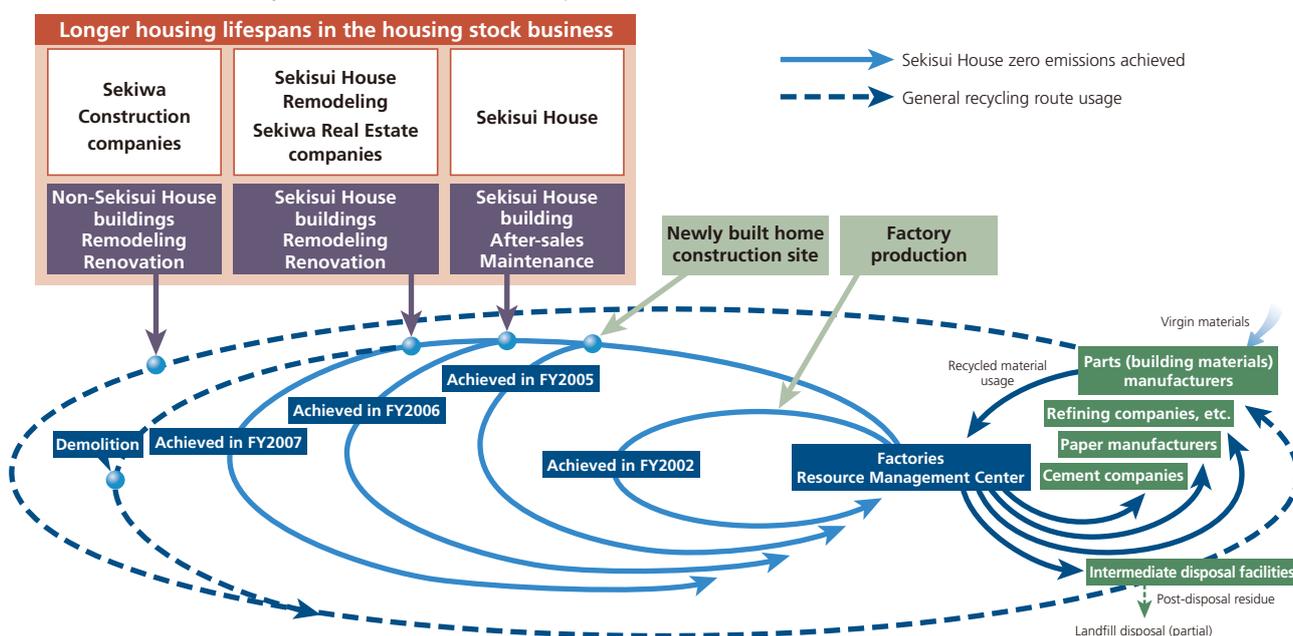
The Sekisui House, which aims to make effective use of limited resources, engages in initiatives that extend housing life and focuses efforts on the recycling of waste created by remodeling and renovation. Up to now, we have promoted industry-leading initiatives including the operation of our own waste disposal system centered on 19 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 striving to achieve and maintain zero waste emissions at all levels of production, new

home construction, after-sales maintenance and remodeling.

In renovations including demolition work, to ensure strict adherence to the separation of individual items such as wood and tiles, we created guidelines to define waste disposal operator selection criteria that are managed internally. In addition, we are also focusing efforts on environmental education for Group company employees involved in remodeling and renovation to create a system for working with partner companies to ensure the appropriate handling and recycling of waste.

■ Zero Emissions Structure and Status of Support for Remodeling and Recycling

Sekisui House supports expanding new remodeling and renovation projects utilizing a recycling system through alliances with partner companies based on a zero emissions system created in-house and a unique and strict selection criteria.



Key performance indicators (KPIs)

Indicator	Unit	FY2011	FY2012	FY2013	FY2014	FY2015	Definition and remarks
Total resource input	Thousands of tons	1,096	1,112	1,286	1,079	1,109	Amount used at our factories
Volume of waste generated*	Thousands of tons	309	311	362	728	753	Waste from new construction, remodeling, and demolition
Volume of waste generated at new construction sites	Kg/house	1,396	1,441	1,449	1,485	1,506	Amount per house (per 145 m ²)

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

Evaluation

Waste from newly built home construction has been substantially reduced by nearly 60% compared to waste generated per house in FY1999. In recent years, we have entered into a stage of more modest reductions.

This fiscal year, the amount of waste generated per house was at about the same level as last fiscal year. This was due to the impact from an increase in the ratio of sales of three- to four-story rental housing, which generate a comparably larger amount of waste.

Future Initiatives

With regard to newly built home construction site waste, Sekisui House sets target values for each model and aims to maintain an acceptable volume of waste through optimized construction management and the elimination of surplus materials.

We will also promote the creation of a structure to ensure appropriate disposal and clarify recycling implementation in conjunction with our partner companies to further ensure waste recycling in line with housing stock business expansion, including demolition work.



CSV Strategy

5

Promoting diversity and developing human resources

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

Main stakeholders: Customers, employees, investors, students and job applicants

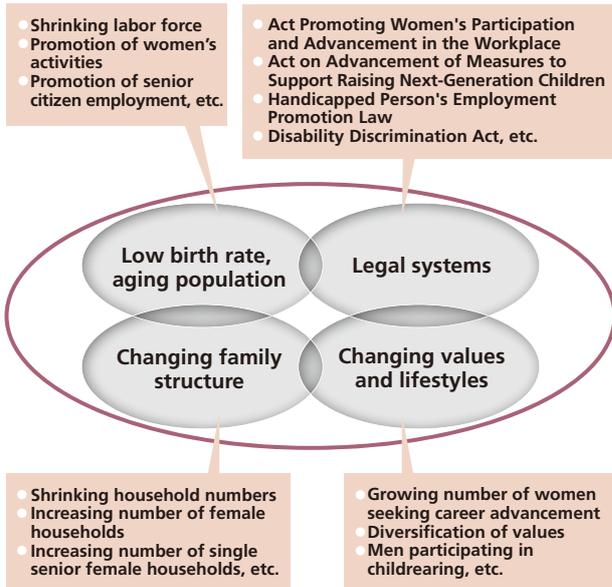
Backdrop

A Call for Diverse Perspectives to Respond to Customer Needs

Incorporating diversity—various genders, age groups, physical abilities and nationalities—and creating a corporate culture enabling individuals to make the most of their skills is extremely important in terms of achieving sustainable corporate growth. In Japan, where the labor force continues to shrink, promoting the employment of a diverse array of people, including women, the disabled, senior citizens and foreigners and creating an environment that brings out their full potential is a core issue for companies.

In the housing industry, customer needs are diversifying in accordance with 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 lifestyle proposals incorporating flexible thinking from the perspective of women and a variety of other angles.

Social Context Underpinning “Diverse Needs”



Approach

Our goal

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

The Sekisui House Group believes increased employee satisfaction is indispensable to becoming a corporate Group that meets its responsibilities to its stakeholders with sincerity.

To this end, 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 their 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.

We aim to become a corporate group necessary for global society by generating high added value in workplaces of mutual respect where all employees are able to maximize their capabilities.

Action policies

① Promoting Diversity

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

We respect employee workstyles and engage in the creation of mechanisms and environments that enable each employee to lead an active life in society.



② Develop Professionals With a Deep Sense of Humanity

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

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

■ Level-Based and Position-Based Training

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

Impact of These Activities on the Company

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

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

Risk management

Risk 1

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

Our response 1

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

Risk 2

Inhibited human resource development due to the lack of effective training

Our response 2

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

State of Progress

① Promoting Diversity

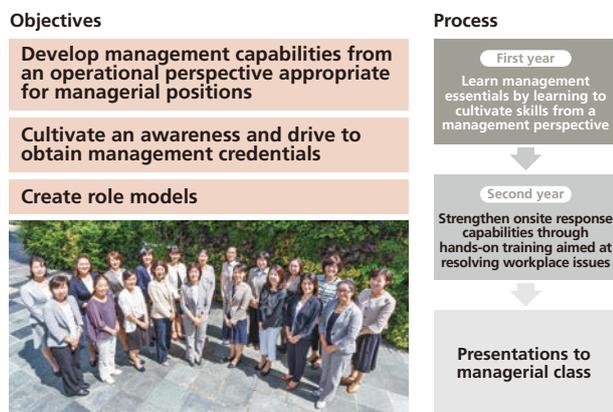
Activities Report

Proactively Promoting Active Participation by Women and Supporting Career Advancement in Sales and Technical Positions

Development of Female Managers

In 2014, we established the Sekisui House Women's College to develop future female managers. Female employees throughout Japan are nominated for management positions and sent to this college for systematic and suitable development based on a two-year curriculum. Up to now, 40 women have studied business skills and workplace issue resolution.

■ Overview of Sekisui House Women's College



Women's College first graduating class

Development of Office Managers and Young Employees in Sales Positions

Sekisui House develops young employees able to engage confidently in sales that make use of women's special qualities. We also established a development plan for female office manager candidates and promote initiatives including the provision of opportunities to engage in discussions with talented office managers.

As of January 31, 2016, there were 258 female managers working at Sekisui House throughout Japan (on a non-consolidated basis). At Sekisui House Remodeling, 58% of all sales positions (remodeling advisors) are held by women (638 people) and two of the corporate directors are women.

Expanding the Range of Technical Positions

We are engaged in expanding the range of activities in exemplary and other positions through the systematic allocation of women as chief constructor*1 and foreman, positions held primarily by men up to now, as well as the development of women leaders, including design chiefs and team leaders responsible for management. In addition, we are attempting to increase our customer proposal capabilities through the use of female professionals in each area, including as chief architects*2, Platinum specialist and structural planning specialists*2.

*1. In-house qualification certified on the basis of trustworthiness and high operational execution skills in overall construction management and administration.
*2. See page 47.

Promoting a Variety of Workstyles and Work-Life Balance for Male Employees Participating in Childrearing and Caregiving

In addition to offering support for working from home, telecommuting and a variety of other workstyles, Sekisui House introduces and promotes the use of several systems including "Hello Papa Paid Leave," a four-day childcare leave system for men whose spouses have given birth. In FY2015, we held the Active Support Forum for Work and Childrearing seven times across Japan for employees raising children, employees returning to work after childcare leave and their supervisors. We also encourage use of the Smart Holiday paid vacation system to increase family communication and opportunities for refreshment.

■ Support for Work and Childrearing

	Women employees raising children		Supervisors	Male employees raising children
	Maternity/childcare leave	After returning to work		
Communication	<ul style="list-style-type: none"> ● Guide supporting work and childrearing ● Informational magazine for preparing to resume work and career support ● Intranet 			
Network	<ul style="list-style-type: none"> ● Career Mama Salon (SNS) ● Active Support Forum for Work and Childrearing 	<ul style="list-style-type: none"> ● Women's network 		
Personal support	<ul style="list-style-type: none"> ● Dual support career consultation ● Working from home ● Telecommuting ● Individual support 			
System	<ul style="list-style-type: none"> ● Reduced work hours 	<ul style="list-style-type: none"> ● Flextime 		<ul style="list-style-type: none"> ● Hello Papa Paid Leave

VOICE

Utilizing Internal Systems to Realize a Work-Life Balance

Hideaki Tanioka
Nara Branch



When my wife returned to work after her maternity leave, I sensed that the combination of her job, housework and childrearing was becoming a significant burden, so I applied for reduced working hours. Now, I drop the kids off at nursery school every morning. This increases communication with my kids and enables me to watch them grow every day. In terms of work, as a result of participating in childrearing, I have a lot more in common to talk with my wife about and I frequently feel a strong affinity with my wife as a parent. In terms of utilizing this system, without the cooperation of my branch manager, office manager and team members, none of this would have been possible. I deeply appreciate all of them. Going forward, without having to focus on my rights only, even while achieving sales results, men participating in childcare can also lead to the success of women. I'd like to be part of creating an environment in which employees can work enthusiastically.

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

With the goal of employing one or more disabled people at each worksite, Sekisui House promotes the employment of disabled people through the acceptance of internships and proactive participation in nationwide joint recruitment events. Furthermore, we introduced the Career Challenge system enabling employees in region-specific positions to transition into career track positions to promote the active participation of those enrolled. Up to now, three disabled employees have transitioned into career track positions and engage in their work with a high degree of motivation.

Since December 2015, we have been holding diversity meetings aimed at creating relationships enabling mutual consultations among disabled employees from different worksites. One participant noted the meetings are “very productive in terms of facilitating the sharing of skills related to work and interpersonal relationships.”

Recognizing this as a good opportunity to revise the Handicapped Person's Employment Promotion Law and implement the Disability Discrimination Act, we will move forward with the establishment of structures for consultation and promote the employment, retention and active participation of disabled people through the provision of different types of training and the sharing and review of various experiences accumulated in each workplace and job.

With regard to the elderly, in light of revisions to the Law Concerning Stabilization of Employment of Older Persons and

the raising of the age at which national pension payments begin, we are aggressively promoting the active participation of the elderly with the April 2015 introduction of a Group-wide system for retirement at the age of 65 years old.

VOICE

Working Together to Create a Workplace Where Everyone Can Work Comfortably

Manabu Yamamoto
Osaka Design Office



Before joining the company, I wanted a job where I could utilize the CAD skills I learned at a vocational education school for the disabled, so I took a job at Sekisui House. I am mainly responsible for design work using CAD tools and in the future I want to get involved in planning and development using 3D modeling. I was born deaf in both ears and have no sight in my left eye, but I obtained the numerous qualifications necessary for application to the Career Challenge system and at present, am working in a career track position.

I thought it would be nice if there were a place for employees working with some of the same disabilities as myself to meet and discuss job and workplace-related issues, so I am involved in the planning and operation of the diversity meetings. Going forward, we will establish a network for disabled employees to create a workplace where everyone can work together comfortably.

Key performance indicators (KPIs)

Indicator	Unit	FY2013	FY2014	FY2015	Evaluation	Target
Number of female personnel in managerial positions (group-wide)	People	65 (1.52%)	101 (2.26%)	114 (2.43%)	○	FY2020 200 (5%; 10% in the future)
Number of female office managers*	People	7 (6/16 Sales Division)	12 (8/16 Sales Division)	18 (13/16 Sales Division)	○	Minimum 1 female office manager (or at least office sub-manager) at each of our 16 sales administration headquarters
Employment rate of people with disabilities*	%	1.97	2.08	2.21	○	Minimum 1 person at every business office
Proportion of male employees who took parental leave	%	3 (16 People)	19 (119 People)	23 (162 People)	△	FY2020 50%

*Sekisui House, Ltd. only

Evaluation

In recognition of the promotion of active participation by women as our basic human resource policy, Sekisui House was chosen by the Ministry of Economy, Trade, and Industry and the Tokyo Stock Exchange for inclusion on the Nadeshiko 2016 list of companies that empower women and their careers. We were the first in the housing and construction industry to be included on the Nadeshiko 2013 list, and in addition to our inclusion on the Nadeshiko 2015 list, this is the third time we have been selected. Also, we promote improved operational efficiency and shortened working hours through the use of iPads to encourage highly productive workstyles among employees. In 2015, these efforts were recognized with our inclusion on the Offensive IT Productivity list.



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, we will continue to aggressively promote diversity to achieve our action plan based on the Act Promoting Women's Participation and Advancement in the Workplace enacted in April 2016.

② Develop Professionals With a Deep Sense of Humanity

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

humanity to understand and realize the customer's concept of their home. In this section, we focus on technical (design) positions.

Activities Report

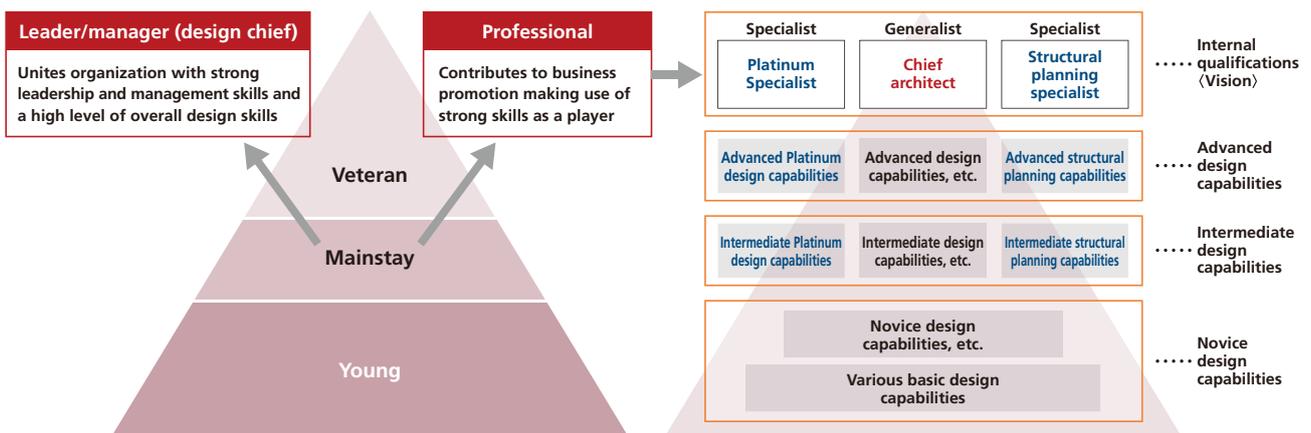
Creating an Education and Training System for Technical Personnel and Defining Our "Targeted Vision" to Strengthen Proposal Capabilities

Among the various tasks involved in building houses, we position the period from new hire to the end of onsite foreman experience as the "young technical personnel training program" for employees in technical positions (design staff), which demand a high degree of specialization. We create a detailed training system to facilitate learning, from basic knowledge to specialized design skills, through training and practice. For design personnel with a few years of experience in design work, we assign a future "vision" as "Leaders/Managers (Design Chiefs)" able to unify the organization with strong leadership and management

skills, as well as "Professionals" who contribute to business promotion as highly skilled players. Furthermore, design skills are roughly categorized into three levels: novice, intermediate and advanced, and a curriculum is developed for each category to provide the necessary knowledge and skills. Skills are assessed at each level to clarify that goals have been achieved.

We strive to increase customer satisfaction through the development of human resources with a high degree of specialization while attempting to strengthen design quality and proposal capabilities.

■ Vision targeted by Technical Personnel (Design Staff)



Creating Internal Qualification Systems for Technical Personnel

Sekisui House establishes various internal qualification systems aimed at developing technical personnel. The number of technical personnel certified as "chief architects" increases every year. Personnel with strong overall capabilities in design are designated as "generalists." In FY2015, we established two new qualifications, "Platinum specialist" and "structural planning specialist," in response to the demand for even higher specialization.

Chief Architects, Possessing Strong Overall Design Capabilities

We judge and certify employees with high-quality, in-depth design capabilities whose talents are an example to other designers based on individual and multifaceted assessments (certification period: 2 years). In April 2016, 110 employees were certified, with a total of 224 people playing active roles.



Chief architect certification ceremony (above) and certification badge (right)

Platinum Specialists: Senior Housing Professionals

We created a new system (certification period: 3 years) for employees with proven experience as design staff possessing excellent design skills who qualify to be certified as Platinum specialists handling elderly care housing and general welfare facilities (nursing homes, assisted-living complexes for senior citizens, group homes, etc.). In 2016, 12 employees were certified (with a total of 25 people playing active roles).

Structural Planning Specialists: Safe and Highly Economical Structure, Foundation and Frame Professionals

We created a new structural planning specialist certification system (certification period: 3 years) to develop designers who play a leadership role in offices related to structural planning and the realization of advanced planning in response to customer needs. Employees are judged and certified based on their specialized knowledge and experience with respect to building structures overall, their ability to execute structural planning and the degree to which they understand Sekisui House structural frames. In 2016, 13 employees were certified (with a total of 29 people playing active roles).

Enhancing Design Staff Skills and Motivation with Chief Architect Training

The certification period for chief architects, who are required to maintain a high level of skills as overall design staff, is limited to two years, thus they must constantly improve their skills. To this end, we launched Chief Architect Training for chief architects and certification candidates to instill more specialized design knowledge and practical capabilities enabling flexible support. A design competition is held twice annually in the first and second halves of the certification period involving chief architects active throughout Japan. Pre-screened submissions are presented by design staff, public inspections and group

discussions are conducted by participants and external lecturers are invited to critique the design contest submissions.

Participants commented that “the contest’s atmosphere of friendly competition provides positive stimulation,” which leads to increasing the motivation of design staff.

In December 2015, we added a page to our website that introduces case studies involving chief architects. These include pictures of each and every house built in conjunction with customers.



Group internal presentations



Participants view submitted items



Case study presented on the Sekisui House website

Key performance indicators (KPIs)

Indicator	Unit	FY2011	FY2012	FY2013	FY2014	FY2015	Definition and remarks
Average hours of annual training per person*	Hours	15.3	21.2	18.9	22.9	21.0	Training held at head office only
Training investment amount	Tens of thousands of yen	39,729	58,344	64,917	69,202	73,425	Total amount of expenses attributed to education and training costs
Total number of people obtaining qualifications*	People	4,086	3,984	4,596	4,544	6,427	Includes internal qualifications

*Sekisui House, Ltd. only

Comment from the Director of Human Resources

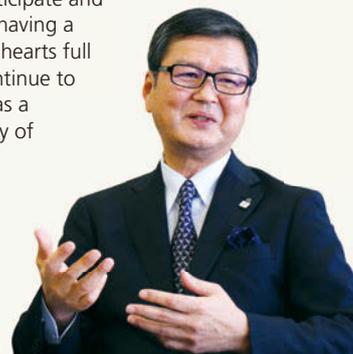
Promoting the Creation of People and Workplaces Based on Our Corporate Philosophy “Love of Humanity”

Since the Declaration for Human Resource Sustainability in 2006, Sekisui House has been proactively engaged in promoting the active participation of women and a diverse array of human resources. In recent years, “diversity” has become somewhat of a ubiquitous buzzword, but for Sekisui House, our corporate philosophy espousing a “love of humanity”—respecting the individuality of each and every employee—is a very natural way of thinking. As a product, housing supports various values and lifestyles. In this way, providing customers with highly satisfying housing means that we ourselves must have compassion in our hearts and adopt diverse points of view.

The same is true for employee training. While skills and knowledge are of course a necessary part of work, the most important aspect of housing design and proposal is a workforce possessing an extensive education, honesty and sincerity. Sekisui House implements a variety of educational training aimed at enhancing its human resources, such as newly hired employee

participation in recovery support activities in areas affected by the Great East Japan Earthquake and liberal arts education to provide exposure to philosophy and art as a respite from work. At the root of all these activities is a love for humanity. Going forward, we will strive to create workplaces where all employees can actively participate and cultivate human resources having a diverse array of values and hearts full of compassion. We will continue to target sustainable growth as a Company that treats the joy of customers as our own.

Takashi Uchida,
Human Resources Director
Director,
Senior Managing Officer





CSV
Strategy

6 Developing overseas business

Contribute to the preservation of the environment and the promotion of safe, secure and comfortable global lifestyles through the expansion of high-quality and sustainable housing and urban development

Main stakeholders: Local developers, overseas customers

Backdrop

Japan's Industrialized Housing Offers the World's Highest Standard

Housing in Japan has evolved significantly over the past half century. In particular, companies that propose and supply industrialized housing assembled onsite using factory-produced materials with consistently high-quality have amassed a variety of expertise in urban development incorporating environmental, energy-saving and earthquake-resistant technologies that become assets for regional residents. These technologies and expertise are considered to be of the highest global standard. Environmental and energy conservation issues are not problems

faced by Japan only. Engaging in the development of eco-friendly and energy-saving technologies focused overseas is also a strong driving force behind Japan's growth strategy.

At the same time, housing strongly reflects the lifestyles of those who live there. We must develop products, technologies and services carefully crafted to the culture and lifestyle in the countries and regions where we operate. When we begin to achieve this, we will be able to improve global housing standards and contribute to environmental conservation.

Approach

Our goal

Changing the World through the Realization of "Living Comfort" with Technologies and Expertise that Creates Housing and Communities

Having established the International Business Department in 2008, Sekisui House promotes the sustainable development of assets in the countries and regions where it operates based on the concept of sustainable urban development. Utilizing high-quality housing technologies accumulated for over half a century as the industrialized housing frontrunner and leveraging a "customer first" corporate stance, we always place the customer lifestyle first. When developing business overseas, we thoroughly research climate, culture and lifestyles in each country. With an understanding of demands pertaining to sustainable housing and the creation of ideal communities, we aim to provide quality housing that is safe, secure and comfortable.

The overseas deployment of urban development that contributes to ecosystems and the creation of housing that makes full use of Sekisui House energy-saving technologies is extremely significant in terms of environmental conservation. To convey this idea to the rest of the world, we formulated a global corporate message (right) and created a global website to disseminate it.

What Homes Can Bring to the World

We at SEKISUI HOUSE not only continue to build houses, but create homes and communities that become essential assets to society while constantly considering the global environment and high quality community development.

Needs for homes and communities change over time. Through our advanced technologies that achieve better "health," "safety" and "security," and comprehensive researches to understand the ways of living in each country and region, particularly in "culture," "generation" and "lifestyle," we will continue to make today's comfort even better for tomorrow. Our creativity to freely design every home differently to fulfill and exceed the desires in living according to each customer. Our ability to build homes with superior standards in performance and quality by developing housing materials that leverage leading edge technologies at our local factories, so the highest level of living comfort can be delivered to our customers around the world. These innovations are integrated into every SEKISUI HOUSE. For a lasting relationship with and further satisfaction for our customers through homes, we will leverage our proven expertise and knowledge cultivated over half a century in Japan to evolve even further as a leading innovator in home and community development. We will continue to build on our performance through our conviction that high quality homes will be essential assets to society. We are committed to continually provide higher levels of living comfort for today and tomorrow.

Changing the World through Living

Note: Sekisui House provides information pertaining to our corporate stance, initiatives, business development and other aspects related to global business, including performance and evaluations in Japan and overseas. <http://www.sekisuihouse-global.com/>

Action policies

Deployment of Quality Housing and Urban Development in Countries and Regions Where We Can Leverage Our Strengths

At present, Sekisui House develops international business in four countries: the United States, Australia, China and Singapore. As housing demand is expected to expand steadily in all of these countries, we will leverage strengths accumulated up to now to provide quality housing for the middle and upper class population segments.

We will contribute to the creation of comfortable customer lifestyles in each of these countries and promote “business localization” while collaborating with local blue-chip partner companies and drawing on our industrialized housing and environmental technologies, comprehensive proposal capabilities and meticulous service capabilities.

United States

Housing demand continues to be vigorous in the United States, where we are promoting two development businesses: Residences (communities) targeting suburban residents who commute 30-40 minutes to work by car, and urban rental apartments (multi-family housing) for people who walk or use public transportation to get to work.

China

In vast China, we are developing business in the cities of Suzhou, Wuxi and Taicang on the outskirts of Shanghai and in the northeastern city of Shenyang. The economies and populations in each of these areas are expected to continue growing steadily in the future. Sekisui House promotes the development of condominiums, townhouses and commercial facilities corresponding to the climates and lifestyles in each region under the Yuqin brand.

Australia

In Australia, where housing demand is expanding in line with population growth, we are engaged in a wide range of development mainly in cities located along the country's eastern seaboard, from condominium and community developments comprising several thousand lots, to housing built using local conventional construction methods and Sekisui House Shalwood wooden-frame detached housing. We attempt to differentiate ourselves through development and high-quality products and services that contribute to sustainability.

Singapore

In the densely populated island nation of Singapore, we are engaged in property sales of mainly condominiums developed in cooperation with local developers and the development of commercial facilities and other building complex projects. In 2014, we began office sales development projects.

Impact of These Activities on the Company

Sekisui House believes formulating business strategies in light of conditions in countries and regions while making use of housing technologies and expertise accumulated in Japan will enable us to contribute to improving local housing

environments and environmental conservation. The global high regard for Sekisui House technological and proposal capabilities will lead to enhanced brand value both in Japan and overseas.

Risk management

Risk 1 Diverse local needs different from Japan

Our response 1 We strive to ascertain needs in each region through collaborations with local partner companies. We approach each development project in conjunction with local partners who share our principles and values based on a common philosophy and awareness of issues.

Risk 2 The laws, regulations and political affairs of each country

Our response 2 We are focusing efforts on local, environmentally-friendly procurement, production and construction, while at the same time strengthening our global compliance structure to ensure laws and regulations are adhered to in all countries and regions where operate.

Furthermore, we maintain risk management manuals for employees on international business trips or on assignment overseas and created the Sekisui House Group Overseas Risk Management Guidelines for managers at worksites where employees are assigned or sent on business.

Risk 3 Management and control of overseas subsidiaries

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

State of Progress

Deployment of Quality Housing and Urban Development in Countries and Regions Where We Can Leverage Our Strengths

Activities Report

United States: High Marks for Our Creation of Eco-Friendly Communities

Since 2010, we have participated in the planning of more than 30 suburban residential land development projects in the United States as a community developer. Five of these projects were ranked among the top 50 best-selling master-planned communities in the U.S. In addition, we have been working with Holland Partner Group since 2013 on multiple development projects in the urban rental housing area.

Wendell Falls, a suburban residential land project developed in North Carolina in 2013, features ecoSelect housing that offers high insulation and water-saving benefits that improve indoor air environments. This community is 38% more energy efficient than the U.S. national average for housing and has been certified by the HERS Index, the U.S. standard for home energy efficiency.



Wendell Falls featuring ecoSelect housing

VOICE

Working Together with a Common Purpose to Realize High-Quality Developments

Clyde P. Holland, Jr.
Chief Executive Officer
Holland Partner Group



Our relationship with Sekisui House began in 2013 with a shared objective of creating a meaningful platform for achieving economic and social responsibility goals. Together we are working to protect human health and the surrounding environment through the creation of high quality, thoughtfully considered multifamily and mixed-use developments that connect people with places where they can live, work, and comfortably enjoy life. Our urban core portfolio, concentrated in top cities in the western and northwestern United States, includes the transformation of former industrial sites into sustainable and highly desirable built environments.

We appreciate the thoughtfulness Sekisui House provided in establishing common goals for the joint venture between our companies, their disciplined yet creative approach working with us to evaluate new development opportunities, and their confidence to work with us to deliver exceptional assets with optimized risk adjusted returns.

Australia: Encouraging Community Cultivation with *Satoyama*

In Australia, where we launched our first overseas business in 2008, we are engaged in detached housing construction and develop condominiums and residential land adapted to the local environment and culture. Up to now, we have entered into contracts with more than 8,000 customers.

Conventional residential land development in Australia typically involves first cutting down all trees in a given area. At The Hermitage, Sekisui House's large-scale community development project in the suburbs of Sydney, we took a different approach. We first conducted a detailed survey of the landform and the native flora and then we planned the housing lots, roads, and parks so as to preserve as much of the original nature as possible.

Based on the concept of "communities that grow increasingly attractive over time*1," we employed the *satoyama* design approach to conserve the local ecosystem and the landscape and to facilitate interactions among residents from a



Maintaining existing landscapes and flora at The Hermitage

wide range of generations in a natural setting. This utilization of *satoyama* to encourage the cultivation of communities has been well received, leading to robust sales.

The Waterfront condominiums, completed in 2012 and located along Sydney Harbor, introduce universal design elements, including the elimination of differences in floor level between rooms and easily operated wide switches. We also strive to provide meticulous support through after-sales services.

*1 Communities that grow increasingly attractive over time: A community creation concept in which an area becomes increasingly beautiful with each passing year through the creation of scenery incorporating the surrounding natural environment and utilization of the original landscape.



Savannah at The Waterfront

China: Promoting Development that Contributes to Urban Advancement and the Sharing of Values with Local Staff

In China, culture and lifestyle habits vary substantially from one region to the next, so local bases are established for each project. To be able to provide Japanese quality and Japanese-style service to customers while respecting local customs, Japanese Sekisui House employees working in China exchange opinions with local Chinese staff to promote business built on a closely collaborative structure.

In October 2015, construction of The Yuqin Residence urban high-rise condominiums was completed in the heart of Shenyang. Located amid a high concentration of commercial facilities, this building's stylish design has made it Shenyang's newest landmark and contributes to enhancing the city's overall image.

We are also engaged in the Yuqin Gardens project in Taicang, consisting of 11 buildings housing a total of 511 condominiums

spread out over approximately seven hectares. The entire property incorporates the Sekisui House Gohon no ki planning*2 concept based on maintaining the natural scenery. This development project involves the planting of native trees and the creation of a walking path enabling residents to interact with nature.



Tree planting based on the Gohon no ki project (Taicang Yuqin Project)

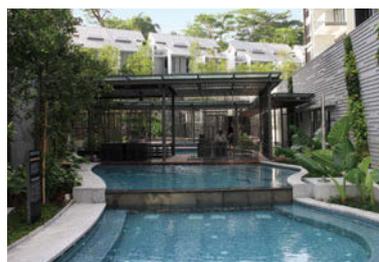
Singapore: Creating a Rich, Green and Intimate Space within an Urban Lifestyle

In Singapore, we are collaborating with a major local developer on eight different projects aimed at realizing a richer life in a densely populated urban area.

In terms of condominium development, we support community development and rich resident lifestyles by designing shared spaces infused with nature, including verdant walking paths with trees planted strategically throughout the property incorporating the Gohon no ki planning*2 concept. These projects include eCO, scheduled for completion in 2017, and Hillsta, constructed in 2016.

We are also engaged in the creation of workplaces that create new value, replete with open spaces that facilitate communication

surrounded by relaxing greenery in accordance with the "intimate green office" concept. This includes Woods Square, an office sales development project launched in 2014.

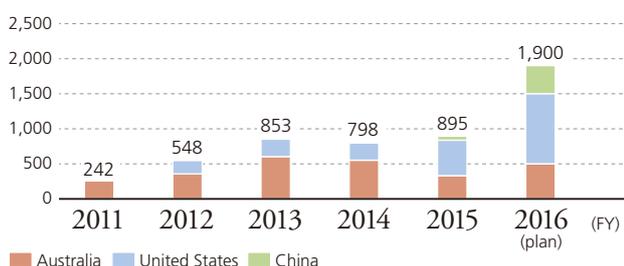


Hillsta offers shared spaces infused with nature

*2 Gohon no ki planning: The model from which "satoyama" was born, this Sekisui House original garden creation proposal protects biodiversity by planting native tree species that have a high potential for use by local fauna. We are also incorporating this basic concept into our overseas business.

Key performance indicators (KPIs)

International business net sales (Hundreds of millions of yen)



Note: Singapore is accounted for under the equity method, thus only income is reflected.

International business ordinary income (Hundreds of millions of yen)



Evaluation

Residential property in the United States and condominium sales in Australia are favorable, and residents have begun to move in to condominiums in China. Singapore contract rates are high across all properties. In FY2015, revised asset valuations in a portion of projects in China led to the recording of a loss, but the business itself remains on track.

Future Initiatives

Sekisui House will collaborate with local developers 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. Also, we will make efforts to improve local housing environments and culture as a company that creates living environments.

CSR Management Promotion

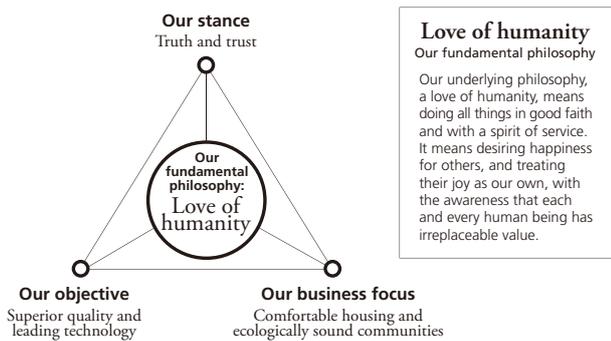
The Sekisui House Group considers CSR to be an essential principle of management. Guided by the four values and 13 guidelines for achieving our Sustainability Vision, we actively engage in CSR activities throughout our daily business operations—all to create shared value. We have also appointed external members to our CSR Committee, which formulates CSR policies, as a way of incorporating outside perspectives.

Corporate Philosophy and CSR Policies

The corporate philosophy of the Sekisui House Group has a love of humanity at its core. By “love of humanity,” we simply mean that we wish for the wellbeing of others and rejoice in their happiness. This philosophy was established in 1989 with the unanimous approval of every one of our employees.

We wish for the wellbeing of all of our stakeholders—namely, our customers, employees, and shareholders—and, under our corporate philosophy, we pursue a CSR policy that focuses on maximizing customer satisfaction (CS), employee satisfaction (ES), and shareholder satisfaction (SS).

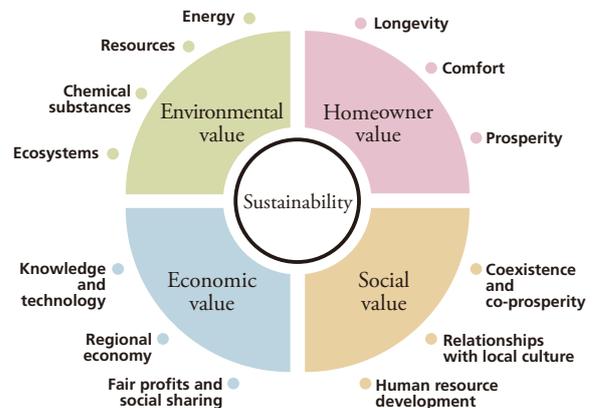
■ Corporate philosophy (established in January 1989)



CSR Management Based on 4 Values and 13 Guidelines

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

■ Four values and 13 guidelines

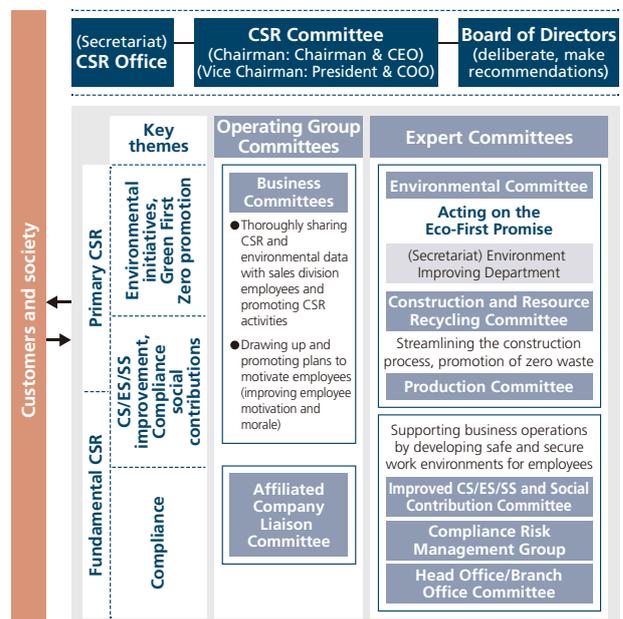


CSR Committee and Organizational Management

Incorporating the viewpoints of external stakeholders, the Sekisui House CSR Committee develops CSR policies and verifies whether current CSR activities are consistent with social norms and expectations, so that group-wide CSR initiatives are relevant and effective. Led by our chairman and CEO, the CSR Committee—which includes three external stakeholders—meets once every three months. CSR Committee members are appointed by the board of directors.

Under the supervision of the CSR Committee, two Operating Group Committees and six Expert Committees are working to promote and further strengthen our CSR efforts. Specifically, the Business Committees, under the Operating Group Committees, are positioned as the focal point of the CSR activities that we undertake as part of our core business. These committees are responsible for overseeing our CSR process, from formulating specific CSR plans to reviewing the outcomes of our activities. They are supported by the Expert Committees that are tasked with separate responsibilities based on their respective CSR themes. In addition, CSR promotion representatives are assigned to each of our business departments.

■ CSR promotion structure



Specifying Material Aspects

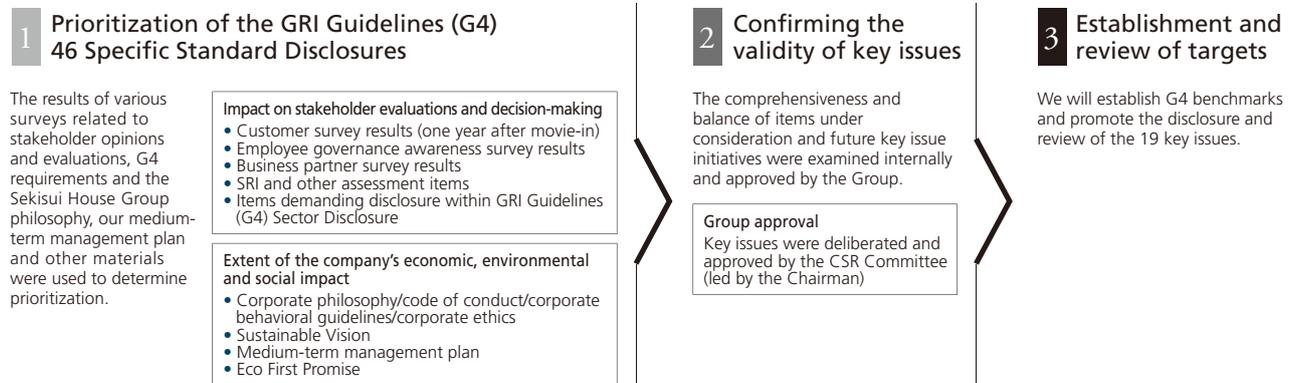
The Sekisui House Group is committed to pursuing CSR activities through its core business while meeting the expectations of stakeholders and society to create value and achieve sustainable development. We believe actions based on a perpetual awareness of what is important to stakeholders and society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

Incorporating Stakeholder Voices and Societal Influences into Material Aspect Specifications

In 2015, we narrowed down the 46 Specific Standard Disclosures of the GRI Guidelines (G4) to 30 material aspects. In 2016, to reflect societal changes and needs, we prioritized these aspects based on a reanalysis of their “impacts on stakeholder evaluations and decision-making” and “the extent of the company’s economic, environmental and social impact.”

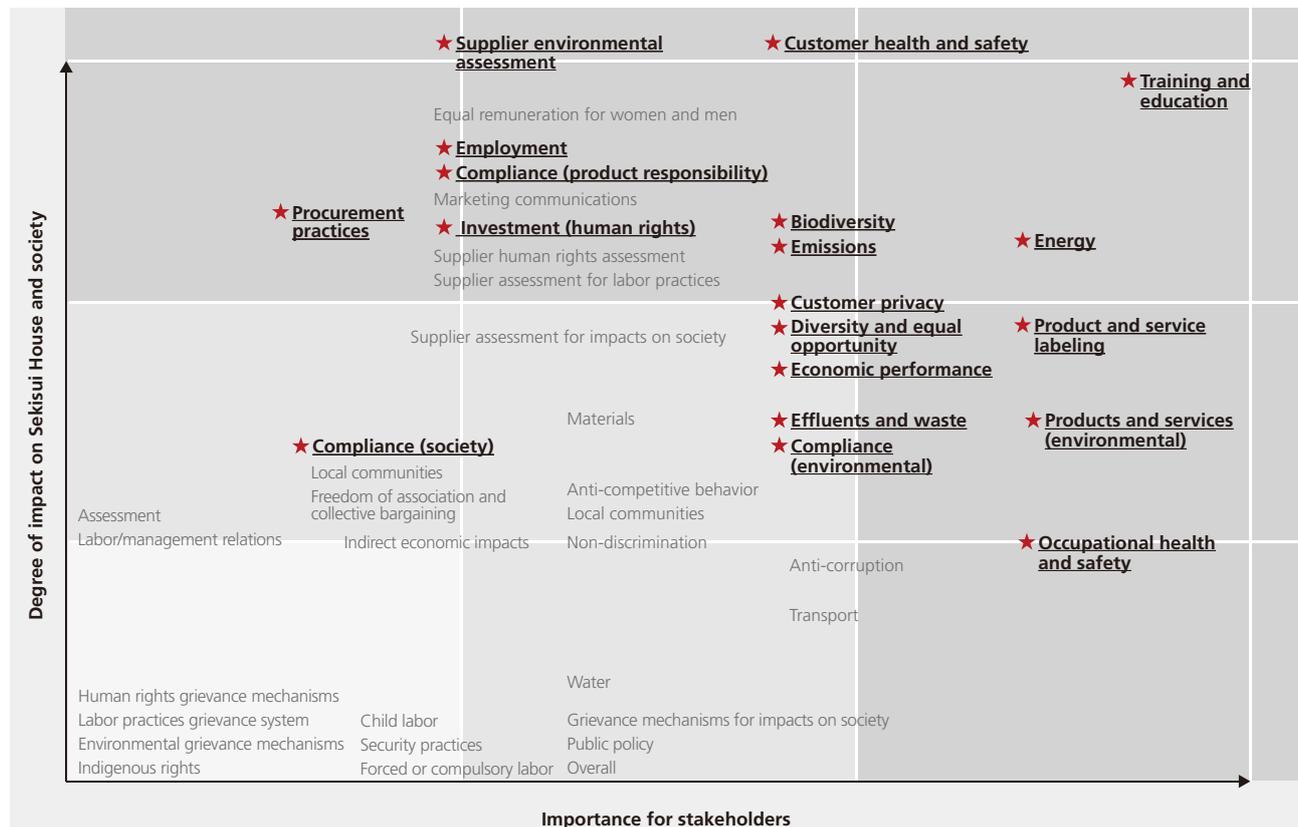
Consequently, we specified 19 material aspects (see below). We will engage in these activities, which are also an important in terms of executing our CSV strategy. Please see page 20 for information on the relationship between the CSV strategy and material aspects.

Material Aspect (Important Issue) Specification Process



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

★ Indicates one of the specified 19 aspects



Stakeholder Engagement

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

■ Main Stakeholders and Overview of Actions

Main stakeholders and responsibilities	Actions	Examples of proposed themes	Response for such themes	Refer to
Customers We promote communications with customers under our “customer first” policy, in order to ensure that their valuable assets (i.e., their homes) have prolonged lifespans and are long-cherished. We also seek to serve customers with sincerity and integrity, so that we may enhance customer satisfaction.	<ul style="list-style-type: none"> Customer surveys Regular information magazines: Kizuna (semiannual), Maisowner (semiannual), and gm (three issues per year) Net Owners Club Kizuna website 	<ul style="list-style-type: none"> Proposing and constructing exteriors that are easy to maintain and use Enhance after-sales support Lengthen lifespan of houses and increase homeowner value 	<ul style="list-style-type: none"> Creating and operating a townscape assessment system Strengthening group-wide collaborations to help the exterior business grow CSV strategy (4) Lengthen lifespan of houses with enhanced after-sales support 	Pages 37–42
Consumers We facilitate the disclosure of information, while remaining sensitive to the needs of society. We also foster relationships of trust as part of our efforts to create a pleasant society and comfortable lifestyles.	We offer venues for dialogue with consumers through the following: <ul style="list-style-type: none"> Comprehensive Housing R&D Institute Sumufumulab Sumai no yume koje Sekisui House Eco First Park Housing seminars Life Literacy Book 	<ul style="list-style-type: none"> Disclosing housing manufacturing processes and sites 	<ul style="list-style-type: none"> Recruiting Sumufumulab research members and holding workshops Opening research facilities to the public Conduct workshops and events for parents and children at the Sekisui House Eco First Park 	Page 64
Business partners We strive to conduct transactions on a fair and equal basis, and we foster amicable partnerships that promote mutual growth and deliver customer satisfaction.	<ul style="list-style-type: none"> Organizing network of Sekisui House Association and Sekisui House Partners’ Association Annual policy briefings Supplier evaluations 	<ul style="list-style-type: none"> Improving construction site environments (e.g., labor-saving measures and measures to deal with an aging workforce) Improving delivery date accuracy (materials and parts delivery) 	<ul style="list-style-type: none"> Working with production divisions to improve indications of parts and to promote combined, pre-cut, and pre-set parts Sharing process charts online with manufacturers and carrying out thorough information entry CSV strategy (3) Maintain and improve technological development, production and construction quality 	Pages 33–36 Pages 56–57
Employees We respect the diverse individuality of employees to ensure that they can fully demonstrate their competence and achieve creative growth through meaningful work. To this end, we develop workplace environments and programs that motivate employees at work and ensure fair treatment, thereby enhancing employee satisfaction.	<ul style="list-style-type: none"> Employee management in line with the Declaration for Human Resource Sustainability Internal open recruitment Internal qualifications Human relations training (annual) Governance awareness survey (annual) Occupational health and safety management system Mental health management Sekisui House Group internal magazine: Sekisui House (bimonthly) 	<ul style="list-style-type: none"> Contributing to women’s career development Supporting a work-life balance Promoting employment of the disabled 	<ul style="list-style-type: none"> CSV strategy (5) Promote diversity and human resource development 	Pages 43–48 Page 57
Shareholders and investors We ensure fair and transparent corporate management to maintain our value in society, with a view to further enhancing our corporate value by achieving healthy growth and returning fair profits to our shareholders.	<ul style="list-style-type: none"> General shareholders’ meeting Business Report (semiannual) and Annual Report (annual) Online IR newsletter Shareholder preferential gift programs Visitor days and briefings 	<ul style="list-style-type: none"> Disclosing management strategies and plans in an easy-to-understand manner 	<ul style="list-style-type: none"> Refer to “Shareholder and Investor Communications” page 	Page 21
Communities We endeavor to foster local cultures and enhance living standards to ensure all people enjoy happy, satisfying lives, while contributing to the preservation of the global environment. We strive to share fair profits with society and cooperate with and participate in social action programs by leveraging our strengths as a homebuilder.	<ul style="list-style-type: none"> Cooperating with Kids Design Association NPO Cooperating with Uzo Nishiyama Memorial Library NPO Supporting independence of people with disabilities Sekisui House Matching Program Kobe Machizukuri Rokko Island Fund charitable trust 	<ul style="list-style-type: none"> Safe lifestyles that provide peace of mind Community development that prevents crime and damage from disasters 	<ul style="list-style-type: none"> Helping build communities through neighborhood bonds Disaster Risk Reduction Factory of the Future plan Newly hired employee participation in activities supporting reconstruction in areas affected by earthquakes 	Pages 65–68
All stakeholders	Ensure full compliance, eco-friendly practices and accountability			Pages 59–62

Supply Chain Management

The Sekisui House Group promotes supply chain management aimed at minimizing the environmental and societal impact of products and services it purchases. We strive to realize desirable benefits for society and the economy overall through procurement as we grow alongside our business partners.

Two aspects of supply chain management

Materials procurement

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

Note: This page focuses on explaining this aspect.

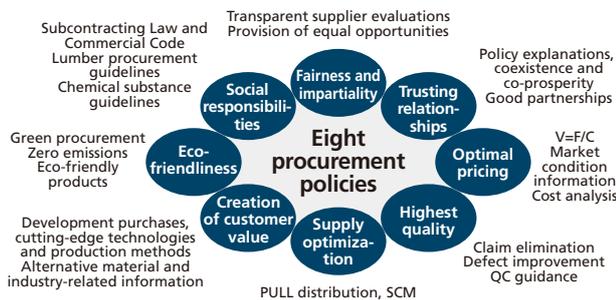
Construction

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

Note: For details, see CSV strategy (3).

Procurement Policies

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



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

Sharing and Penetration of Procurement Policies

Every year, we hold policy briefings attended by approximately 150 business partner companies to ensure consistency between suppliers' company policies and Sekisui House procurement policies to deepen mutual understanding. At these meetings, we explain management conditions, the latest management plans, procurement policies and product strategies. We share information that provides guidance for supplier activities and honor companies for their excellence.

At the same time, participants present examples of corporate structural improvements and other best practices to utilize this meeting as an opportunity for business partners to inspire one another.



Policy briefing

Supplier Evaluation Implementation and Improvement

Sekisui House has been implementing supplier evaluations since 1998 to maintain fair and impartial business practices. Since 2009, we have disclosed the results of these evaluations so suppliers can incorporate them into their structural improvement efforts. The evaluations are implemented by the Supplies Division and other departments including development and construction, who regularly revise evaluation items and standards.

Evaluations are conducted taking into consideration environmental criteria in all cases, going beyond simple evaluation with the primary goal of ensuring the practical use of PDCA by suppliers linked to concrete improvement activities.

Without a stable management structure, companies cannot be counted on to provide a stable supply of high-quality products. Thus, we continuously implement factory visits and QC diagnostics at major suppliers to assist with enhancing product quality, eliminating claims and improving corporate structures.

Promoting Activities to Enhance Policy Coordination

Sekisui House promotes activities to enhance policy coordination with particularly important suppliers from a comprehensive perspective that considers factors including transaction volume, product attributes and supplier evaluations.

Based on the TQM policy management approach, we go beyond quality, cost and delivery improvements to share key issues related to management in response to healthcare, nursing care, renovation developments and other social conditions. These activities aim to establish product development, sales strategy, business continuity management and other targets from a strategic perspective when necessary to achieve mutual benefits and growth.

Occupational Health and Safety Management

Sekisui House 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.

Occupational accident and disease frequency rates

In FY2015, occupational accidents decreased compared to the previous fiscal year. We will continue to heighten health and safety awareness and increase countermeasures aimed at reducing oversight leading to overtime work.

■ FY2015 occupational accident and disease frequency rates

(Total of one or more days off)

Department		Occupational accident frequency rate	Occupational disease frequency rate
Administrative department (employees*)		0.3	0.0
Production department	Employees*	0.0	0.0
	Subcontractor	0.3	0.0
Construction department (subcontractors only)		3.0	0.2

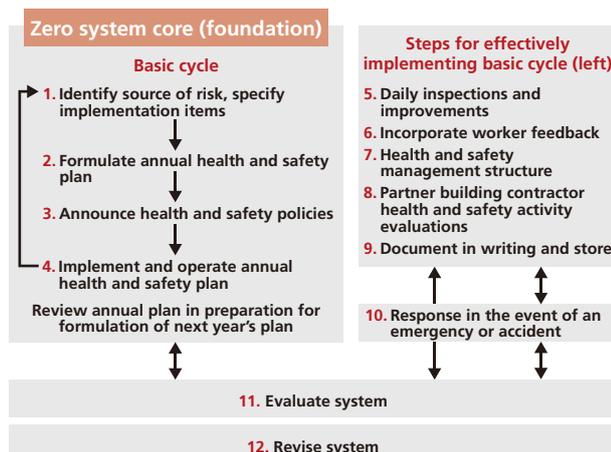
Note: Sekisui House (non-consolidated)

Proprietary Sekisui House Risk Zero System Operation

We established a specialized unit, the 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 and partner company employees to work in health and safety.

■ Sekisui House Risk Zero System Overview



Occupational Health and Safety Activities at Construction Sites

Ensuring the occupational health and safety of everyone engaged in construction work is the social responsibility of housing manufacturer Sekisui House and one of the items toward which we must make a concerted effort. To enable construction personnel to work with safety and peace of mind, in FY2015 we announced the Annual Companywide Construction Health and Safety Plan calling for the eradication of falling-related and electric tool accidents, and the fostering of awareness among all participants attending accident prevention measures and business-owner training.

With the FY2015 slogan "Take a moment before work to involve everyone in earnest risk prediction," partner company business leaders announced safety declarations based on Sekisui House's annual plan. These companies committed to voluntary risk prediction activities and execution by learning proper actions through enhanced daily management, in conjunction with construction managers linked to job instructions to foremen and workers, and daily safety inspections and work process documentation. To support and follow-up, Sekisui House conducted business-owner training, provided necessary equipment including stepladders, external scaffolding and power tools, and distributed safety inspection forms in an attempt to improve safety levels while implementing the PDCA cycle and ascertaining annual plan schedule progress on a monthly/periodic basis.

In addition, accident prevention measures and health and safety education training was conducted for everyone involved in construction. In FY2015, we also held business-owner training and a safety promotion convention for a total of 50,736 people. Furthermore, since 2012 we have held awareness months (July is safety month, December is special awareness month) aimed at preventing heat stroke in summer and accidents at the end and beginning of the year and implementing falling-related accident reduction measures.

Going forward, the Sekisui House Group will work together with partner companies to systematically and creatively improve working environments and prevent work-related accidents.



"Safety Week" awareness poster "Emphasis Period" awareness poster

Corporate Governance

In accordance with our corporate philosophy espousing a “love of humanity” our stance on “truth and trust,” our objective of “superior quality and leading technology” and our business focus on “comfortable housing and ecologically sound communities,” the Sekisui House Group focuses on the key issues of corporate governance and management to heighten stakeholder trust.

Management structure

To ensure solid stakeholder support, Sekisui House has increased management transparency, provided for timely and appropriate checks on management decisions, and enabled thorough monitoring. Two external board members and three external corporate auditors are in place, and our executive officer system ensures that management responsibilities are well defined and executed accordingly.

Board of directors

The board of directors holds a meeting once every month to make decisions on important items pertaining to business management and items mandated by law. The board also confirms business results and supervises the business-execution functions of executive officers.

There were a total of 11 such meetings in FY2015 (through January 31, 2016). The average attendance was 98.3% (95.5% for external directors and 100.0% for external corporate auditors).

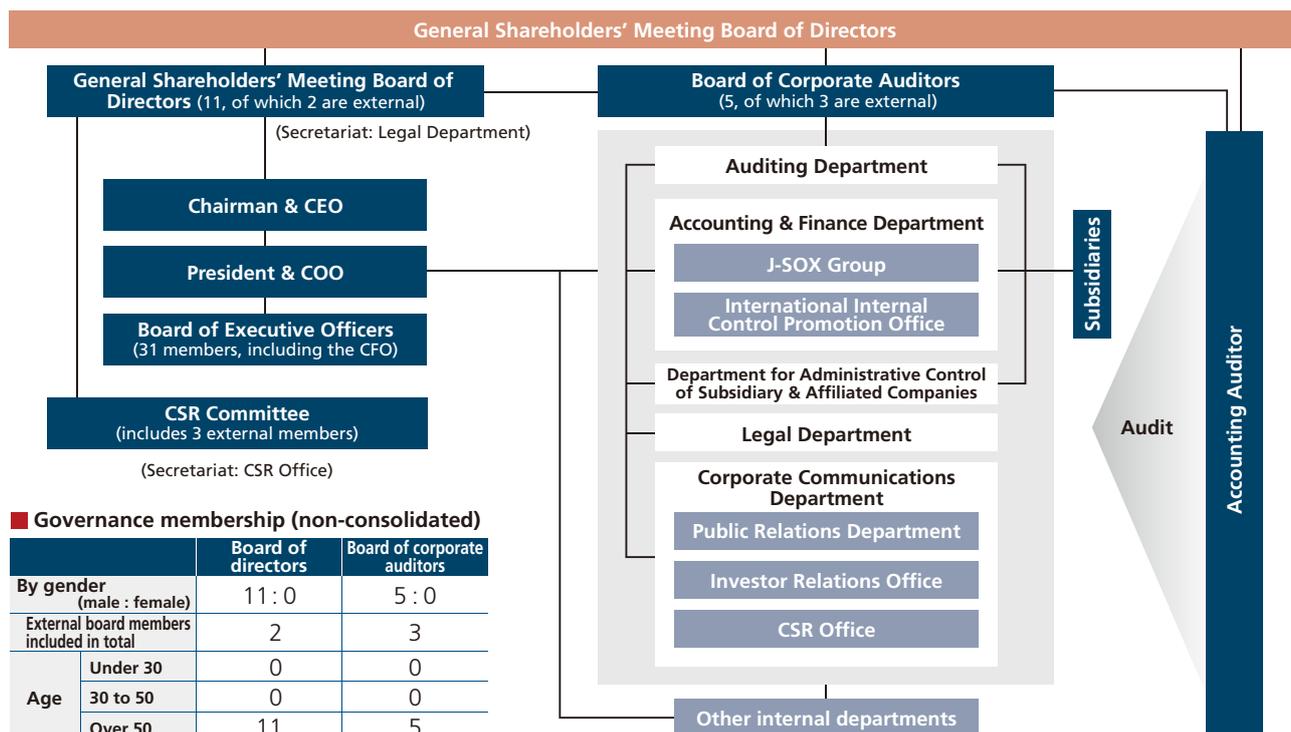
Board of corporate auditors

The board of corporate auditors comprises three external members and two standing members. To implement and strengthen audit and supervisory functions, members of this board attend important meetings, such as board of directors meetings. They also exchange information with the Auditing Department and accounting auditor as well as gather information from other company departments and subsidiaries on a regular basis and as needed.

Internal control systems

The Basic Policy Concerning the Development of an Internal Control System serves as a platform for our efforts to implement and ensure our internal control system operates properly. To ensure full compliance with the Japanese Financial Instruments and Exchange Law, strict internal controls (J-SOX) have been implemented on a group-wide basis, led by the J-SOX Group established within the Accounting & Finance Department. The International Internal Control Promotion Office, established in February 2015 within the Accounting & Finance Department, is in charge of building internal control systems at overseas subsidiaries.

■ Corporate governance structure (As of April 1, 2016)



■ Governance membership (non-consolidated)

	Board of directors	Board of corporate auditors
By gender (male : female)	11 : 0	5 : 0
External board members included in total	2	3
Age	Under 30	0
	30 to 50	0
	Over 50	11

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

Note: Compatibility with the Corporate Governance Code is under consideration at present. Once confirmed, an announcement will be made.

Compliance and Risk Management

The Sekisui House Group positions compliance and risk management as important issues to be addressed at all times. We have established various systems and structures and conduct ongoing initiatives in an attempt to maintain and improve these activities. Furthermore, we have been engaged in the protection of human rights for over 30 years, establishing a foundation that makes us a company trusted by society.

Promoting compliance

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

In FY2015, these discussions focused on (1) business continuity planning (BCP) revisions and overseas risk management measures, (2) business optimization initiatives and (3) risk management training for Group companies.

In addition, improvement initiatives for compliance promotion issues and PDCA cycle mechanisms were created led by managers at business sites throughout Japan. Going forward, we will continue to promote compliance.

Promoting the Protection of Human Rights

Since 1980, Sekisui House has addressed a variety of human rights issues, including those pertaining to the workplace assimilation of women, foreigners and the disabled, to create a corporate culture of zero tolerance for infringement of human rights.

In 2006, we transferred the Human Rights Promotion Office, established in 2003 and responsible for handling human rights issues, to the Legal Affairs Department and renamed it the Human Relations Office. This office, which trains employees to develop an awareness of human rights and handles harassment issues in the workplace, was reorganized with the goal of cultivating a workplace environment in which all employees can work comfortably. The words “human relations” indicate our recognition that poor interpersonal relationships and communication in the workplace cause a variety of problems that impact everyone.

In FY2015, we continued our annual implementation of human relations training for all Group employees. Three hours of training are required per year (six hours are required for management and the male and female employees who handle sexual and power harassment complaints at each worksite).

Internal reporting system and whistleblower protection

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

Though it is best to solve problems through talks within the workplace, we believe it is important to have an internal reporting system in place, which employees can freely turn to for help. Efforts are made to familiarize employees with the system through leaflets, intranet sites, and human relations training.

We also check our employees’ compliance awareness by conducting surveys once a year. Through these surveys on corporate ethics and workplace environments, we grasp the actual situation and set up opportunities for exchanging views among various company divisions to create an open corporate culture. Our ultimate goal is to improve our workplace environments to a point where the internal reporting system becomes redundant.

■ Sekisui House Group internal reporting system

	Contactee	Method	Content of report
SCS (Sekisui House Group Compliance Support) System	Compliance Office, Legal Department	<ul style="list-style-type: none"> ● Phone ● E-mail ● Postal mail (registered mail receivable only by the addressee) 	Witness account of an unlawful act or any conduct that violates our corporate ethics policy
Sexual and power harassment hotline	Human Relations Office, Legal Department	<ul style="list-style-type: none"> ● Phone ● E-mail 	<ul style="list-style-type: none"> ● Sexual and power harassment, human rights issues, difficulties in human relationships ● Consultations aimed at creating a comfortable workplace environment for disabled employees
Personnel-related hotline	Personnel Department	<ul style="list-style-type: none"> ● Intranet 	Labor management issues in general, such as work hours and working on scheduled days off

Note: In addition, an external hotline is also provided to offer professional counseling to Group employees and their families.

Personal Information Protection Initiatives

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

Going forward, we will continue the implementation of personal information protection-related e-learning and repeated guidance and education on the handling of personal information, while making efforts to heighten knowledge and awareness regarding personal information protection.

We will also strengthen personal information protection initiatives corresponding to each region overseas in line with the expansion of international business.

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

Legal Compliance Status

Infractions and penalties related to the environment

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

Infractions and penalties related to products and services

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

Infractions and penalties related to customer privacy

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

Business Continuity Planning (BCP) Maintenance

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

We are also focusing efforts on business continuity management (BCM) at supplier companies that provide numerous components and parts necessary for the manufacturing of houses. In FY2015, we continued implementation of disaster response system drills. Through these drills, we are able to confirm the BCM status of supplier companies while attempting to enhance systems able to quickly gather information and formulate countermeasures.

Fair Business Practices

The Sekisui House Group formulated and enacted the Sekisui House Corporate Ethics Guidelines in October 2003 as common items related to corporate ethics that must be observed by the Company, its directors and employees to the promote corporate activities of each Group company.

The section on "Relationships with customers, suppliers and competitors" in the third item specifies appropriate business practices, adherence to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and prohibition of entertaining and gifts to ensure business practices are thoroughly fair.

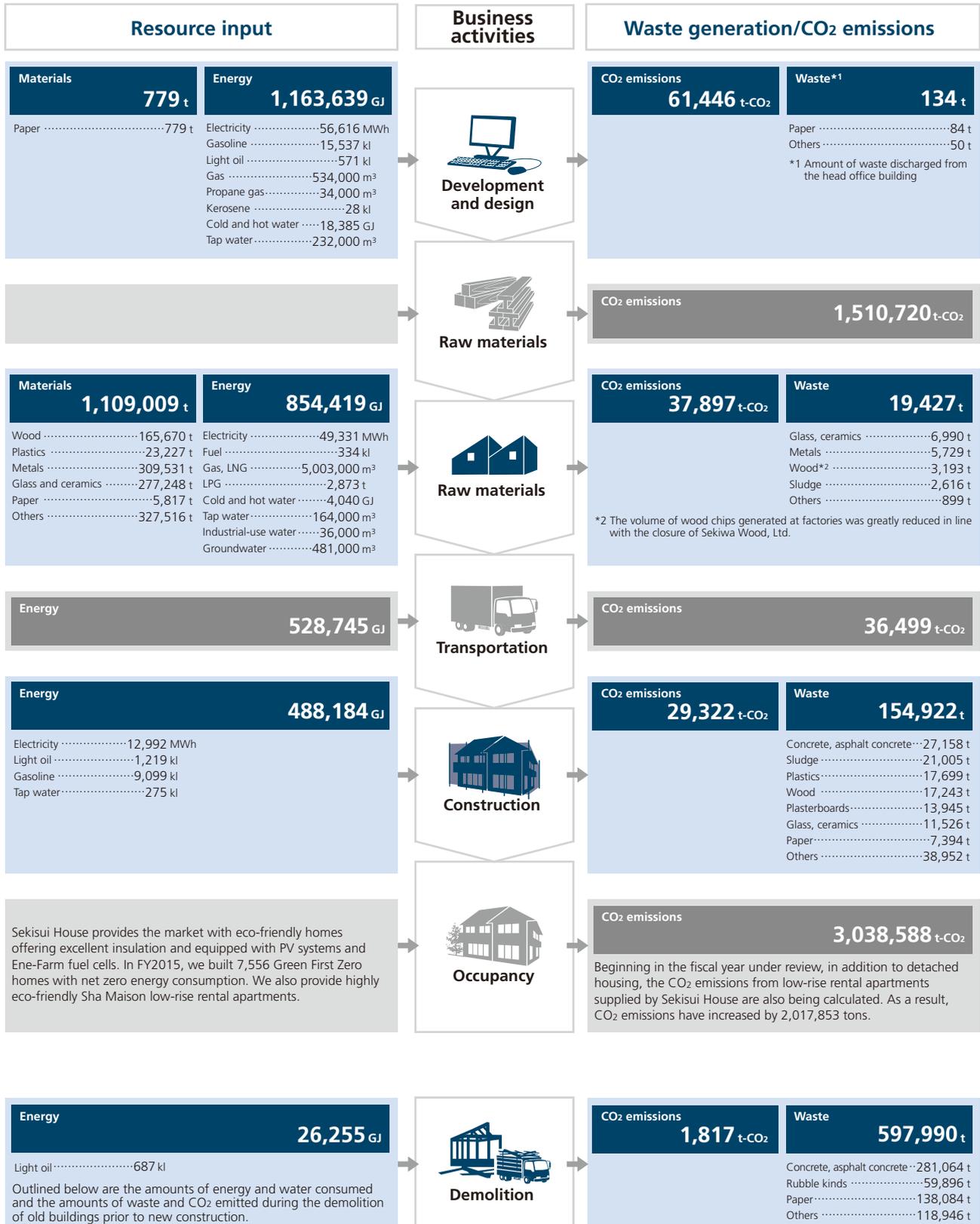
Also, we established a checklist item related to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors as of one of the internal control checklist items to confirm business practices are conducted fairly, while training on relevant laws and regulations is provided to all employees to deepen their understanding of subcontractor transactions and laws and regulations.

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

Material Balance

Collecting Accurate Data on the Environmental Impact Caused by Corporate Activities The Sekisui House Group monitors 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—and discloses this information. Since FY2012, we have also reported Scope 3 greenhouse gas (GHG) emissions from the Sekisui House Group value chain.

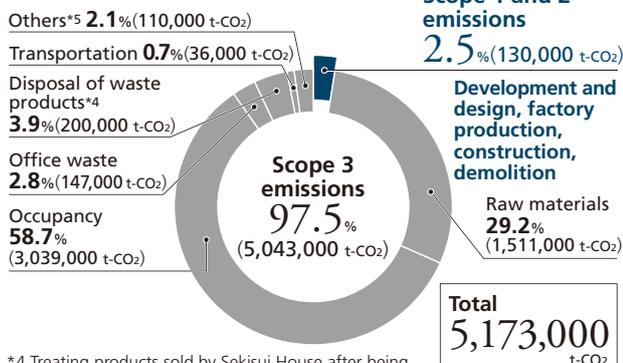
FY2015 Environmental Impact Caused by Corporate Activities in



FY2015 Amount of CO₂ Emissions by Scopes 1–3

Since FY2012, we have calculated and disclosed Scopes 1–3 emissions based on the Greenhouse Gas Protocol. Within Scope 3 emissions, Sekisui House promotes the sale of Green First eco-friendly housing that contributes to the reduction of CO₂ during occupancy. In addition to conventional detached housing, in FY2015 we expanded the scope of our calculations to include CO₂ emissions from the use of low-rise apartment products supplied as well as product disposal (see “Data Calculation Assumptions”). We also began Scope 1 and 2 calculations for energy used at overseas business offices. As a result, FY2015 Scopes 1–3 CO₂ emissions totaled 5.173 million t-CO₂.

CO₂ Emissions by Scope 1–3



*4 Treating products sold by Sekisui House after being discarded

*5 Capital goods, activities related to fuel and energy consumption not included in Scopes 1 and 2, business trips and commuting of employees, leased assets at downstream, etc.

Expanding the calculation scope for greenhouse gas (GHG) emissions resulted in an increase in emissions of 1.856 million t-CO₂ in FY2014. Excluding the main reason for the increase, CO₂ emitted from the use of low-rise apartments, emissions decreased 162,000 t-CO₂.

Also, note that Scope 1 and 2 CO₂ emissions from construction and demolition include emissions from construction and demolition undertaken by building contractor partners that are not members of the Sekisui House Group. These emissions should have been counted as Scope 3 emissions, but owing to the difficulty of distinguishing between the work undertaken by our group companies and that undertaken by non-group companies, we include them in Scope 1 and 2 emissions for the sake of simplicity.

Scope 1 : CO₂ emissions resulting from the use of fuels by the Sekisui House Group (86,000 t-CO₂)

Scope 2 : CO₂ emissions resulting from the use of electricity and heat purchased by the Sekisui House Group (45,000 t-CO₂)

Scope 3 : CO₂ emissions resulting from the use of energy for mining and producing raw materials, transporting building components, disposal of waste by non-Sekisui House Group companies or customers, and from the use of energy during occupancy (5.043 million t-CO₂)

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

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

Notes on the data

Scope of coverage: The subjects of this survey are Sekisui House, Ltd., its major consolidated subsidiaries in Japan (48 companies), and major consolidated subsidiaries overseas (11 companies). Scope 3 CO₂ emissions include those attributable to parties other than the Sekisui House Group companies.

Period covered: The applicable period is FY2015 (from February 2015 to January 2016). Estimated figures were used where final data was not available at the time of calculation.

For estimates of domestic electricity usage, we used a CO₂ emissions intensity (0.357 kg-CO₂) published in the objectives management survey of the Eco Action 21 voluntary action plan produced by the Japan Prefabricated Construction Suppliers and Manufacturers Association.



Development and design (including the data of sales and administration divisions and model homes)

- **Materials:** Paper purchased for use with OA equipment
- **Energy and CO₂:** the amount of energy consumption and CO₂ emissions by offices and model homes
- **Waste:** the volume of waste generated by the Sekisui House, Ltd. head office (including offices of consolidated subsidiaries in the same building)



Raw materials

- **CO₂:** the estimated amount of CO₂ emissions resulting from production of raw materials purchased by Sekisui House, Ltd. factories



Factory production

- **Materials:** the estimated amount of raw materials used for manufacturing detached houses and low-rise rental apartments
- **Energy and CO₂:** the amount of energy consumption and CO₂ emissions by the five Sekisui House factories, two Sekiwa Wood, Ltd. factories, and Sekisui House Advanced Manufacturing (Shenyang)
- **Waste:** the volume of waste generated by the five Sekisui House factories and two Sekiwa Wood factories



Transportation

- **Energy and CO₂:** the amount of energy consumption and CO₂ emissions by specified consigners and Sekisui House Advanced Manufacturing (Shenyang). (The calculation was made according to the guidelines provided in the Act on the Rational Use of Energy and according to the manual issued by the Ministry of the Environment and the Ministry of Economy, Trade, and Industry.)



Construction

- **Energy and CO₂:** the estimated amount of energy consumption and CO₂ emissions resulting from new construction by all 19 Sekiwa Construction companies and building contractor partners
- **Waste:** the volume of waste generated from new construction, after-sales maintenance, and remodeling sites of Sekisui House, Ltd., Sekiwa Construction companies (17 of the 19 companies), and Sekisui House Remodeling.



Occupancy

- **CO₂:** The estimated amount of CO₂ emissions during occupancy at detached houses built in FY2015 from building components shipped from factories (The estimate is calculated assuming an occupancy period of 60 years for detached housing and 45 years for low-rise rental apartments.)



Demolition

- **Energy and CO₂:** the estimated amount of energy consumption and CO₂ emissions resulting from the use of heavy machinery for demolition, by all 19 Sekiwa Construction companies and building contractor partners
- **Waste:** the volume of waste generated from demolition of housing and commercial buildings by Sekisui House, Ltd., Sekiwa Construction companies (17 of the 19 companies), and Sekisui House Remodeling



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 in Response to Changing Times

Sekisui House was certified as an Eco-First Company by the Japanese Ministry of the Environment (MOE) in June 2008, and we have since been steadily promoting our environmental initiatives. We remain committed to achieving our ultimate goals of global warming prevention, ecosystem preservation,

and resource recycling. In 2012, we partially revised our Eco-First Promise to reflect changes in the social environment and the progress of our ongoing efforts. During FY2015, we made the following progress in our Eco-First activities.

FY2015 Progress in Major Activities Achieved in

① We are taking positive measures to reduce CO₂ emissions from residential and industrial sources.



Expanding sales of Green First net-zero energy housing



Installed PV systems on Sha Maison apartments



Remodeling an existing house to improve energy efficiency

② We are continuing to make concerted efforts toward restoration of ecosystem networks.



Gohon no ki landscaping project



Implemented the Wood Procurement Guidelines



Promoting Sekisui House Forest and other forest conservation activities

③ We are promoting resource recycling to the fullest extent.



Utilized next-generation zero-waste systems



Encouraged the acquisition of Long-Term Quality Housing Certification



Promoted high-quality housing stock (SumStock)

TOPICS

Early Adoption of the “Cool Choice” National Movement

At the Paris COP21 in December 2015, Japan committed to reducing greenhouse gas emissions 26% compared to FY2013 by the year 2030. To this end, the government decided to launch a national movement to advance global warming prevention called “Cool Choice.” This national movement aims to promote “smart choices” linked to global warming countermeasures involving energy-saving and low-carbon products, services and behaviors.

As an Eco-First company, Sekisui House was one of the first to endorse Cool Choice. In response to the significant demand for nearly 40% reductions in the housing sector, we have declared actions for taking the initiative to achieve this goal. We will propose comfortable eco-housing enabling residents to make smart choices through expanded construction of new net-zero energy housing and the energy-saving remodeling of existing houses.



Eco-First Promotion Council Initiatives

Established in December 2009, the Eco-First Promotion Council is a voluntary group of companies that have all been certified as Eco-First Companies by the MOE. Comprising 37 companies as of February 1, 2016, the council works to ensure that member companies meet their commitments as an Eco-First Company and to promote joint efforts for further environmental protection activities.

In April 2014, our company was designated as the chair of the Eco-First Promotion Council (with Sekisui House Chairman Isami Wada acting as chairperson), taking the lead as an environmental advanced company. Council activities are connected to Eco-First Company and other Ministry of the Environment initiatives aimed at contributing to increased environmental awareness among Japanese citizens.



Minister of the Environment Tamayo Marukawa (right) and Sekisui House Chairman Isami Wada

Main Activities in FY2015

6th Eco Slogan Contest

With the support of the Ministry of the Environment, Sekisui House collaborated with the Japan Elementary and Junior High School Environmental Education Research Society to invite elementary and junior high school students from all over Japan to submit eco-friendly slogans between June and September.

This year's theme was "What should we do to prevent climate change and global warming?"

A record-high total of 1,529 works were submitted. After a review by an impartial panel of judges, awards were given to outstanding works, including a Minister of the Environment Prize for the best one and a Sekisui House Prize.



"You're cool when you say 'don't waste'"

Winner of the Sekisui House Prize in the Eco Slogan Contest
Rika Wakai, Sixth Grade
Niigata City Kamiyama Elementary School

Sustainable Café: A Place for Students to Interact

In November 2015, the Sustainable Café was set up in a meeting room at the Kirin headquarters so that university and graduate students could brainstorm about how to create a sustainable society.

Students and representatives from Sekisui House, one of the council member companies, conducted a roundtable workshop on the topic "What we can do to realize a sustainable society." This exchange aimed to deepen mutual understanding and foster close friendships.



Small group discussions

TOPICS

Sekisui House Eco-First Park

The "Sekisui House Eco-First Park" opened at the Kanto Factory in May 2015.

The Sekisui House Eco-First Park contains the three most symbolic proving test houses from the Company's environmental activity history: "the wind house," "the house of tomorrow" and "the wood house." The name was chosen because this facility allows visitors to experience three initiative themes: "creatures' garden," "resource spring" and "Eco-First Promise."

This facility enables visitors to experience all the ways housing can play a role in protecting the environment while providing a fun learning experience. It can be used to conduct environmental education programs for elementary school students and their parents, and as an educational tool for college students to understand the relationship between housing and the environment. Going forward, we will proactively utilize and promote this facility with the aim of providing ongoing exhibits.

SEKISUI HOUSE
ECO FIRST PARK

エコファーストパーク

Sekisui House Eco-First Park website
<http://www.sekisuihouse.co.jp/efp/>



"Wind house" exterior



"House of tomorrow" exterior



Birdhouse making event for elementary school students and their parents

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 both 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. While relocation to higher ground and the construction of public housing for those displaced by the disaster are proceeding at a brisk pace, of the nearly 30,000 public housing units planned across three prefectures, only 47% had been completed as of January 1, 2016. Furthermore, although the number of evacuees in Fukushima, Miyagi and Iwate prefectures has declined from 470,000 after the earthquake, there are still nearly 170,000 people living as refugees.

We will continue Group-wide reconstruction efforts in stricken areas by building and getting residents back into their homes—the foundation of their lives.

New career-track employees take part in restoration-assistance activities

Starting in 2012, all new career-track employees at Sekisui House took turns going to the disaster-stricken areas to assist in reconstruction work (1,763 people in four years). Besides giving the stricken areas the assistance needed, the goal of this reconstruction effort is to deepen employees' understanding of the significance of the housing business and have them think and act from other people's perspectives.

In the stricken areas, employees worked with NPOs to hear what assistance locals needed, and then got to work in groups after deciding just how they could help. In 2015, we focused on cleanup efforts at temporary housing and meeting halls in an attempt to communicate with residents.

We plan to have new employees joining Sekisui House in FY2016 participate as part of our continuing assistance in reconstruction efforts in Tohoku.



Having tea with residents in temporary housing

Promoting Public Housing Projects through the Tohoku Reconstruction Department

We must move forward quickly with the construction of public rental housing for those having difficulty finding a place to live after leaving temporary housing. The entire Sekisui House Group is united in the effort to provide quick and reliable support.

Despite skyrocketing material and labor costs, labor shortages and a variety of other challenges, over 48,000 construction and support staff from nationwide offices, the Sekiwa Construction Group and partner building contractors have been able to deliver all housing units within the contracted construction period, earning the deep appreciation of local governments.

There were also other problems, including a diminishing awareness of the Great East Japan Earthquake and discrepancies among administrative organs. To realistically proceed with reconstruction plans requires reconstruction models tailored to conditions in each region rather than one plan for all areas. Going forward, in addition to focusing on stable supplies, rapid construction and high quality, we will also keep a watchful eye on communities and incorporate their concerns into the construction of communities to provide public housing for those displaced by the disaster that will make residents happy.

■ Provision Status of Public Housing for Those Displaced by the Disaster

	Projects bid on	Projects completed
FY2012	4 Buildings 26 Units	—
FY2013	84 Buildings 285 Units	4 Buildings 26 Units
FY2014	127 Buildings 214 Units	16 Buildings 53 Units
FY2015	126 Buildings 184 Units	116 Buildings 382 Units
Total	341 Buildings 709 Units	136 Buildings 461 Units

■ Public Housing Examples



Kojirahama, Kamaishi, Iwate Prefecture
Public housing for those displaced by the disaster



Aoba-ku, Sendai, Miyagi Prefecture
Public housing for those displaced by the disaster



Miyanoshita, Kawauchi-mura, Fukushima Prefecture
Public housing for those displaced by the disaster



Fukushima Prefectural Futaba Revitalization Clinic
Futaba Re-Care

Restoration and Reconstruction after Heavy Rains and Flooding in the Kanto and Tohoku Regions

From September 9–11, 2015, record-breaking heavy rains fell in the Kanto and Tohoku regions, causing the Kinugawa River to overflow, resulting in several deaths, the partial or total destruction of homes and buildings, numerous incidents of above and below floor flooding and widespread damage throughout these areas.

Although no Sekisui House homeowners were injured nor were their homes totally destroyed, some did experience flooding above or below floors. Sekisui House sales offices are interspersed throughout this area, which was extensively damaged. Intent on quickly providing the same level of support to all owners, sales office personnel worked together to provide initial responses regardless of location or area of responsibility.

On the 10th, a construction department experienced with initial response activities quickly leapt into action, setting up the Kinugawa Flood Response Headquarters at the Tsukuba Branch at 6 p.m. that very same day. They began calling homeowners to check on their safety, and on the 11th and 12th, 50 employees from the customer service center were sent out to check on homeowners and assess damage. On the 13th, full-blown cleanup activities began. The Tsukuba branch, customer service center, Kanto Factory, construction department, Sekiwa Construction and the Sekisui House Association worked together to remove scattered furniture, clean up inside houses, clean floors and remove mud and debris from under floors. As a result, we were able to complete emergency cleanup and inspection activities at all damaged homes in the Kinugawa River basin by the 20th.

■ Rain Damage Affecting Sekisui Homeowners in the Kanto and Tohoku Regions

Sales offices	Below floor flooding	Above floor flooding	Total
Tohoku	3 Buildings	4 Buildings	7 Buildings
East Kanto	70 Buildings	36 Buildings	106 Buildings
North Kanto	41 Buildings	69 Buildings	110 Buildings
Total	114 Buildings	109 Buildings	223 Buildings

Not one home was totally destroyed.



Carefully wiping away mud and repositioning furniture



Covered in mud after cleaning up underneath the floor

TOPICS

“Disaster Risk Reduction Factory of the Future” Contributing to Disaster Prevention in Regions throughout Japan

Sekisui House announced the Disaster-Ready Factory Project in May 2014, and in October that same year, hosted disaster drills at the Tohoku Factory. At the 3rd United Nations World Conference on Disaster Risk Reduction, held March 14–18, 2015, the Sekisui House Tohoku Factory was selected as one of the stops on the study tour attended by the largest number of participants.

As the only company in the housing industry to be selected as a stop on the study tours related to the UN World Conference on Disaster Risk Reduction, Sekisui House welcomed 201 people from 29 countries to the Tohoku Factory. The visits have provided a chance to show the world the high level of disaster preparedness we have achieved in cooperation with Shikama Town. Making a particularly strong impression on visitors was our ability to construct houses and develop communities that are highly resilient in the face of natural disasters. This point was demonstrated in numerous ways; for example, by how important Sekisui House’s homes are in protecting people’s lives, largely thanks to technologies we developed following the 1995 Great Hanshin-Awaji Earthquake; and

by initiatives begun following the 2011 Great East Japan Earthquake, such as our Green First strategy and Smart Common Cities.



3rd United Nations World Conference on Disaster Risk Reduction study tour

It is extremely important to involve citizens, governments, and private companies in disaster preparedness. Embarking on the disaster preparedness agreement, we started operation of a line to produce Bellburn ceramic exterior wall tiles, creating 100 new jobs locally. We also held a kid’s disaster prevention leader education project in May at the Tohoku Factory in which ten local elementary school students participated. We also conducted school visits to local combined elementary and junior high schools in November. Besides continuing to step up public-private cooperation, we will strive to be a company that dedicates its expertise in housing construction to contribute to people in disaster-stricken areas.

Note: On April 14, 2016, a strong earthquake struck Kumamoto City in Kumamoto Prefecture. The initial earthquake has been followed by numerous aftershocks. The Sekisui House Group quickly set up a local response headquarters and established a Group support system that is making every effort to confirm the status of Sekisui homeowners in the area. The first flight delivering stockpiled emergency relief supplies arrived onsite April 15th. Since the 15th, Group employees have collected donations for disaster relief (as of April 18). For information on recent activities, please visit the Sekisui House corporate website.

Social Action Programs

With a “love of humanity” at the core of our corporate philosophy—alongside our emphasis on housing culture, the sound growth of the next generation, and environmental preservation—we have developed programs enabling employees to voluntarily take socially meaningful action, while working for the wellbeing of communities as part of our core corporate activities. As well as encouraging our employees to take part in volunteer and charitable pursuits, we partner with NPOs and NGOs in support of their activities, and we assist educational institutions on selected educational initiatives.

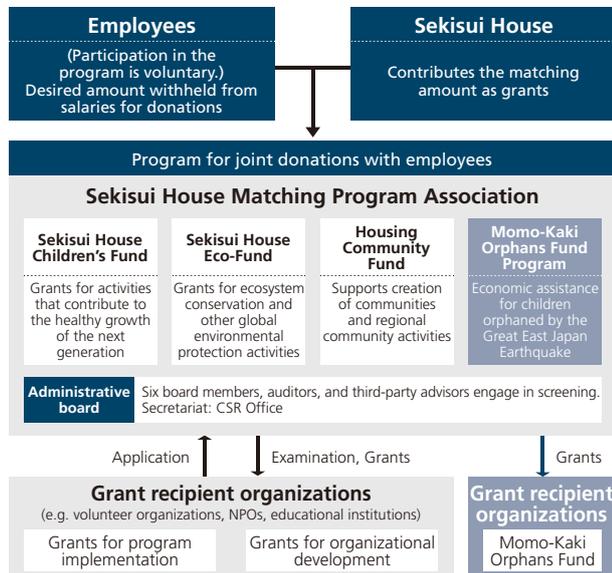
Employee and Company Joint Donation System “Sekisui House Matching Program”

Since FY2006, we have been implementing the Sekisui House Matching Program, under which we match employee donations (approximately 3,500 participants) to NPOs and other organizations engaged in activities that contribute to the creation of a sustainable society. This system enables employees to have an amount of their choice (1 unit = 100 yen) withheld from their salaries for donations, and Sekisui House matches the donations and contributes an equal amount in the form of grants. Grant money is disbursed from two funds: the Sekisui House Children’s Fund and the Sekisui House Eco-Fund. We also established the Momo-Kaki Orphans Fund Program to support the Momo-Kaki Orphans Fund, which is chaired by architect Tadao Ando. This fund provides financial assistance to children orphaned by the 2011 Great East Japan Earthquake. In 2015, to commemorate the tenth year of this system, we established the Housing Community Fund.

In FY2015, 12.18 million yen from our Children’s Fund was donated to 12 organizations (project grants to 11 organizations and infrastructure grants to one organization) and 10.6 million yen from our Eco-Fund was donated to 13 organizations (project grants to eight organizations and infrastructure grants to five organizations), bringing the cumulative total of our donations to 22.78 million yen provided to 25 organizations. In FY2015, the Momo-Kaki Orphans Fund Program donated 13.4 million yen (a cumulative total of 55.4 million yen). Up to now, we have donated a total of over 200 million yen to 200 organizations.



■ Sekisui House Matching Program



Children’s Fund Aid Organization Comment

Protecting Children’s Lives and Supporting Their Future with Water and Electricity

**Tetsuro Ikema, Representative Director
NPO Asia Child Support**

We are constructing a large deep well connected to a power generator and toilet facilities in the Ayeyarwady region of southwest Myanmar. In rural Myanmar, there is no water or electricity infrastructure, a major factor that prevents the healthy growth of children. This initiative is critical for supporting children’s growth, as infectious diseases transmitted through water and the need to travel far distances to a fresh water source cause children to miss school, while electricity protects children from incidents and accidents at night.

The children of Myanmar first came to appreciate the provision of safe water and to know the happiness of going to school through the support of the Sekisui House Matching Program. On behalf of the children of Myanmar, I offer a heartfelt thank you.



Myanmar children celebrate the construction of a large deep well

Eco-Fund Aid Organization Comment

Restoration of the Hasanuma Imperial Coastal Forest in Sanmu, Chiba Prefecture

**Hidenobu Takegaki, Representative Director
NPO The Lifestyle Research Institute of Forests**

With funding provided by the Sekisui House Matching Program, we are proceeding with the restoration of the Hasanuma Imperial Coastal Forest in Sanmu, Chiba Prefecture, which was destroyed by a tsunami. Specifically, we are felling dead trees, turning them into woodchips and spreading the chips around as we plant Japanese black pine, which is suitable for sustaining a coastal forest. After planting, we will clear the undergrowth about every five years to promote the growth of saplings we have planted. With the funding we received, we are able to expand the coastal forest band and heighten the function of the coastal forest. Since 2013, volunteers from Sekiwa Construction Higashi-Kanto have participated in coastal forest restoration activities by helping us clear undergrowth during the intense heat of summer, which has been a tremendous help. I am happy to have their help in restoring the Hasanuma coastal forest, which was the most severely damaged along Chiba Prefecture’s Kujukuri coastline.



Volunteers engage in undergrowth clearing activities

Supporting the “Bento Day” Project

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

In September 2015, we organized the 11th bento-cooking event at the Sumufumulab in Grand Front Osaka. We also hosted a seminar by Mr. Takeshita on the same day at a different venue, where elementary school students made bentos.



Children making bentos and seminar by Mr. Takeshita

Holding an Industry-Academia Collaborative Design Competition

Since FY2005, Sekisui House has been participating in the Real Size Thinking Competition for Ecological Living Design for students of architecture and design. The main objectives of the competition are to raise environmental awareness in designing living spaces, explore futuristic living spaces, strengthen industry-academia collaboration, promote exchanges among students, and foster young designers. It is held in two venues: one each in the Kansai and Kanto regions. In FY2015 we received 154 submissions from 37 universities across Japan.



The Best Award for Kansai went to “Waving Border”
Tomoya Sugimoto
Kyoto Institute of Technology Graduate School

The Best Award for Kanto went to “Pop-up Shelter”
Taichi Kuma, Takanori Ishii, Tatsunori Shibuya, Jun Shimada, Masayuki Takiguchi, Masatoshi Nishizato, Kantaro Makanae and Rika Li of Tokyo University Graduate School
Aisa Arikawa of Waseda University Graduate School

Environmental Education Programs

Awareness activities aimed at children who will lead the next generation are important for the promotion of global warming prevention and environmental conservation. To this end, Sekisui House conducts hands-on educational programs based on the three themes we are committed to as an Eco-First Company: reducing CO₂ emissions, restoring biodiversity networks and resource recycling.

Our “Houseecology” educational program, which teaches the connection between global warming and human lifestyles (conducted 23 times for 615 people in FY2015), won the Ninth Kids Design Award in the children’s future design learn and comprehension category (sponsored by NPO Kids Design Association).



“Houseecology” seminar

Kids’ Education at Shin-Satoyama and the Wall of Hope

Shin-satoyama is an 8,000 m² area of open space in Shin-Umeda City, where our head office is located. It was created based on the *Gohon no ki* concept. Every year since 2007, we have been holding hands-on educational programs for local kindergartens and elementary schools. In FY2015, 61 local elementary school students planted rice and 64 kindergarteners planted satsuma sweet potatoes.

Throughout the year, various events are held at the world’s largest tree planting monument, the “Wall of Hope,” built onsite. We intend to make the Wall of Hope into a relaxing green space as a “wall of butterflies.” We are letting children plant citrus plants and cabbages—food for caterpillars—on the Shin-Satoyama grounds and flowers—to provide nectar for butterflies—on the Wall of Hope.



Kids planting rice plantlets

Comments from External Members of the CSR Committee

At Sekisui House, a CSR Committee meeting is convened every three months (four times a year) to develop and promote important CSR policies and verify the relevancy and effectiveness of current CSR activities. During the meeting, three external members are asked to present their opinions, which provide the basis for discussion among Committee members (a group that includes board members). The following are comments given by the external members in light of discussions held during FY2015.

Changing Society through Housing

At COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations) the "Paris Agreement," a new framework related to global warming countermeasures from 2020 onward, was adopted. This historic agreement will launch climate change (global warming) countermeasures throughout the world.

Japan has committed to reducing greenhouse gas emissions 26% by 2030 (compared to 2013). Housing plays a major role in the realization of this goal. Sekisui House, which leads the industry in environmental initiatives, agreed to and signed the Joint Declaration in the Building and Construction Sector formulated at COP21, and is strengthening initiatives aimed at the adoption of net-zero energy housing and the energy-saving remodeling of existing housing.

Going forward, energy-saving housing will continue to spread throughout the world. In addition to realizing Japan's commitment, we anticipate our specialty in energy-saving technologies will also benefit the rest of the world. Sekisui House will aggressively develop business overseas based on our cumulative strengths in environmental technologies with the aim of becoming an international environmentally advanced company able to innovatively meet community needs and realize a low-carbon society.



Haruo Tsuji
Former President,
Sharp Corporation

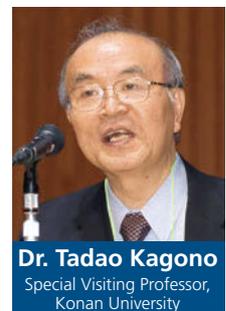
CSR Committee Recommendations

I was very interested in the discussion regarding Higashi Matsushima Disaster-Ready Smart Eco-Town. I think this is suitable material even for dissemination as a pillar of environmental strategy management. Once costs and other issues are resolved, I look forward to the development of a concrete business plan.

Creating a Network to Adjust Energy Supply and Demand

The ratio of homes equipped with solar panels is on the rise. The more expensive the home, the higher the ratio. The challenge of solar is that it cannot generate electricity at night. Storage batteries are one way to overcome this challenge. A big change recently has been the development and mass production of miniature wind turbine generators. Rather than horizontal rotating propellers, these use vertical blades rotated perpendicularly. This makes them quieter than the horizontal type, and enables power generation even when winds are light. These can be installed on homes, and may be able to supplement solar power generators. Even so, another challenge involved with renewable energy is power generation fluctuations, causing a mismatch in power supply and demand.

However, if the latest internet technologies are used to tackle these challenges, they can be overcome to a considerable extent. Sharing supply and demand information on a network enables the implementation of a system in which idle vehicles and printing equipment can be used by those who need them. In terms of power generation capabilities, the same kind of system can be developed. I expect housing companies to play a bigger role in developing these kinds of systems.



Dr. Tadao Kagono
Special Visiting Professor,
Konan University

CSR Committee Recommendations

Japan has become useful for short-term investors, but there is an increasing concern with respect to corporate governance and capital policies in response to the application of the corporate governance code. In response, it would be beneficial to read the Kay Review report from England, which leads in corporate governance.

Human Resource Development is the Key to Corporate Expansion

Sekisui House hires new employees with a tremendous amount of potential. A newspaper asked young adults beginning their careers in 2016 to name their "ideal boss." For the seventh year in a row, the number one choice among men was sports commentator Shuzo Matsuoka, while for women it was actress Yuki Amami. Among the reasons cited for their selections, the most common was that these people seemed "dependable." In recent years, there are appears to be a trend towards hiring someone who is ready to hit the ground running, but new hires often have little experience in the working world and have not yet accumulated sufficient knowledge. However, if quality education, OJT and other drills are implemented, there is a strong possibility that employees will grow into excellent human resources who lead future social and corporate developments.

It is said that the four management resources needed for corporate activities are people, things, money and information. Among these, how people are used and the way human resources are developed are the keys to the rise or fall of a company. No matter how perfectly an organization is created, nor what kinds of new methods are introduced, if there are no people to drive these elements, the company will never achieve its mission. The development of human resources is a necessary aspect of a company's social responsibility. Sekisui House performance is solid and every year the company's CSR activities are received favorably. It is in times like these that we must look further ahead and establish a strategic perspective. I look forward to increased efforts toward the cultivation of socially significant human resources.



Shunsuke Kano
Lawyer

CSR Committee Recommendations

With the arrival of the super aged society, we need to work with production sites, design, construction, sales and related companies to consider how best to utilize people aged 60 or older. While maintaining a focus on the importance of robots and other rational labor-saving efforts, I want the company to build a comprehensive and new business model.

Independent Third-Party Assurance Report

KPMG AZSA Sustainability Co., Ltd. was engaged to provide assurance on Sekisui House, Ltd.'s Sustainability Report 2015 and verify that the report provides reliable information on the company's energy consumption, waste and greenhouse gas emissions volumes, water used in factor production and social reporting (frequency of occupational accidents and illnesses).

This is an English translation of the "Independent Assurance Report" dated April 19, 2016 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the "Sustainability Report 2016" published in Japanese by Sekisui House, Ltd.

Independent Assurance Report

Sekisui House, Ltd.

Mr. Isami Wada, the Chairman, Representative Director & CEO,

Mr. Toshinori Abe, the President, Representative Director & COO

We were engaged by Sekisui House, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators and green house gas indicators listed below for the period from February 1, 2015 to January 31, 2016 (the "Indicators") included in its Sustainability Report 2016 (the "Report") for the fiscal year ended January 31, 2016, and the completeness of material greenhouse gas information in the Report.

Indicators and pages in the Report

Indicators	pages
FY2015 occupational accident and disease frequency rates	57
Energy (total amount and itemized details by energy source) and Tap water, Industrial-use water and Groundwater of "Factory production" in "Resource input"	61, 62
Amount of CO ₂ emissions and Waste (total amount and itemized details by waste category) in "Waste generation/CO ₂ emissions"	61, 62
CO ₂ emissions of 'Scope 1 and 2 emissions', 'Raw materials', 'Occupancy', 'Office waste', 'Disposal of waste products' and 'Transportation' in 'CO ₂ Emissions by Scope (1-3)' and Scope 1, and Scope 2	62

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report, which are derived, among others, from the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan's Ministry of the Environment, and for including the material greenhouse gas information defined in the 'Greenhouse gas Report Assurance and Registration Criteria' of the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS") in the Report.

Our Responsibility

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

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

Conclusion

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

Our Independence and Quality Control

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

KPMG AZSA Sustainability Co., Ltd.

Osaka, Japan

April 19, 2016

Third-Party Review

Sekisui House, Ltd.

April 6, 2016

Third-Party Review

I wrote the following comments based on information contained in this report and in interviews I had with all Sekisui House personnel in charge of environmental, human resource, procurement, and CSR affairs. I believe that Sekisui House has remained steadfast in its commitment to CSR efforts. The company has been strengthening its efforts to promote sustainability by carrying out its business in an integrated manner and with a view to reducing its impact on the environment. For example, it has developed and is selling Green First Zero net-zero-energy houses; it is implementing the innovative *Gohon no ki* landscaping concept, one of the first projects of its kind in the world that engages customers in biodiversity protection efforts; and it is convening quarterly meetings of its CSR Committee, which includes external members.

Achievements deserving special mention

- Sekisui House's executives have shown leadership in recognizing and taking action on housing industry issues that are of the highest concern to customers and society in general. The company's efforts have included reducing its environmental impact by boosting energy efficiency and maintaining the long-term value of housing capital (p. 9–14). This is disclosed in a format enabling comparisons over time of the main output indices comprising the four aspects of economy, environment, housing and society (p. 15–16). Going forward, in terms of the value these accumulated initiatives have for customers and society, I strongly urge the company to disclose progress as an index as well as positioned as management objectives.
- The company strives to reduce its environmental impact throughout the entire product life cycle. One example is Green First Zero net-zero-energy houses, which have accounted for almost 70% of Sekisui House sales in the three years since they were introduced (p. 26). As well as being highly insulated and airtight, these houses incorporate solar cells and fuel cells. Another example is using IC tags to help measure and manage waste from manufacturing and construction. Furthermore, the creation of Japan's first Disaster-Ready Smart Eco-Town in Higashi Matsushima combining disaster-ready public housing, a hospital and other facilities (p. 25) is also highly commendable as an effective solution for enhancing social sustainability. Going forward, I expect the expansion of the remodeling and renovation businesses (p. 27–28) will increase the comfort of not only Sekisui House homes, but also homes throughout Japan, through improved insulation and other efforts, which will maintain and enhance home asset values.
- In terms of improving social responsibility initiatives related to suppliers (p. 56), environmental considerations and social responsibilities were clarified in the Eight Procurement Policies and CSR Procurement Standards were formulated in October 2015. The status of supplier initiatives were evaluated based on a portion of items from the self-check sheet and individual discussions were conducted aimed at implementing improvements. Going forward, to promote ongoing improvements with respect to social items including labor, health and safety and human rights, I suggest the Company improve the accuracy of item ascertainment and segmentation targeted by the evaluation system and more aggressively discloses information.
- In the area of ecosystems and biodiversity, Sekisui House is carrying out some of the world's most groundbreaking initiatives. Together with customers, it has planted more than 11.99 million trees in the *Gohon no ki* project (p. 29–31). In close partnership with NPOs and NGOs, the company has created wood procurement guidelines that specify quantitative measurements intended to prevent illegal logging and ensure an environmentally friendly wood-growing industry (p. 32). I suggest that the company conduct research on wildlife in areas involved in the *Gohon no ki* project, ascertain the project's efficacy, and share the results in a report.

Areas where some notable achievements have been made but further efforts are required

- In the area of CSR in corporate governance and management (P. 53–62), Sekisui House is to be lauded for formulating its four values and 13 guidelines for the realization of a sustainable society. I propose that the company use measurable criteria to clarify the significance of adhering to its values and guidelines, while explaining in simpler terms how these notions are incorporated into its medium-term management plan. The company would also do well to provide more opportunity for group company employees in Japan and overseas to appreciate the significance of implementing these values and guidelines. As I stated in last year's report, I urge the company to establish human rights and other items as key performance indicators (KPIs).
- As for creating better working conditions and expanding the diversity of the workforce (pp. 43–46), I admire Sekisui House for its steady efforts—which have resulted in 5.55% of its employees taking advantage of the special leave and reduced-work-hour program for child care, nursing care, and elderly care—as well as for raising the percentage of disabled employees to 2.21%. Of particular note is an increase in the number of male employees taking parental leave and female employees utilizing reduced working hours to care for children, the provision of diversity meetings for disabled employees and training related to a reduced working hour system for nursing care that family members can also attend. Going forward, Sekisui House should promote the use of paid leave through the introduction of a smart holiday system. The Company should also enhance consultation services for employees to address a wider range of concerns that go beyond work-related issues to help meet the needs of a society where the population is aging and birth rates are falling. As the retirement age in Japan is gradually being raised to 65, I believe the company should encourage its employees to be more involved in community activities.
- Three aspects of the Sekisui House training program (p. 36) impress me: (1) the number of trainees who study construction work in the company's training facilities has been rising steadily since 2013; (2) five years after finishing the course, around 90% of trainees are still with the company; and (3) the number of trainees from Vietnam, China, and Thailand has reached 93 in the three years since 2013. I hope the company will continue to enhance its support system to ensure ongoing skills development for foreign trainees.
- In terms of social contribution activities, including support for recovery after natural disasters (P. 65–68), since 2012, newly hired employees have participated in training for the provision of support in areas affected by the Great East Japan Earthquake. Group companies worked together to support customers and recovery efforts after heavy rain in the Kanto and Tohoku regions. I highly commend Sekisui House for solidly promoting social contribution activities intimately connected to its main business. I hope the company will continue to provide more opportunities and inspiration for its employees to get involved in community service activities such as the Matching Program. It could do this, for example, by having management personnel follow—or even volunteer to participate in—the activities of organizations that Sekisui House supports.



Hideto Kawakita

CEO, IIHOE (International Institute for Human, Organisation, and the Earth) [sic]

IIHOE is an NPO established in 1994 under the principle of "democratic and balanced development for all life on earth." IIHOE mainly engages in offering management support to civil groups and philanthropists, while working with many large companies to support their CSR efforts.
<http://blog.canpan.info/iihoe/> (Japanese only)

Remarks by Sekisui House Executives in View of Third-Party Comments

Environmental Activities

October 2015, the *Gohon no ki* project received the Platinum Award Grand Prize from the Ministry of Economy, Trade and Industry. This award was presented in recognition of environmental contribution activities incorporated into Sekisui House's business and the promotion of business that expands activities aimed at the preservation of biodiversity. Long ago, some said there was no way to profit off the environment, that it only offered societal benefits. This is an unsustainable viewpoint. When the economy soured, at first there was a tendency to want to stop these activities altogether. But it is because these activities are incorporated into our business that we are able to sustain them. In fact, our landscaping business posted net sales of over 60 billion yen, making us Japan's largest landscaping company. Of course, we must not forget this is the result of providing innumerable customers with a pleasant lifestyle through garden enjoyment. This is the Sekisui House concept of CSV.

Sekisui House was the only private company in Japan that agreed to and signed the Global Alliance for Buildings and Construction* at COP21, and as an Eco-First company, we are committed to the Japanese government's goal of reducing CO₂ emissions from existing houses 39.3% (compared to FY2013) by 2030. We are on track with respect to the construction of net-zero energy Green First Zero homes, which account for more than 70% of all our newly constructed homes. As already

indicated, the challenge is how to make existing homes more energy efficient. On a personal note, when my father was young, he was afflicted by tuberculosis, which caused his lungs to deteriorate leading to colds and pneumonia for which he was hospitalized every year. However, after his home was rebuilt to be more energy efficient 17 years ago, he never once caught a cold and lived a healthy life until he passed away for other reasons. Energy-saving homes extend the amount of time neither heat nor air conditioning is required, such as during the spring and autumn months. I feel that people living in these kinds of homes are able to live a more healthy life. Promoting the spread of these houses is our CSV as well as a significant change to contribute to society. For these reasons, Sekisui House aims to expand its remodeling business.

*Participated in by 70 institutions (including 20 countries)



Kenichi Ishida

Managing Executive Officer
Chief Manager of Environment
Improving Department,
Chief Manager of Global Warming
Prevention R&D Institute

Social Activities

Environmental, social and governance (ESG) investment is growing rapidly worldwide. Between 2012 and 2014, ESG investment increased 61%. Massive typhoons, unexpectedly heavy rains and other extreme weather events have increased the visibility of climate change-related risks. This has resulted in an increased emphasis on the corporate stance toward the environment, which in turn, has led to the revelation of fraud and misconduct resulting in the immediate loss of trustworthiness that had taken many years to establish in the market. Day by day, there is an increasing emphasis on social and governance issues from the perspective of avoiding medium- to long-term investment risks.

This publication is an "integrated report" providing an overview of financial and non-financial information, as well as disclosure of Sekisui House Group CSV strategies, which aim to resolve social issues while developing housing-specific growth strategies in recognition of the central role housing plays in social issues. Thus, this publication also provides reporting on social and governance issues.

In addition to communicating our Group vision and current stance with respect to society, as indicated in the third-party review, we are committed to sharing the significance of our business with employees in Japan and overseas. Specifically, we use this report internally as educational material when exchanging ideas and to strengthen the function of

consultation services for employees. We hope it inspires a sense of pride in employees and encourages them to pool their efforts to create a company where everyone wants to continue working. To further enhance our human portfolio, we are engaged in the promotion of a work-life balance and the active participation of women as a company selected three times for inclusion on the Nadeshiko list. As a result, I am confident we will be able to further rally and unite critical employee strengths to develop solid growth strategies.

As indicated on page 64, the Sekisui House Eco-First Park in Koga, Ibaraki Prefecture, was opened in May 2015. I encourage everyone to visit this facility, which is open to the general public and enables visitors to experience the impact housing has on global social issues including global warming, ecosystem network risks, the depletion of finite resources and increasing refuse.



Hitoshi Kuroyanagi

Executive Officer
Chief Manager of Corporate
Communications Department,
Chief Manager of Investor Relations Office

GRI Content Index for “In Accordance” Items

The Sekisui House Sustainability Report 2016 has been prepared in accordance with the Core options of the Global Reporting Initiative’s (GRI) G4 Sustainability Reporting Guidelines (G4).

General Standard Disclosures

Indicator		Refer to	External assurance
Strategy and Analysis			
G4-1	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization’s strategy for addressing sustainability	P.9-14	
Organizational Profile			
G4-3	Name of the organization	P.76	
G4-4	Primary brands, products, and services	P.5-6	
G4-5	Location of the organization’s headquarters	P.76	
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	P.49-52	
G4-7	Nature of ownership and legal form	P.76	
G4-8	Markets served	P.5-6,49-52	
G4-9	Scale of the organization	P.5-6,76	
G4-10	Total number of employees by employment contract and gender	[WEB] Corporate Profile	
G4-11	Percentage of total employees covered by collective bargaining agreements	N/A	
G4-12	Organization’s supply chain	P.56	
G4-13	Significant changes during the reporting period regarding the organization’s size, structure, ownership, or its supply chain	N/A	
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	[WEB] Chemicals Management	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	P.11,63-64	
G4-16	Memberships of associations and national or international advocacy organizations	[WEB] Industry Proposals	
Identified Material Aspects and Boundaries			
G4-17	All entities included in the organization’s consolidated financial statements or equivalent documents; whether any entity included in the organization’s consolidated financial statements or equivalent documents is not covered by the report	P.4,76	
G4-18	Process for defining the report content and the Aspect Boundaries; how the organization has implemented the Reporting Principles for Defining Report Content	P.3-4	
G4-19	All the material Aspects identified in the process for defining report content	P.54	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	P.73-74	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	P.73-74	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	N/A	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	P.61-62	
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organization	P.55	
G4-25	Basis for identification and selection of stakeholders with whom to engage	[WEB] Stakeholder Communication Guidelines	
G4-26	Organization’s approach to stakeholder engagement	P.21,55	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns; the stakeholder groups that raised each of the key topics and concerns	P.54-55,69,71-72	
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	P.3-4	
G4-29	Date of most recent previous report (if any)	P.4	
G4-30	Reporting cycle (such as annual, biennial)	P.4	
G4-31	Contact point for questions regarding the report or its contents	P.4	
G4-32	The “in accordance” option the organization has chosen; GRI Content Index for the chosen option; reference to the External Assurance Report, if the report has been externally assured	P.3,70,73-74	
G4-33	Policy and current practice with regard to seeking external assurance for the report	P.70	
Governance			
G4-34	Governance structure of the organization, including committees of the highest governance body; any committees responsible for decision-making on economic, environmental, and social impacts	P.53,58	
Ethics and Integrity			
G4-56	Values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics	P.53,56	

Specific Standard Disclosures (Specified Material Aspects Only)

Indicator		Refer to	External assurance
Economic			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	P.5-8,19	
Economic Performance			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, business partners			
G4-EC1	Direct economic value generated and distributed	P.21/Securities Report /Financial Results Summary	
G4-EC2	Financial implications and other risks and opportunities for the organization’s activities due to climate change	P.23-28	
Aspect-specific DMA: Procurement Practices—Actions taken to identify and adjust the organization’s procurement practices that cause or contribute to negative impacts in the supply chain			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, shareholders and investors, business partners, local communities			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	P.76 / [WEB] Communicating with Business Partners	
Environmental			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	P.9-14 / [WEB] Environmental Management	
Aspect-specific DMA: Energy—Whether the organization is subject to any country, regional, or industry regulations and policies for energy; examples of such regulations and policies			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, shareholders and investors, business partners			
G4-EN3	Energy consumption within the organization	P.61	● (P.70)
G4-EN5	Energy intensity ratio	P.62	
Aspect-specific DMA: Biodiversity—Strategy for achieving the organization’s policy on biodiversity management			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, business partners, local communities			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas of high biodiversity value outside protected areas	N/A	

Indicator	Refer to	External assurance
Aspect-specific DMA: Emissions—Whether the organization is subject to any country, regional, or industry regulations and policies for emissions; examples of such regulations and policies	P.23-24	
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, business partners, local communities		
G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)	P.62	● (P.70)
G4-EN16 Indirect greenhouse gas (GHG) emissions (Scope 2)	P.62	● (P.70)
G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)	P.62	● (P.70)
G4-EN18 GHG emissions intensity ratio	P.62	
G4-EN19 Reduction of greenhouse gas (GHG) emissions	P.26,62	
Effluents and Waste		
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, business partners, local communities		
G4-EN22 Total water discharge by quality and destination	[WEB] Material Balance	
G4-EN23 Total weight of waste by type and disposal method	P.61 / [WEB] Material Balance	● (P.70)
Products and Services		
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities		
G4-EN27 Extent of impact mitigation of environmental impacts of products and services	P.26,28,62	
Compliance		
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities		
G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	P.60	
Aspect-specific DMA: Supplier Environmental Assessment—Systems used to screen new suppliers using environmental criteria; actions taken to address the significant actual and potential negative environmental impacts identified in the supply chain	P.32,56	
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, shareholders and investors, business partners		
G4-EN32 Percentage of new suppliers that were screened using environmental criteria	[WEB] Communicating with Business Partners	
Social		
Labor Practices and Decent Work		
DMA Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	P.12-14,44,47-48	
Aspect-specific DMA: Employment—Actions taken to determine and address situations where work undertaken within the organization's supply chain does not take place within appropriate institutional and legal frameworks	N/A	
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, local communities		
G4-LA3 Return-to-work and retention rates after parental leave, by gender	[WEB] Support for Work and Childrearing	
Aspect-specific DMA: Occupational Health and Safety—Programs related to assisting workforce members, their families, or community members regarding serious diseases	P.45 / [WEB] Support Programs for Nursing Care and Sick Leave	
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, business partners		
G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender	P.57	● (P.70)
Training and Education		
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, business partners		
G4-LA9 Average hours of training per year per employee, by gender, and by employee category	P.48	
Diversity and Equal Opportunity		
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, local communities		
G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	P.58	
Human Rights		
DMA Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	P.59	
Aspect-specific DMA: Investment—Strategies for extending applicable policies and procedures to external parties; use of human rights criteria or clauses in contracts	P.59	
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, shareholders and investors, business partners, local communities		
G4-HR2 Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	P.59/[WEB] Human Relations Training	
Society		
DMA Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	P.53,55-56	
Compliance		
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities		
G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	P.60	
Product Responsibility		
DMA Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	P.33-36,56	
Aspect-specific DMA: Customer Health and Safety—Whether the health and safety impacts of products and services are assessed for improvement (by life cycle)	[WEB] Customer Surveys	
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, consumers, local communities		
G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	P.60	
Aspect-specific DMA: Product and Service Labeling—Organization-wide practices in place to assess and maintain customer satisfaction	[WEB] Customer Surveys	
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, consumers, business partners		
G4-PR5 Results of surveys measuring customer satisfaction	P.16,18,26,40	
Customer Privacy		
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, consumers, business partners		
G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	P.60	
Compliance		
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities		
G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	P.60	

Honors from Third Parties During FY2015

Environment

● Shin-Satoyama and Wall of Hope, Shin-Umeda City

April 2015

Social and Environmental Green Evaluation System (SEGES): Urban Oasis certification

Organizer: Organization for Landscape and Urban Green Infrastructure

● Gohon no ki Project

October 2015

Platinum Award
Grand Prize, Minister of Economy, Trade, and Industry Prize

Organizer: Platinum Koso Network
Platinum Award steering committee



● Harmony, Skills and Peace: Community Building Gardening "Kizashi"

October 2015

Hibiya Park Gardening Show 2015 Garden Contest
Tokyo Metropolitan Governor's Prize, Gardening category

Organizer: Hibiya Park Gardening Show executive committee

Community Building, Landscape

● The Ritz-Carlton, Kyoto

February 2015

Prize for Excellence, Architecture category, Kyoto Scenery Awards

Organizer: City of Kyoto

● One Central Park, Central Park redevelopment project in Sydney, Australia

March 2015

Best Innovative Green Building, MIPIM Awards 2015

Organizer: MIPIIM (le marché international des professionnels de l'immobilier)
Note: Joint development project with Frasers Centrepoint Ltd.

● Child Chemo House

December 2015

Human-Size Community Building Award, Governor's Prize (Townscape Architecture category)

Organizer: Hyogo Prefecture

Note: Joint entry with NPO Child Chemo Support Foundation, and Tezuka Architects

Kids Design Award

Prize for Excellence, Minister of State for Measures for Declining Birthrate Award (Design for Raising Children, Local Communities categories)

● Koto Bay Coast Satellite Smart Nursery School main garden Tennis Forest campus

Note: Joint entry with Children's Museum of Shino world

(Safety and Peace of Mind from Children's Perspective Design, general category)

● "iFAS" Rapid Detection Home Smoke Alarm

Note: Joint entry with New Cosmos Electric Co., Ltd.

● "Disaster-Ready Factory of the Future" Kids Disaster Prevention Leader Cultivation Project To Protect Oneself, Families and Communities

(Children's Future/Learning and Understanding categories)

● Captain Earth's "Houseology" Seminar

(Design for Raising Children, Local Communities categories)

● Creating Communities Incorporating Shared Assistance in Childrearing Childrearing Shared Assistance Community Adoption Model Business

● Sekisui House Matching Program for Matching Employee Donations

(Reconstruction Support Design category)

● Developing Children's Will to Live through Earthquake Reconstruction and Environmental Protection "Making Birdhouses"

July 2015

Organizer: NPO Kids Design Association



Products, Technology, etc.

● Women and Child-friendly "Orihime" Mobile Toilet

September 2015

Japan Toilet Award

Minister of Women's Active Participation/Minister of State for Special Missions (Gender Equality) Award

Organizer: Cabinet Secretary for All Women Shine
Social Promotion Office

Note: Joint entry with TOTO Ltd.



● Entranceway Storage Bench

● "iFAS" Rapid Detection Home Smoke Alarm

Note: Joint entry with New Cosmos Electric Co., Ltd.

November 2015 IAUD Award 2015, IAUD Award

Organizer: International Association for Universal Design

● Shawood "Pure Domestic Timber Premium Model"

December 2015

Wood Design Award

Prize for Excellence, Forestry Agency Secretary Award (Social Design category)

Organizer: Wood Design Award Secretariat (Supported by the Forestry Agency)



● Yamazaki house and Usui Family Villa (Sekisui House Model A) built in 1963

March 2016

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

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



● Corporate serial advertisement: "Sekisui House—Always there for you"

March 2015

Mainichi Advertising Design Awards,

Advertiser Participation section (Housing and Real Estate)

Organizer: The Mainichi Newspapers

July 2015

Asahi Advertising Awards, Advertiser Participation section,

Associate category prize (Real Estate and Financial category)

Organizer: The Asahi Shinbun

October 2015

Bronze Prize, Serial Advertisement category, Business Advertising Awards

Organizer: Fuji Sankei Business I.

● Corporate Advertising "A Boy and His Dog" Series

April 2015

Fuji Sankei Group Advertising Awards,

Public category, Television Excellence Prize

Organizer: Fuji Sankei Group

Good Design Award

● Steel System (Light-Gauge Steel) Framing Brace Construction Method "Universal Frame System"

● Japan's First Cancer Treatment Facility for Children "Child Chemo House"

Note: Joint entry with NPO Child Chemo Support Foundation, and Tezuka Architects

● AirMe (F-PML40SH and F-PML20SH) Built-In Air Purification Systems

Note: Joint entry with the Panasonic Corporation.

September 2015

Organizer: Japan Institute of Design Promotion



CSR and Other Initiatives

● Sekisui House Limited

March 2015

Grand Prize, Osaka City Mayor's Commendations for Leading Companies in Female Career Development

May 2015

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

November 2015

Ranked number one in advanced corporate data utilization, Development and Production categories

Survey: Nikkei Big Data, Nikkei Research

March 2016

Selected as a Nadeshiko brand 2016 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange



● Sustainability Report 2015

February 2016

Special Jury Prize (Jury Chairman's Prize), Environmental Report category, 18th Environmental Communication Awards

Organizers: Ministry of the Environment, Global Environmental Forum



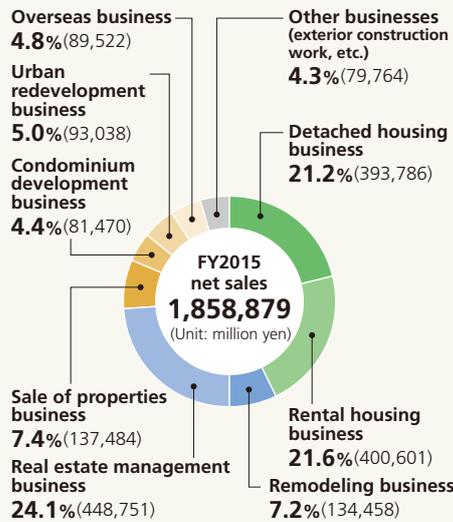
Corporate Profile (as of January 31, 2016)

Corporation name: Sekisui House, Ltd.
 Head office: 1-1-88 Oyodonaka,
 Kita-ku, Osaka 531-0076, Japan
 Date of establishment: August 1, 1960
 Capital stock issued: ¥202,591,200,000
 Employees: 23,089 (consolidated);
 13,855 (non-consolidated)
 Total number of houses built: 2,284,659

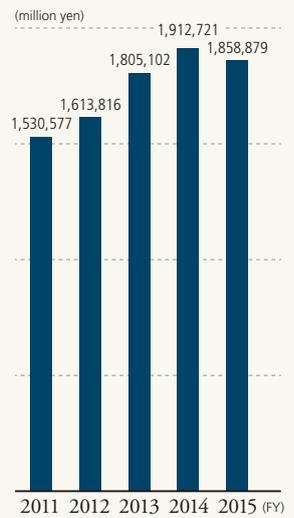
Sales and Service Offices (as of January 31, 2016)

Branch and sales offices: 123
 Customer service centers: 29
 Model homes: 409
 Factories: 5
 R&D institute: 1
 Consolidated subsidiaries: 205
 Companies accounted for under the equity
 method: 23

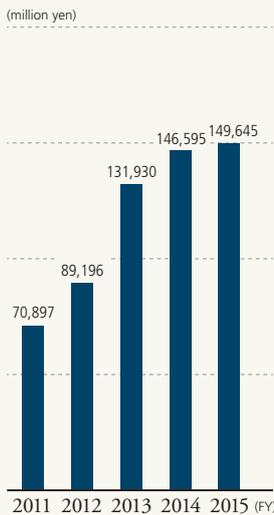
Consolidated Sales by Segment



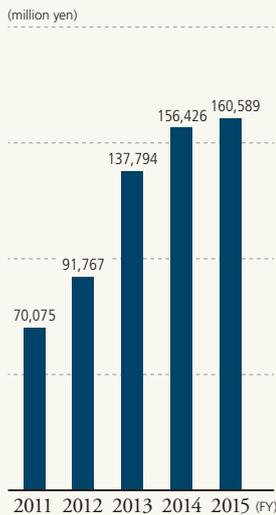
Consolidated Net Sales



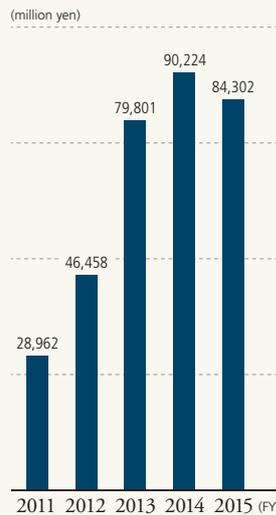
Consolidated Operating Income



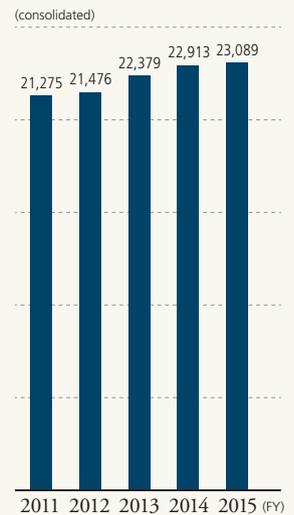
Consolidated Ordinary Income



Consolidated Net Income



Number of Employees



Share Information (as of January 31, 2016)

Number of shares outstanding: 709,683,466 Number of shares per share unit: 100
 Number of shareholders: 63,415 Listed stock exchanges: Tokyo and Nagoya

Share Distribution

Category	(%)
Financial institutions	37.62
Securities companies	4.45
Foreigners	32.68
Other companies	12.97
Individuals, others	12.28

Dividends per Share

Fiscal Year	Dividends per Share (yen)
FY2015	54
FY2014	50
FY2013	43
FY2012	28
FY2011	20

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





SEKISUI HOUSE

SEKISUI HOUSE, LTD.

Head Office

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

Tokyo Office

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

Direct inquiries to:

Corporate Social Responsibility Office,
Corporate Communications Department

Tel: +81-6-6440-3440

Environment Improving Department

Tel: +81-6-6440-3374

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



Sekisui House was the first company in the housing industry to be certified as an Eco-First Company by the Minister of the Environment (MOE) in Japan.



This publication uses hot-melt adhesive developed for bookbinding, which is highly resistant to decomposition enabling easier recycling.