



SEKISUI HOUSE

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Published in July 2018



SEKISUI HOUSE

SLOW & SMART
Housing innovation to make your heart feel at home

For the year ended January 31, 2018

Sustainability Report 2018

Focused on Creating Shared Value

SEKISUI HOUSE, LTD.

Changing the World Through Living

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

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 energy challenges and the problem of low birthrates and aging populations.

Because the Sekisui House Group develops housing-based growth strategies, we will resolve social issues and create new value through housing.

This is how we create shared value (CSV).

Corporate Philosophy

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



Toward Business Creation through the Development

Since our founding in 1960, the Sekisui House Group has developed housing-related businesses that have come to lead the housing industry. With beginnings in detached homes, we have expanded into business domains including rental housing, ready-built homes, condominiums, remodeling, real estate, urban redevelopment and overseas business. Going forward, we will continue to provide new value to society and people's day-to-day lives through the utilization of various business technologies, expertise and achievements grounded in our SLOW & SMART brand vision.

Built-to-Order Business

Custom detached houses, rental housing



IS ROY+E steel-framed two-story house



Gravis Villa SHAWOOD wooden-frame detached house



BIENA steel-frame three- to four-story homes

Custom Detached Houses

Design, construction, and contracting of detached houses

[Main Affiliates]

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



BEREO three- to four-story rental housing



Celebrio assisted-living complex for senior citizens

Rental Housing

Design, construction, and contracting of rental housing, medical and nursing care facilities, and non-housing such as commercial facilities and hotels.

[Main Affiliates]

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

Custom Detached House Sales

12,570 houses

No.1 among prefabricated house manufacturers

*(FY2016) Source: Housing Industry Express, Jutaku Sangyo Kenkyusho Co., Ltd.

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

34,648 houses

No.1 in Japan

*(FY2016) Source: Data provided by Jutaku Sangyo Kenkyusho Co., Ltd.

Number of three-story rental housing starts

1,650 buildings

No.1 in Japan

*(FY2016) Source: Data provided by Jutaku Sangyo Kenkyusho Co., Ltd.

Development Business

Houses for Sale, condominiums, urban redevelopment



Seaside Momochi (Fukuoka City)



Grande Maison Yamaashiya (Ashiya City, Hyogo Prefecture)



Umeda Sky Building (Osaka City)

Houses for Sale

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

[Main Affiliates]

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

Condominiums

Sale of condominiums

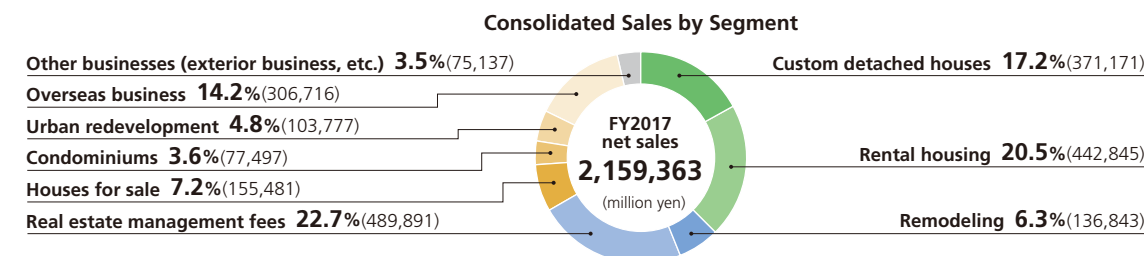
[Main Affiliates]

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

Urban Redevelopment

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

of Growth Strategies in Various Domains



Supplied Housing Business

Remodeling, real estate management fees



Renovation work example



Remodeling

Remodeling and renovation of houses, etc.

[Main Affiliates]

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



Pro+Nube two-story rental housing



BEREO three- to four-story rental housing

Real Estate Management Fees

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

[Main Affiliates]

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

Total number of houses constructed

2,381,637 houses

No.1 in the world

*(FY2016) Source: Data provided by Jutaku Sangyo Kenkyusho Co., Ltd.

Remodeling business sales

136.8 billion yen

No.1 in Japan

*(FY2016) Source: Data provided by Jutaku Sangyo Kenkyusho Co., Ltd.

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

14,411 units

No.1 in Japan

*(FY2016) Source: Data provided by Jutaku Sangyo Kenkyusho Co., Ltd.

Overseas Business



Central Park, Australia

Overseas Business

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

[Main Affiliates]

© Sekisui House Australia Holdings Pty Ltd.
© Woodside Homes Company, LLC

Other Businesses



Example of Gohon no ki exterior construction and landscaping

Other Businesses

Exterior construction work, etc.

[Main Affiliates]

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

Exterior business sales

67.8 billion yen

No.1 in Japan

Note: Cumulative figures are all as of January 31, 2018.

Creating the Value that Society Demands and Realizing Sustainable Growth

In pursuit of our four key values established in 2005—environmental value, economic value, social value and homeowner value—we have achieved continual growth while developing our business activities and generating products and services that provide solutions to current issues and meet individual customer needs. In fiscal 2017, we achieved record profit for the fifth consecutive year and increased profit for the eighth consecutive year. Going forward, we will continue to strive for balanced management policies that allow for the realization of sustained growth and create the value that society demands.

(Million yen)

		FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Business performance	Net Sales	1,597,807	1,514,172	1,353,186	1,488,369	1,530,577	1,613,816	1,805,102	1,912,721	1,858,879	2,026,931	2,159,363
	Operating Income	109,727	73,960	△ 38,754	56,354	70,897	86,196	131,930	146,595	149,645	184,164	195,540
	Ordinary Income	114,086	77,072	△ 38,758	56,271	70,075	91,767	137,794	156,426	160,589	190,989	203,678
	Net income attributable to owners of parent	60,352	11,516	△ 29,277	30,421	28,962	46,458	79,801	90,224	84,302	121,853	133,224
	Earnings per share (EPS)	88.70 _{yen}	17.04 _{yen}	△ 43.32 _{yen}	45.02 _{yen}	42.90 _{yen}	69.17 _{yen}	118.63 _{yen}	130.91 _{yen}	120.16 _{yen}	175.48 _{yen}	193.06 _{yen}
	Return on equity (ROE)	7.7%	1.5%	△ 4.0%	4.2%	3.9%	6.0%	9.2%	9.0%	7.9%	11.3%	11.6%
	Operating margin	6.9%	4.9%	△ 2.9%	3.8%	4.6%	5.3%	7.3%	7.7%	8.1%	9.1%	9.1%
Financial status	Total assets	1,349,441	1,387,237	1,353,946	1,341,308	1,445,828	1,539,272	1,769,005	1,929,409	2,029,794	2,184,895	2,419,012
	Net assets	770,963	754,130	716,295	738,029	750,374	814,063	941,415	1,079,064	1,068,428	1,118,264	1,208,121
	Capital ratio	57.1%	54.3%	52.9%	54.9%	51.4%	52.4%	52.6%	55.4%	52.1%	50.5%	49.4%
Dividend	Annual dividend	24.00 _{yen}	24.00 _{yen}	10.00 _{yen}	21.00 _{yen}	20.00 _{yen}	28.00 _{yen}	43.00 _{yen}	50.00 _{yen}	54.00 _{yen}	64.00 _{yen}	77.00 _{yen}
	Total dividends	16,233	16,227	6,759	14,193	13,477	18,811	29,200	34,799	37,832	44,243	53,151
	Dividend payout ratio	27.4%	140.8%	—	46.6%	46.6%	40.5%	36.2%	38.2%	44.9%	36.5%	39.9%
Shared value	Total market value (year-end)	836,365	520,525	578,737	540,831	484,650	680,946	985,007	1,059,072	1,329,946	1,297,656	1,379,985
	Average sales of detached houses (10,000 yen)	3,105	3,164	3,115	3,172	3,311	3,344	3,450	3,565	3,700	3,729	3,807
	Average sales of rental housing (10,000 yen)	4,156	4,552	5,116	5,138	5,263	5,519	6,128	6,854	7,677	8,361	9,395

Corporate Profile

(as of January 31, 2018)

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

..... 24,391 (consolidated);

..... 14,482 (non-consolidated)

Total number of houses built

..... 2,381,367

Sales and Service Offices

(as of January 31, 2018)

Branch and sales offices:

..... 123

Customer service centers:

..... 29

Model homes:

..... 386

Factories:

..... 5

R&D institute:

..... 1

Consolidated subsidiaries:

..... 256

Companies accounted for under the equity method:

..... 29

Share Information

(as of January 31, 2018)

Number of shares outstanding: 690,683,466

Number of shares per share unit: 100

Number of shareholders: 86,484

Listed stock exchanges: Tokyo and Nagoya

Share Distribution

Individuals, others

14.20%

Financial institutions

40.87%

Other companies

11.00%

Foreigners

27.51%

Securities companies

6.42%

Dividends per Share

Dividends per Share (Yen)

43

50

54

64

77

79 (Plan)

2013

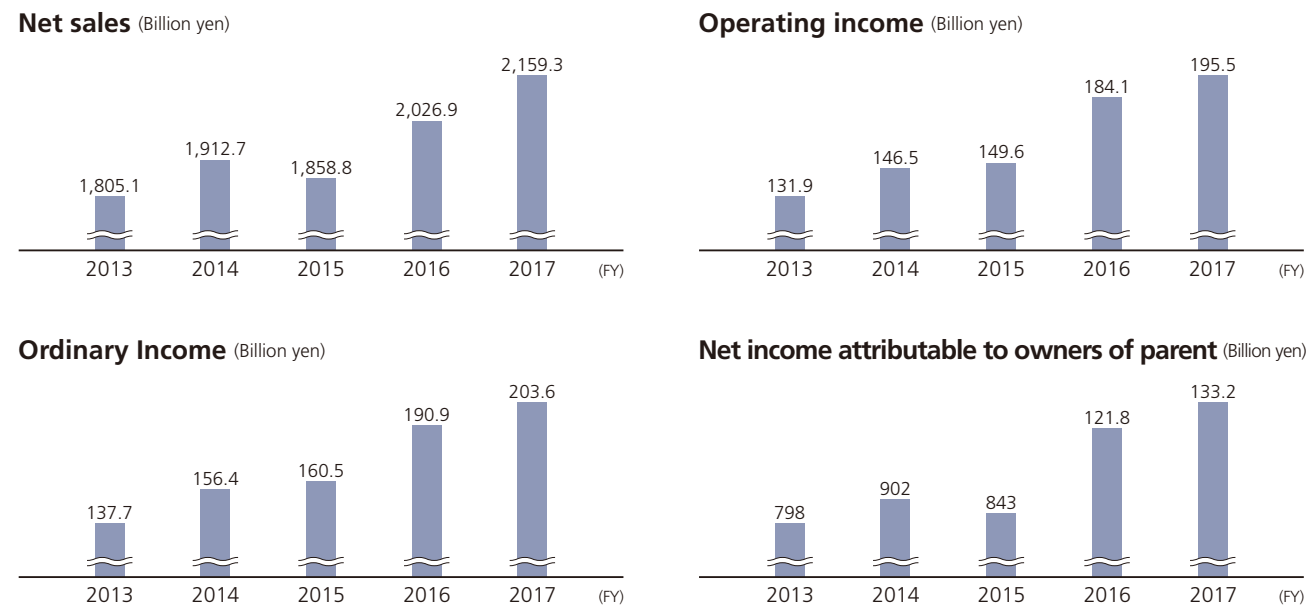
2014

2015

2016

2017

2018 (FY)



Editorial Policy

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

In selecting topics to be reported and formulating an editing policy, we referred to the 2012 Environmental Reporting Guidelines of Japan's Ministry of the Environment. The selected topics are reported in accordance with ISO 26000, an international standard providing guidance on social responsibility.

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

Energy usage, waste and greenhouse gas emissions, water used in factory production and social reporting (accidents resulting in lost worktime and job-related illness frequency rates) disclosed in Sustainability Report 2018 are assured by third-party institutions to heighten reliability (see page 75, Independent Third-Party Assurance Report). Furthermore, with regard to the reliability of greenhouse gas emissions data disclosed herein, the symbol on the right indicates this report meets greenhouse gas reporting examination and registration mark standards established by The Japanese Association of Assurance Organizations for Sustainability Information.



Features of the Sustainability Report 2018

- The content of this report was determined by the Sekisui House CSR Committee, taking into consideration social conditions and survey responses to the Sustainability Report 2017.
- In accordance with the GRI Standards “core” option, all general disclosures (“core” items required for disclosure compliance) as well as topic-specific standards and 17 material topics narrowed down into six CSV strategies are disclosed in this report and online.
- As an annual report, this publication contains a summary of our corporate activities during FY2017, which can be found in the “CSV Strategies” pages. This report also includes a self-evaluation of our performance towards achieving our goals.
- This report shows changes in key performance indicators (KPI) in important areas, such as in the progress of our Eco-First Promise.
- The report also includes comments from stakeholders in various sectors, including our customers and external experts, who provide objective third-party views on our corporate activities.

Areas of Business

This report covers Sekisui House Limited and 256 consolidated subsidiaries.

Areas of Business Activity

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

- Period covered: FY2017 (February 1, 2017 to January 31, 2018)
Note: Some activities undertaken in FY2018 are covered in this report.
- Date of publication: This report is published annually in Japanese in June.
Note: English and Chinese versions are published annually in July.
- Direct Inquiries about This Report to:
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Contents

Value Creation Vision and Strategy

Sekisui House Group Business 03

Financial Data from the Past 11 Years and Corporate Profile 05

Top Management Commitment



Personally Leading the Push Toward Thorough Governance Reforms

Toshinori Abe Chairman & Representative Director 09



Creating New Business with a New Management Structure.

Continuing to Target Sustainable Growth

Yoshihiro Nakai President & Representative Director 11

Development of Value Creation 13

Promoting Sustainable Management through Our Four Key Values

Vision and Goals

Toward 2050 15

Promoting the CSV Strategy 17

Medium-Term Management Plan and CSV Strategy 18

The Sekisui House Group's Unique Strengths 19

Value Creation Process 21

Value Creation in Practice

CSV Strategies

1



Promoting net-zero-energy housing 23

2



Preserving biodiversity 29

3



Maximizing Customer Value through the Value Chain 33

4



Extend lifespan of houses and enhance after-sales support 41

5



Promoting diversity and developing human resources 47

6



Developing overseas business 53

ESG Information

Value Creation Foundation

G Governance

Strengthening Our Corporate Governance System 57

Compliance and Risk Management 60

CSR Management Promotion 63

Specifying Material Topics 64

Stakeholder Engagement 65

Comments from External Members of the CSR Committee 66

Occupational Health and Safety Management 67

Environmental and Social Activities

E Environmental

Environmental Management 68

Material Balance 69

S Social

Post-Disaster Restoration and Reconstruction 71

Contributing to local Communities 73

Third-Party Opinions and Evaluations

Independent Third-Party Assurance Report 75

Summary of Initiatives 76

GRI Content Index for “In Accordance” Items 77

Honors from Third Parties during FY2017 79

Reporting Media Approach

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

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

Note: Our CSR website is only available in Japanese





Toshinori Abe
Chairman &
Representative Director

Personally Leading the Push Toward Thorough Governance Reforms

Attaining the Top Position with a Renewed Sense of Responsibility. Returning to the Starting Point, It Is Time to Demonstrate Our Revitalization

Pursuing a Thorough Image of Moral and Ethical Perfection

“Economics without morals is criminal, and morals without economics is nonsense.” I always quote these wise words from Sontoku Ninomiya in my conversations with employees. As a company, it is natural to pursue profits. However, if not accompanied by morality as a major principle, a company has no existential value. This attitude is the starting point for the governance reforms we are now relentlessly pursuing.

There is a word that conveys an even stronger awareness in terms of promoting governance reforms. Sekisui House uses the word “integrity” as a sincere and high-minded morality. This can be interpreted as “an image of moral and ethical perfection.” This way of thinking is the basis of legal compliance and corporate governance. Going forward, it is our intention to give overriding priority to integrity in all corporate activities.

Since the establishment of Sekisui House, we have promoted human resources without favoritism on the basis of fairness and impartiality. However, this alone has a tendency to prioritize sales above all other concerns, running the risk of placing a disproportionate emphasis only on sales figures in individual

evaluation criteria and certain abilities of technical staff. As a result, this leads to the rise of managers lacking morality and ethics. This proliferates the erroneous thinking that “since the results are good, it is alright to overlook certain things.” For the Sekisui House Group to achieve sustainable growth and maintain its indispensable presence in society, erroneous thinking is impermissible. Going forward, we will thoroughly conduct truly fair and impartial evaluations that place the greatest importance on integrity as the most critical requirement for managerial appointments. We will also incorporate customer satisfaction, operational precision and other factors that are difficult to quantify into division assessment evaluation criteria. Of course, we will focus on expanding education and training for the executives who will lead these efforts. The creation of an environment in which a diverse array of human resources, including women as well as foreigners, are able to actively participate is also an important task.

Governance reforms are not a hindrance to employees. A free and vigorous corporate culture is another key element. To share and increase governance awareness in an open organization, an atmosphere of flexible acceptance with regard to differing opinions is also important in the workplace. Employees playing an active role on the frontlines of their workplaces should have constructive opinions, ideas and hints useful for operational

reforms. It is also the manager's job to listen seriously to these opinions, examine them carefully and make use of them in the future. If not accompanied by the creation of Company-wide culture or environment where differing opinions are tolerated, individuals with useful ideas may be ignored. We must not be satisfied with creating formal rules. There is no end to governance reforms.

Six Items for Strengthening the Governance Structure Devised by the Management Team

The Sekisui House Group will engage in initiatives positioning 2018 as “year one” of governance reforms. With a renewed sense of responsibility, the new management team has adopted six items for strengthening the governance structure as a concrete plan for leadership initiative.

(1) Introduction of a mandatory retirement age of 70 for representative directors. This will encourage a generational change in management and develop human resources for management positions. (2) Appointment of women as outside officers. This will ensure diversity in the officer structure, and create a mechanism for reflecting diversity in management policies. (3) Transparency and invigoration of Board of Director meeting operations. This will establish a principle preventing concurrent positions as chairperson and/or person who convenes Board meetings, ensuring that decisions are made through transparent and active discussions to facilitate the constructive exchange of opinions at Board meetings. (4) Establishment of the Management Meeting. This will ensure opportunities for the sharing of information among officers and the expression of opinions from various perspectives on important investment projects, future management policies and other matters. (5) Clarification of departments under the control of directors. This will clarify the responsibilities and authority of directors and executive officers in charge of multiple departments in an attempt to thoroughly strengthen cooperation between departments and develop human resources. (6) Evaluation of Board of Director efficacy. This will establish self-evaluations conducted in cooperation with attorneys and other experts on the efficacy of the Board of Directors aimed at continuously strengthening, reforming and improving the function of the Board of Directors.

These initiatives, devised by the directors themselves, will facilitate more open Board of Directors meetings. Going forward, we will promote the improvements to this system and create mechanisms in accordance with our Basic Policy on Corporate Governance. The new management team will continue to regularly convey in an easily understandable way their strong intent to bring about positive changes in the Company, create a healthier corporate culture and pursue “an image of moral and ethical perfection.”

We must share an awareness of this being year one of governance reforms throughout the entire Sekisui House Group, including everyone in the Sekisui House Association and all our contractor partners. This also applies to employees at local subsidiaries engaged in overseas business. In order that, 10 to 20 years from now, society looks back and says “the Sekisui House Group has changed, and 2018 was the turning point,”

we will continue to expand efforts that are effective with determined resolution.

Promoting Management with a Strong Awareness of ESG

Meanwhile, if we shift our attention to the global stage, we see the national interests of one country colliding with the national interests of another country both politically and economically, with a global flurry of daily news that completely changes what was formerly considered common sense. Amid these circumstances, a consensus transcending national borders is forming with regard to efforts toward the realization of sustainable societies that are both diverse and inclusive. The 193 nations comprising the United Nations adopted the Sustainable Development Goals (SDGs) as an action plan for the period from 2016 to 2030. These 17 extensive and lofty goals are focused on health, educational issues, the securing of safe water, meaningful work and economic growth, the creation of infrastructure for industrial and technological innovations, and the urgent issues of climate change and energy measures. Overall, these correspond substantially with the Sekisui House Group's “Declaration of Sustainability” concept, which in 2005 pledged to make four key values: economic value, environmental value, social value and homeowner value, the basis of our corporate activities. Going forward, with a continued focus on “sustainability” as the benchmark, we plan to contribute to the achievement of the SDGs, which are a global lingua franca, through business that creates housing environments based on the four key values that we have confidently and proudly worked toward up to now.

In addition to using financial information as material for investment target selection criteria and the measurement of corporate value, there have been accelerated efforts to emphasize environmental management, improvement in sociability and governance (ESG) to promote the realization of a sustainable society. With respect to these ESG investments, Sekisui House has gained a strong reputation in Japan and overseas, including being selected as a top-ranked “Gold Class” company for the third consecutive year by RobecoSAM, a company that evaluates global socially responsible investing (SRI). To live up to this reputation, we will increase efforts toward initiatives pledged in the “Declaration of Sustainability” and promote management with a strong awareness of ESG.

Ultimately, the meaning of the SDGs and ESG comes down to a “love of humanity,” which is the Sekisui House Group corporate philosophy; we wish for the wellbeing of others and rejoice in their happiness. Now is the time for each of us to once again take this starting point to heart. To achieve global growth, it is vital that we discipline ourselves strictly and establish a solid footing. Reaffirming the Sekisui House Group's goal of “superior quality and leading technologies” and the SLOW & SMART brand vision, we will thoroughly promote governance reforms while resolving to completely devote ourselves to continuously enhancing the value of the Sekisui House brand.



Yoshihiro Nakai
President &
Representative Director

Creating New Business with a New Management Structure. Continuing to Target Sustainable Growth

Middle- and High-Class Lines, Non-Housing Areas and the World's Best Customer Base. Overseas Housing Stock Will Also Become a Future Advantage

Comprehensive Strengths, Innovation. Sekisui House Group Positioned to Make a New Leap Forward

At present, we are proceeding on track with business having the basic objective of building a foundation for the residential businesses toward BEYOND 2020, the Sekisui House Group's Fourth Medium-Term Management Plan. With the launch of a new management team in FY2018, we will further promote the break-even point management thoroughly implemented up to now and strive to achieve the Medium-Term Management Plan by FY2019. We will also accelerate the creation of a foundation for realizing innovations that will drive sustainable growth from 2020 onward. 2020 is a milestone year commemorating 60 years since the establishment of Sekisui House. I want to present the new Sekisui House Group, which will pioneer a new era, in a visible and concrete form both internally and outside the Company.

When considering leaps forward from 2020 onward, it is

important to maintain the perspective of "providing new value through new housing." Since its establishment, the Group has provided "safe and secure" high-quality housing that has improved the performance of structures and exterior walls and enhanced earthquake and fire resistance as shelter achieving the most important basic performance of housing, namely, to protect the lives of family members and property. This was the first phase. In the second phase, we pursued "comfort" and made an effort to create environmentally friendly housing. Examples of these proposals include "slow living" that seamlessly connects indoor and outdoor areas, the Airkis high-quality indoor air system, the *Gohon no ki* project realizing living spaces surrounded by greenery, and "Green First Zero" Net Zero Energy Houses with excellent thermal environments realizing high-quality lifestyles unrestricted by energy concerns.

Now, with the advent of a super aged society referred to as the "100-Year Life Society," we enter the next phase in which we will pursue "happiness." Under the keywords of "health," "happiness" and "familial bonds," we will enhance the richness of housing and communities. We must approach both physical housing structures and comfortable living standards

by freely utilizing the latest technologies, such as IoT and AI, further increasing performance and quality and moving into services. To do this, it is critical that we broaden our perspective and build alliances and collaborative relationships with a variety of partners. I believe that the coming mission of the Group, which has been a driver of the housing industry, lies in the next expansion of new development methods and businesses.

In recent years, a negative view has been taken of the number of new housing starts, but in terms of the Group's housing business, there is nothing at all to worry about. The Japanese government has indicated a shift from quantity to quality in relation to housing policies, enabling us to further expand market share by making full use of our technical, design and construction capabilities in regard to demands including the reconstruction of houses having a low resistance to earthquakes. I think expanding our stock of quality housing is a socially significant act that will also enable us to contribute to national policies. From the aforementioned perspective of "providing new value through new housing," we can say that housing is an industry filled with dreams.

Making Every Effort to Achieve Medium Term Management Plan Objectives

Supporting our current favorable performance are solidly balanced earnings with a 4:3:3 business model consisting of the built-to-order, supplied housing and development businesses, as well as steady growth in the overseas business, our fourth business pillar. Furthermore, while developing growth strategies specialized in "housing" and seeking to create business in related businesses, new signs of growth and specific movements have come into view.

In the built-to-order business, we launched sales of the "flexible β system," a new construction method for three and four story houses that increases the degree of freedom in design and strengthens space proposal capabilities. Offering rapid construction through the use of materials supplied by our own factories, excellence in terms of both performance and design, and design capabilities that are strongly supported by the market, we are achieving results that are better than forecasts, not only in the conventional rental housing area, but also in non-housing areas including nursery schools, medical facilities, commercial facilities and hotels responding to inbound tourism demands. This is an area where further market expansion is expected in the future. We plan to conduct organizational reforms to strengthen our sales capabilities to further increase the number of orders received.

Regarding the maintenance and improvement of our construction capabilities, based on a strong sense of solidarity and "common destiny" with Sekisui House Association building contractor partners, we have established a system offering detailed support for a variety of issues, including labor condition improvements, retaining and developing workers and business succession.

Regarding supplied housing, with a cumulative total of 2.38 million houses built, it can be said that Sekisui House also has an asset in the form of the world's number one customer base. While maintaining bonds with owners through real estate

management fees and the remodeling and renovation business, we will attempt to use our comprehensive strengths to our advantage through collaborations with Group companies including Sekisui House Remodeling, Sekiwa Construction and Sekiwa Real Estate to attempt further expansion.

In the development business, which is focused on a balance between growth investments and the asset turnover ratio, big projects focused on 2020 and beyond are moving forward, including the development of a Marriott International "W Hotel" located on Midosuji Street in Osaka that is scheduled to commence operations in 2021.

The overseas business began with the launch of the development business in Australia. In March 2017, we purchased Woodside Homes, which is engaged in the sale of detached homes to individual customers in the United States, where we are advancing onto a new stage with our entry into the B2C market. Going forward, we will promote the rollout of the same supplied housing business we conduct in Japan based on our track record up to now. We will pursue further growth while strengthening our financial strategy in consideration of the balance between investment and return based on business development in four countries including Singapore and China. As with the "4:3:3" stable earnings in Japan, we plan to achieve the well-balanced growth of the built-to-order, supplied housing and development businesses.

Valuing Intangible Assets, Leveraging Psychological Satisfaction in Work

Workstyle innovations and the promotion of diversity are extremely important management issues that affect the sustainable growth targeted by the Sekisui House Group. I think it is important for future leaders to listen carefully to the opinions of their subordinates. Accepting different opinions is literally the promotion of diversity. We will incorporate this into the training of division headquarter and branch managers, starting with the Board of Directors. Workstyle innovations are a way to value intangible assets. I want employees to value things that are not visible, such as health, family harmony, high-quality sleep and skills. Rather than work only, we must enable fulfillment both on and off the clock. As a result, there are a variety of ways to leverage the intangible asset of psychological satisfaction in work.

Being excited to go to work gives rise to fruitful collaborations and strong performance. The spirit and character of such an employee is connected to governance reforms. It is my firm conviction that, ultimately, it is people who support the growth of the Sekisui House Group.

Promoting Sustainable Management through

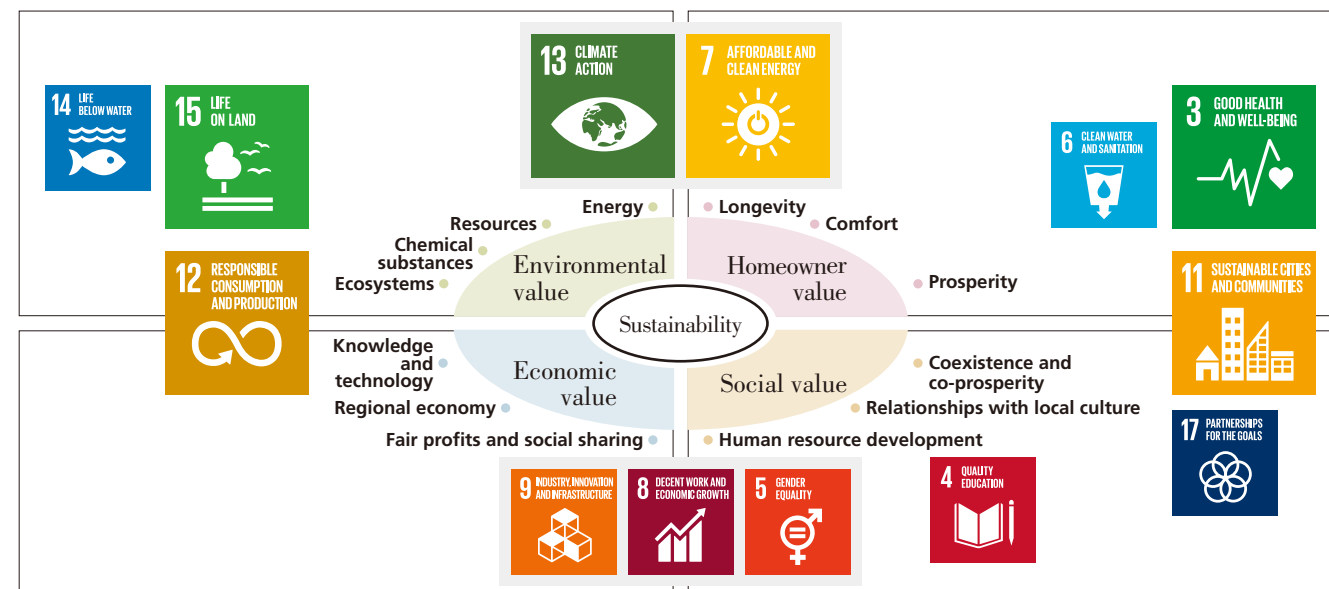
The Sekisui House Group creates and provides value in response to societal changes and needs based on its corporate philosophy. Our Sustainability Vision has always been the base of our value creation since it was established in 2005. The vision, a pioneering idea in Japan at the time, focused on tackling issues of sustainability head on in order to establish sustainability as the basis of company management, similar to the SDGs*, which are considered a common goal for the international community.

With management that balances our four values—environmental, economic, social and homeowner—based on the 13 guidelines that embody them, we confidently make use of synergies to generate a major driving force. To deal with an increasingly globally expanding and increasingly complex social problems, we will engender further value creation steadily and innovatively while broadening our field of vision on sustainability.

(To learn more about our vision, our objectives and the SDGs, please see pages 15–16)

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

The Four Key Values, 13 Guidelines and SDGs (Direct and indirect contributions made through our business)



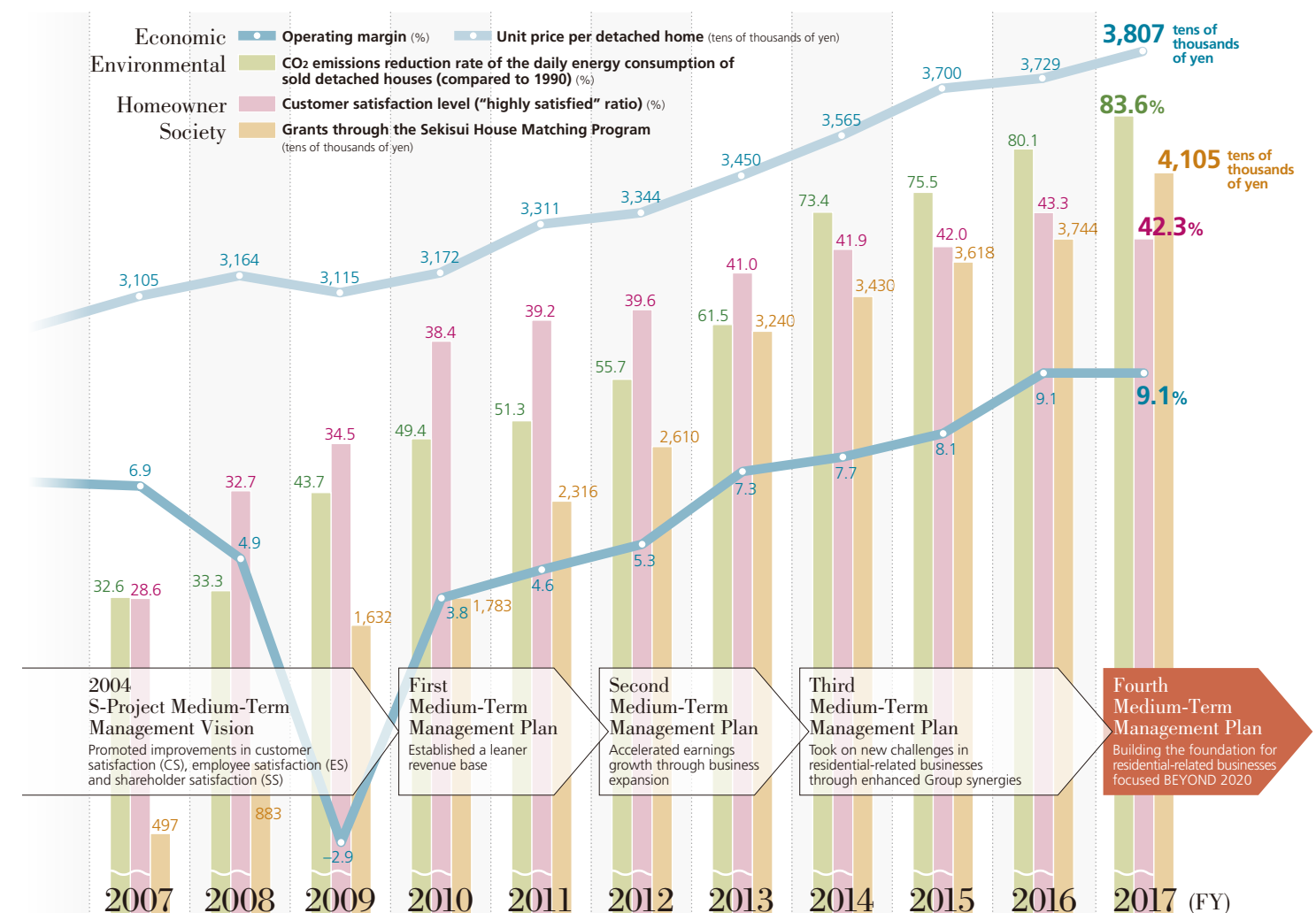
The sizes of the pictographs conceptually represent the degree of relation to our Group's four values.

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

Our Four Key Values

Shared Value Created by the Sekisui House Group

Indices representative of the four values created by Sekisui House Group are demonstrated by trends over the past 11 years. This chart shows that promoting initiatives focused on environmental, social and homeowner values are linked to improved economic value.



2007 Formulated Wood Procurement Guidelines Introduced the SHEQAS seismic control system	2008 Made the Eco-First Promise Cooperated in the construction of a Zero Emissions House for the Toyoko Summit in Hokkaido Announced 2050 Vision	2009 Launched the Green First model of eco-friendly homes	2010 Commemorated 50th anniversary Achieved the milestone of 2 million homes	2011 Launched the Green First HYBRID model Launched the Airkis high-quality indoor air system	2013 Led initiative to promote energy-neutral housing Launched the Green First ZERO model	2014 Launched Disaster Risk Reduction Factory of the Future	2015 Signatory to the Global Alliance for Buildings and Construction at COP21 Paris Agreement Compliance Declaration	2016 Higashi-Matsushima City Disaster-Ready Smart Eco-Town Commenced operation of the electronic management system	2017 Became the first firm in the Japanese construction industry to join the RE100 initiative
2007 Niigata Prefecture Chuetsu Offshore earthquake	2008 Lehman Shock causes global financial crisis Hokkaido Toyoko 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 / Adoption of Paris Agreement United Nations formulates sustainable development goals (SDGs)	2016 Kumamoto Earthquake Framework Convention on Climate Change The 22nd Conference of the Parties (COP22) held	2017 The GPF selected three ESG indices

Toward 2050: Creating Environmental and Social Value, Leading the Way to Sustainable Societies

In 2008, the Sekisui House Group announced its “2050 Vision” aiming to eliminate CO₂ emissions from housing, quickly shifting management focus to decarbonation. Amid accelerating changes to social systems and rapid technological innovations, in FY2016 we formulated a long-term vision aimed at 2050 conscious of the time axis within a broader business domain in preparation for further environmental changes in the future. In FY2017, we revealed medium-term initiatives focused on 2030 to share our path of progress with stakeholders including customers, employees, long-term investors and suppliers who are concerned about long-term value realization by the Sekisui House Group.





Promoting Initiatives from the Perspective of “Scenario Planning”

In 2005, Sekisui House made a “Declaration of Sustainability” positioning sustainability as a management criterion with the following statement:

“Sekisui House believes the corporate responsibility for building sustainable societies involves clarifying what kind of society will be created and what kind of ‘role’ the Company will play and then communicate those efforts to society.”

Thus, for this purpose, we employed a method called “backcasting” whereby we worked backwards from our image of the future. As this is a consistent and unchanging concept, to further clarify our vision of the future amid increasingly complex social movements and rising uncertainties, we are promoting a more specific “scenario planning” method in recognition of the potential for multiple future scenarios.

Sustainability Vision 2050

Our Goals	Main Actions Taken	2030 Goals	Corresponding SDGs	2050 Challenge Objectives	Corresponding CSV Strategy
 <p>Leading the Way to a Decarbonized Society Climate change attributed to global warming is beginning to have a visible impact on our lifestyles. Secure, high-quality lifestyles will realize a sustainable society that is not dependent on fossil fuels or constrained by energy problems.</p>	<ul style="list-style-type: none">Announced the Eco-First Promise (2008)Launched the Green First model of eco-friendly homes (2009)Launched sales of Green First Zero net-zero-energy housing (2013)Paris Agreement Compliance DeclarationJoined RE 100 international initiative, announced commitment (2017)	<p>Achieving SBT Goals With the goal of achieving zero CO₂ emissions throughout the housing lifecycle, we aim to reduce emissions 45%, 35% compared to FY2013 for Scope 1&2 and Scope 3 (category 11: Housing) emissions, respectively (SBT goal*). Also, as an RE 100 member company, we will ensure 50% of the electric power consumed by our business activities is from renewable energy sources.</p> <p>*See page 28</p>	<p>Goal 7 Energy Goal 11 Sustainable cities Goal 12 Consumption and production Goal 13 Climate action Goal 17 Partnerships</p>	<p>Zero CO₂ Emissions within the Housing Lifecycle As a leading company, with respect to our housing products, we will eliminate CO₂ emissions from the entire house lifecycle, from the purchase of materials to manufacture, sales, occupancy and demolition, including renewable energy usage.</p>	<p>CSV Strategy 1 CSV Strategy 6</p>
 <p>Leading the Way to Societies in Which Humans and Nature Coexist Rich natural networks contribute to the protection of biodiversity and alleviate climate change, contributing not only to the protection of ecosystem services that support our lifestyles, but also to improving the quality of people's lifestyles and strengthening connections between people. We will maximize this network function to realize coexistence between humans and nature.</p>	<ul style="list-style-type: none">Launched Gohon no ki project (2001)Formulated Wood Procurement Guidelines (2007)	<p>Leading the Mainstreaming of Biodiversity Regarding the number of trees planted based on the Gohon no ki project, which proposes the planting of mainly native tree species in consideration of local ecosystems, we will maintain the pace of planting 1,000,000 trees each year and promote the further expansion of urban greening while also aiming for 100% procurement of FairWood fair lumber products for use in all standard Sekisui House homes.</p>	<p>Goal 6 Water and sanitation Goal 11 Sustainable cities Goal 12 Consumption and production Goal 14 Life below water Goal 15 Life on land Goal 17 Partnerships</p>	<p>Maximizing Ecosystem Networks through Business We will procure 100% FairWood products to realize Zero Deforestation, which is linked to the destruction of ecosystems. We also aim to become Japan's number one corporation in terms of urban greening contributions intelligently utilizing green infrastructure functions such as ecosystem conservation, disaster prevention/reduction and comfortableness through green housing construction and community development.</p>	<p>CSV Strategy 2 CSV Strategy 6</p>
 <p>Leading the Way to a Recycling-Oriented Society Amid increasing demand for resources and energy in line with the growing world population, we will realize a recycling-oriented society that uses recycled resources sustainable without depending only on natural resources through technological and economic system innovations to enable all people to live a stable lifestyle.</p>	<ul style="list-style-type: none">Achieved zero waste emissions at all of our factories (2002)Achieved zero waste at each stage, from production, new home construction, and after-sales maintenance to remodeling (2005–2007)Transitioned to next-generation system compatible with big data utilization (2017)	<p>Recycling Business System Development Acceleration We will expand the targeted scope of the Wide-Area Certification System, a special system of the Waste Management and Public Cleansing Law, which Sekisui House was first to acquire in our industry, while enhancing support for housing stock-related businesses. At the same time, we will accelerate the use of IT technologies, increase the accuracy of waste recovery management and electronic management systems mainly using cloud computing and promote efficient and smooth management.</p>	<p>Goal 11 Sustainable cities Goal 12 Consumption and production Goal 17 Partnerships</p>	<p>Expanding Zero Emissions Initiatives within the Housing Lifecycle To cultivate housing as a quality asset, the Sekisui House Group provides apposite remodeling and renovation in response to housing styles and societal changes. With regard to the waste generated from these activities, we will expand our industry-leading zero emissions initiatives to realize zero emissions at the social infrastructure level through industry alliances.</p>	<p>CSV Strategy 4</p>
 <p>Leading the Way to Society with Advanced Longevity and Diversity We aim to create a society in which the elderly are healthy and proudly participate actively (advanced longevity society) as well as a society in which people of every generation and nationality with disparate values work to realize mutual benefit while realizing sustainable innovation (diverse society).</p>	<ul style="list-style-type: none">Built Japan's first model house for people with disabilities(1981)Defined “lifelong housing” as the ideal for Sekisui housing construction (1989)Established “Sekisui House Universal Design” (2002)Announced “Human Resource Sustainability” (2006)Began proposing “Smart Universal Design” in pursuit of “comfort” (2010)Launched the Airkis high-quality indoor air system (2011)	<p>Provision of New Value in Housing We will focus on tangible assets such as structure, interior and eco-friendliness as well as intangible assets including “health” by providing happiness well into the 100th year of life through the creation of homes that support a long and healthy life. Specifically, we will tackle the prevention of injuries and disease by preventing in-home accidents, providing support in times of emergency, monitoring lifestyle diseases and enabling stress reduction.</p>	<p>Goal 3 Good Health Goal 4 Education Goal 5 Gender Goal 8 Decent work Goal 9 Innovation Goal 11 Sustainable cities Goal 12 Consumption and production Goal 17 Partnerships</p>	<p>Maximizing Abundance in Housing and Communities Positioning the abundance of safety, security and comfort, enjoyment of new technologies, health, long life, happiness and a familial bonds as a positive element of people's lifestyles, we will pursue the potential for these elements from every angle. We will continue to develop new technologies and pursue open innovation, making abundance our main mission.</p>	<p>CSV Strategy 3 CSV Strategy 5 CSV Strategy 6</p>

Promoting the CSV Strategy

The Sekisui House Group considers housing to be positioned at the center of social issues, thus the CSV strategy was established as a priority theme to realize a sustainable society. Seventeen material topics selected from GRI Standards are grouped into specific activity levels as six CSV strategies in accordance with the Medium-Term Management Plan.

CSV Strategy Value Creation Priority Themes

		Relationship to 2050 Challenge Objectives
1	Promoting net-zero-energy Contribute to customer healthy life expectancy and the environment by realizing high-quality living not constrained by energy problems	Zero CO ₂ emissions within the housing lifecycle
2	Preserving biodiversity Protect ecosystem networks through use of sustainable natural capital that considers impacts on business	Maximize ecosystem networks through business
3	Maximizing customer value through the value chain Attain superior quality and leading technology through use of big data and collaboration with stakeholders	Maximizing abundance in housing and communities
4	Extend lifespan of houses and enhance after-sales support Long-term support of customer lifestyles through Group company collaborations. Link to improved value of housing and resource recycling	Expanding zero emissions initiatives within the housing lifecycle
5	Promoting diversity and developing human resources Aim to become a sustainable corporate group generating high added value through sensitive response to diversifying needs and creative ways of thinking	Maximizing abundance in housing and communities
6	Developing overseas business Promote housing and urban development that will contribute to resolving regional social issues while acknowledging diverse climates, cultures and lifestyles throughout the world	Zero CO ₂ emissions within the housing lifecycle Maximize ecosystem networks through business Maximizing abundance in housing and communities

CSV Strategy and Material Topics Indicated in GRI Standards

CSV Strategies	Correlation with Specific Material Topics Identified in GRI Standards
1 Promoting net-zero-energy	• Energy • Emissions • Marketing and Labeling
2 Preserving biodiversity	• Biodiversity • Supplier Environmental Assessment • Procurement Practices
3 Maximizing customer value through the value chain	• Customer Health and Safety • Socioeconomic Compliance • Occupational Health and Safety
4 Extend lifespan of houses and enhance after-sales support	• Effluents and Waste • Marketing and Labeling • Customer Health and Safety • Socioeconomic Compliance
5 Promoting diversity and developing human resources	• Diversity and Equal Opportunity • Occupational Health and Safety • Training and Education • Employment • Human Rights Assessment
6 Developing overseas business	• Energy • Biodiversity • Customer Health and Safety • Economic Performance

Medium-Term Management Plan and CSV Strategy

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

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

1-6 = Corresponding CSV strategy

Business Strategies		Built-to-Order Business	Supplied Housing Business	Development Business	Overseas Business
Growth strategy	Basic Policies	1,2,3 Supplying high value added houses	4 Enhancing cooperation within the Group	1,2,6 Creating asset value at present and in the future	
	Priority issues	Increasing profitability through break-even point management • ZEH • 3- and 4-story houses • Rental housing of income generating properties • Exterior business • Trip Base business* • CRE/PRE business	• Securing high occupancy rates • Energy-saving remodeling • Renovation • SumStock • Distribution of existing houses	Increasing growth investments and the turnover ratio • Acquiring land for custom detached houses • Community and town development focusing on townscape • Trip Base business* • Bolstering exit strategies	
Management foundation	Core Competencies	1,3 Technical capabilities	4 Customer base	Construction capabilities	

*Trip Base Business: Built-to-order and real estate development businesses that respond to heightening demand for lodging associated with the rise in inbound tourism.

ESG Initiatives Targeting Sustainable Growth

1,2 Environmental Management E <Eco-First Promise> • Global warming prevention • Ecosystem preservation • Resource recycling • Joined the RE100 global initiative (first in the Japanese construction industry) • First in the Japanese housing industry to be recognized by the SBT Initiative for greenhouse gas reduction (first in the Japanese housing industry)	5 Improvement in Sociability S <Workstyle Innovation> “Creating thrilling and exciting workplaces” • Fair evaluation and visualization • Higher operational efficiency using IT • Achievement of a work-life balance Higher productivity <Promotion of Diversity> • Promotion of active participation by women • Support for the satisfaction of both work and childrearing • Support for the satisfaction of both work and nursing care • Creation of a pleasant workplace for disabled people
Governance G We view corporate governance as being essential to effective management and to continuously creating corporate value while earning stakeholder trust. We will address the six points listed to the right in an attempt to strengthen systems and structures. ① Introduction of a mandatory retirement age of 70 for representative directors ② Appointment of women as outside officers ③ Transparency and invigoration of Board of Director meeting operations ④ Establishment of the Management Meeting ⑤ Clarification of departments under the control of directors ⑥ Evaluation of Board of Director efficacy	

ESG Our ESG initiatives, constituting the foundation of our management, are valued in many fields.

- The Company was selected for inclusion in the Dow Jones Sustainability Indices (DJSI) World Index, FTSE4Good Global Index and FTSE Blossom Japan Index.
- Selected by RobecoSAM as “Gold Class” and “Industry Mover” in the housing construction category in the RobecoSAM Sustainability Award 2018
- Selected as a constituent of the MSCI Japan ESG Select Leaders Index 2017

Maximizing Value for Customers through

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

Housing Innovation — Technical Capabilities

Realizing Abundant Lifestyles through Housing Innovation

To deliver rich and comfortable lifestyles, an unchanging universal value in housing, advanced technologies are needed to improve basic housing performance and create new value for housing. We describe this way of thinking as “SLOW & SMART” which we use as our brand vision. Supporting these technologies are not only the results of research we conducted over more than half a century into both physical housing structures and comfortable living standards, but also the input from customers living in our 2,380,000 homes, the big data we received from our many encounters, including at the Sumufumulab open innovation base, and our professional human resources. Our many experts, beginning with our 2,843 first-class architects, contribute to housing development. Additionally, we extend the housing technology we cultivated through research and development throughout all companies in our Group.

SLOW & SMART

Housing innovation to make your heart feel at home

Creating new housing value with advanced technologies

Smart Universal Design
Promoting the “lifelong housing” concept
for comfortable living over the long term

Slow Living
Ensuring pleasant lifestyles
in harmony with nature

Family Structure
Catering to the needs of
diverse family structures

Green First
Offering an
energy-free design

Personal Style
Respecting personal tastes
and preferences

Improving basic housing features with advanced technology

Customer-specific design flexibility
and original construction methods

Eco-friendly energy
conservation technology

Earthquake-proof technology to
protect families

Technology to optimize indoor
air environments for better health

Original exterior walls that are
both attractive and strong

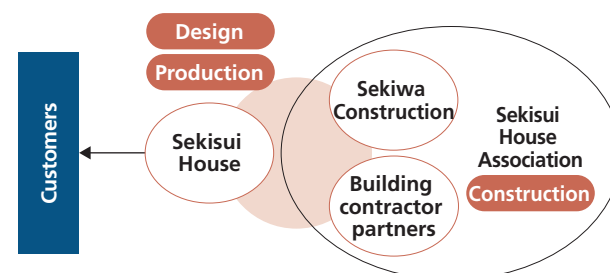
Technology to maintain high quality

Construction Capabilities — Unique Project Accountability System

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

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

We created a project accountability structure to guarantee solid construction quality. 18 companies comprising wholly owned subsidiary Sekiwa Construction and building contractor partners comprising the Sekisui House Association constantly strive to improve their skills through training and other activities. The Sekisui House Group's proprietary IT system facilitates construction schedule planning and construction progress status visualization that is continually shared with the Sekisui House Association to thoroughly manage quality.



Strong Group Collaboration

Customer Base

— Supporting Homeowners Even after They Have Moved into Their New Homes

1,450 Employees Responsible for After-Sales Service

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

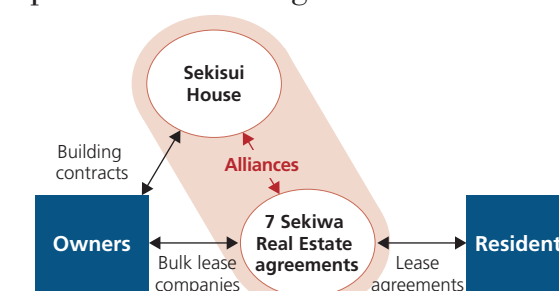
After moving in, questionnaires and other tools are used to solicit customer feedback, which is distributed throughout the Company and utilized daily as an important source of information for product development and service improvements.



Comprehensive Group Support for Rental Housing Operation and Management

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

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

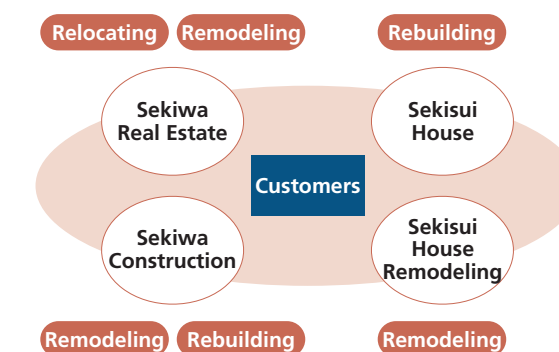


Group-Wide Support, from Remodeling to Rebuilding and Relocation

Group companies provide a wide range of support, from small-scale remodeling to large-scale renovations. Sekisui House detached housing is handled by the three companies comprising Sekisui House Remodeling. Sha Maison rentals are handled by the seven companies comprising Sekiwa Real Estate. General pre-existing housing is supported by the 18 companies comprising Sekiwa Construction.

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

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



Creating Economic and Social Value with Unique Strengths and Strategies

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

Investment and Activities Aimed at Value Creation

(Figures are FY2017 results)

¥873 million

invested in employee training to cultivate professionals full of humanity

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

¥11,828 million

invested in IT environment upgrades to improve productivity and innovate workstyles

The Group constructed a system based on the usage of big data to centralize the management of residence information related to customer proposals, construction and after-sales services. As a result, we have realized shorter construction times and substantial cost reductions. Also, by conducting main operational processes on smart devices such as iPhones and iPads, we have increased productivity and realized a work-life balance by expanding the scope of operations able to be completed on the go, leading to workstyle innovation. Furthermore, we are also engaged in the visualization of capabilities using IT for design and site supervision.

Responded to
Approximately 720,000

requests and consultations to improve customer satisfaction

Approximately 10% of Sekisui House employees—1,450 people—work at the customer service center in the after-sales service division. In addition to rapidly responding to customer requests and consultations, we regularly conduct visits three months, one year, two years, five years, 10 years, 15 years, 20 years, 25 years and 30 years after move in (maintenance schedule for customers whose contracts commenced on or after April 2018).

Additionally, we conduct monthly "LOHAS visits" during the first year after detached housing customer move in to provide information on seasonal care.

Approximately 1.55 million customers

visited various facilities and were provided with information

Attaching importance to being a community-based Company, we believe homebuilding sites should be as open to the public as possible. Accordingly, we strive to offer information on housing and lifestyles as well as provide onsite tours. These activities are mainly undertaken at our housing construction sites across Japan, at our model homes, and at our hands-on learning centers, such as *Sumai no yume koje* and *Nattoku kobo*. We also opened the Sumufumulab, the industry's first open innovation base for creating a new housing culture, and the Sekisui House Eco First Park, a place for cultivating the next generation that enables learning about housing and the environment.

Business Model

Providing housing with high added value

We realize high customer satisfaction through the provision of high added value housing such as Green First Zero that at the same time realizes comfort, economy and eco-friendliness.

CSV Strategy 1,2,3,4,5,6

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 1,2,3,4,5,6

Supplied housing business expansion

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

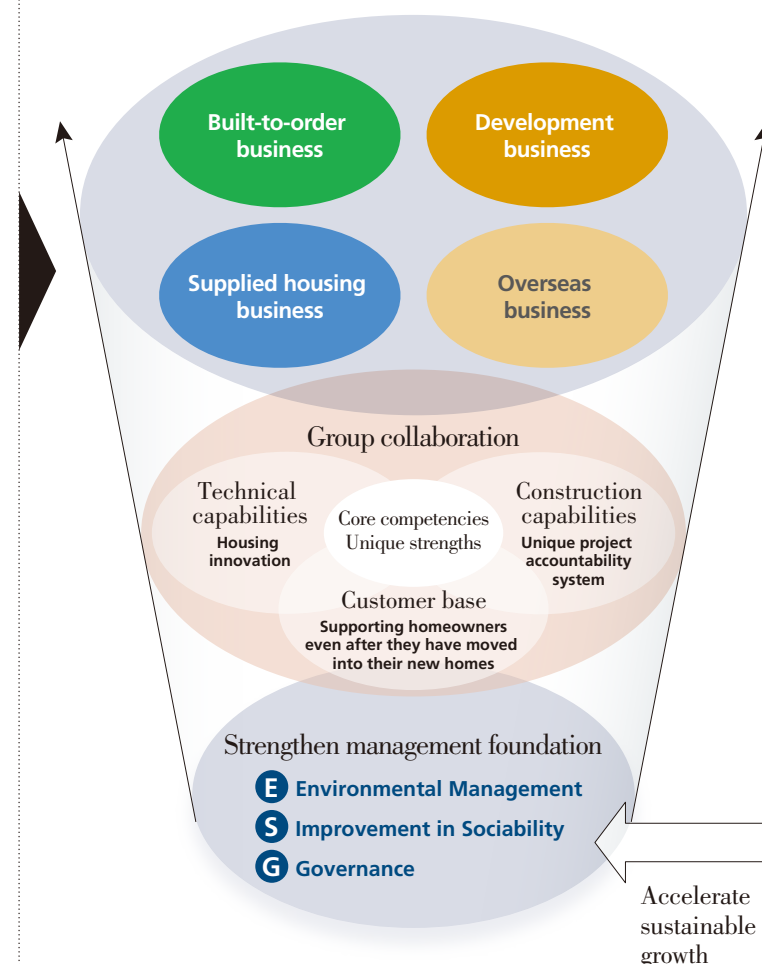


CSV Strategy 1,3,4,5

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



Primary Value Creation and Impact on Society

(Figures are FY2017 results)

Economic value

Operating margin 9.1%

We improved our profit structure to achieve a fifth consecutive year of record operating profits. The operating margin remained at the same level as in the previous fiscal year.

Unit price per house ¥38.07 million

The unit price per detached home increased ¥780,000 year on year due to orders of Green First Zero, 3- to 4-story houses and other high added value homes.

Environmental value

CO₂ reduction rate of detached houses (compared to 1990) 83.6%

The spread of eco-friendly homes led by Green First Zero led to increased reductions compared to 80.1% in the previous fiscal year.

Green First Zero ratio 76%

We developed business based on the strong belief that the provision of high added value homes leads to the reduction of CO₂ emissions and customer security, safety, comfort and happiness.

Homeowner value

Customer satisfaction level 95.6%

In questionnaires submitted one year after moving in, the total ratio of very satisfied (42.3%), satisfied and somewhat satisfied homeowners has hovered around 95% for the past several years. The questionnaire results are analyzed in detail and incorporated into the PDCA cycle.

Rental housing block lease ratio 96.7%

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

Social value

Sekisui House Matching Program grants ¥41.05 million

Sekisui House matches donations contributed by employees in support of activities by NPOs and other organizations engaged in the resolution of social issues. During a 12-year period, we have provided over ¥300 million in assistance to more than 286 organizations.

Number of employees acquiring qualifications... 3,064 people

We are focused on cultivating professionals through not only official qualifications such as first-class architect, but also the establishment of internal standards including structural planning specialist.



Promoting net-zero-energy housing

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

Main stakeholders:

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

Backdrop

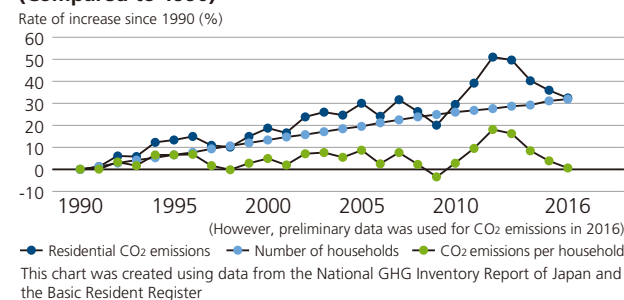
Japanese Government Targeting Implementation of ZEH as the Standard for Newly Built Housing by 2020

CO₂ emissions must be reduced 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 made a public commitment to reducing greenhouse gas emissions 26% by 2030 compared to 2013 levels. To achieve this, we must achieve a substantial 39.3% reduction in the residential sector.

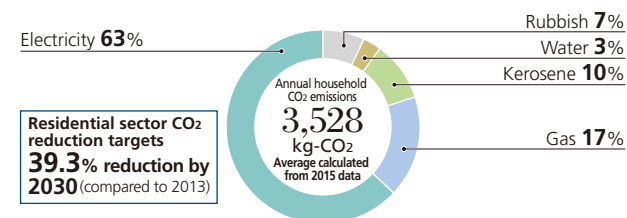
To reduce CO₂ emissions resulting from home use of

electricity and gas, the Japanese government is promoting the spread of net-zero-energy housing (ZEH) enabling zero net energy consumption through the utilization of high heat-insulating capabilities and energy-saving devices, as well as photovoltaic systems and fuel cells. The government is targeting having the majority of new housing produced by housing manufacturers built as ZEH by 2020.

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



CO₂ Emissions per Household



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

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 promoting sustainable business.

In 2008, we announced our 2050 Vision, which targets zero CO₂ emissions over the entire housing product lifecycle. At the COP21 conference in 2015, we announced our commitment to the Paris Agreement.

We aim to increase comfort and affordability of our

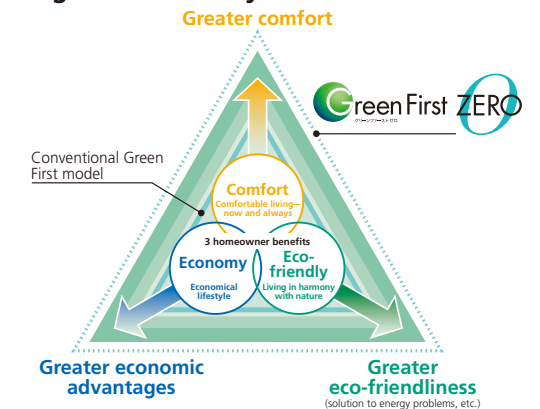
housing while significantly reducing energy consumption and contributing to the achievement of national objectives for the reduction of greenhouse gas emissions. We aim to achieve the COP21 residential sector commitments in both the construction of new homes and the renovation of existing homes.

Sekisui House has also acknowledged SDGs numbers seven (affordable and clean energy), 11 (sustainable cities and communities) and 13 (climate action) as issues for the Company and will proceed with proper initiatives.

Aim for Zero CO₂ Emissions throughout the Entire Housing Product Lifecycle

Since 2009, we have been focusing on promoting the spread of eco-friendly Green First homes, which significantly reduce impacts on the environment. In 2013, in anticipation of government plans to standardize ZEH by 2020, we launched sales of an upgraded version, Green First ZERO housing. Green First ZERO housing offers a high level of comfort, affordability, and eco-friendliness, by substantially limiting the amount of energy consumption with high insulation and highly efficient energy-saving equipment, while also creating more energy than is consumed with high-capacity photovoltaic systems and Ene-Farm fuel cells.

We are continuing to push forward with initiatives to reach our goal of zero CO₂ emissions throughout the housing product lifecycle by 2050.



Action Policies

1 Expanding Net-Zero-Energy Housing

We will develop aggressive proposal activities aimed at increasing the ratio of Green First ZERO sales to 80% by 2020. We will also promote ZEH in rental housing Sha Maison and condominiums. Furthermore, we will aim to meet the COP21 residential sector commitment including for our existing housing.

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

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

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

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

Three Sekisui House Remodeling companies handling our existing detached housing, seven Sekiwa Real Estate companies handling our existing rental housing, and 18 Sekiwa Construction Group companies handling general detached housing and condominiums are conducting energy-saving proposal activities. We are also working to further improve communication with our customers by effectively utilizing our remodeling and renovation corners in *Sumai no yume koje* centers nationwide.

Impact of These Activities on the Company

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

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

Risk Management

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

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

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

Our response 2 We will explain the economic merits of Green First ZERO homes by presenting simulations that, after considering lifestyles, reflect the effects of installing photovoltaic systems and high-efficiency water heaters. Additionally, we will convey how well-insulated and highly energy efficient homes lead to healthy and comfortable living and extended healthy life expectancy. By understanding the value of these residences, we will continue to offer homes that merit high customer satisfaction.

State of Progress

1 Expanding Net-Zero-Energy Housing

Activities Report

Promoting the Spread of Green First ZERO

Sekisui House is working to stimulate the spread of Green First ZERO homes, which are net-zero energy housing (ZEH). We are conveying the merits of these homes by guiding customers planning to build new residences to our model homes or to our *Sumai no yume kojo* learning center through which they can learn how largely reducing utility expenses can help them achieve levels of comfort they have not yet experienced. We also hold regular seminars aimed at general customers.

After we actively made proposals to customers regarding the use of subsidies for our net-zero energy house support project in 2017, the ZEH ratio for our detached homes grew to 76% (up two points year on year).

ZEH Report at the COP23 Conference

Sekisui House participated in sessions on SDG11 Day and on the following day at the Japan pavilion at the COP23 (23rd Conference of the Parties to the United Nations Framework Convention on Climate Change) held in Bonn, Germany in November 2017. We reported that we were the first company in Japan to make a decarbonation proclamation aimed at eliminating CO₂ emissions in home lifecycles. The Company



Image from the COP23 presentation (2nd from right: Tetsuo Iku, who at that time was Executive Vice President and Director)

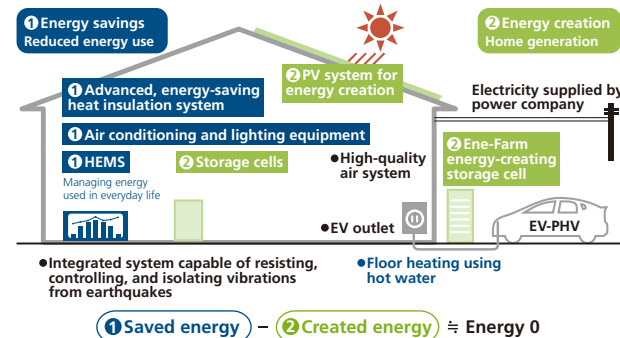
Establishment of Rental Housing with all Dwelling Units Meeting ZEH Standards in Kanazawa

Since roof space is small relative to the number of dwelling units inside, the number of solar panels that can be installed in collective housing is not sufficient to supply power to each dwelling unit, making compliance with government ZEH standards difficult. Sekisui House installed energy saving equipment such as insulated glazing, high-efficiency air conditioning, water heaters with high-efficiency heat pumps, hot water saving faucets and LED lights into all 13 dwelling units in its Kanazawa rental housing facility built in 2017. The necessary solar panel energy output for each unit is, on average, 2.4 kW. We are making full compliance with net zero energy policies* possible, even in Kanazawa, where solar radiation quantities are low.

* We satisfy all conditions for ZEH stipulated in the ZEH Roadmap Investigative Commission Report (Agency for Natural Resources and Energy, December 2015)

Green First ZERO Model

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



also announced that we are putting initiatives toward achieving that goal into practice and that the ratio of our newly built homes that qualify as ZEH Green First ZERO homes has exceeded 70%.

Our Green First ZERO homes were praised in the Grand Prize category at the 2017 Green Solutions Awards* and were ranked second place worldwide. These awards were held in

concert with the COP23 and Sekisui House was the first Japanese company to receive this award.

* The 2017 Green Solutions Awards are operated by Construction 21 (executive office in France), who receives support from the Global Alliance for Building and Construction. The awards are a system for globally honoring and recognizing climate control initiatives.



Rental housing compliant with ZEH standards

TOPICS

Received 2017 Minister of the Environment's Award for Global Warming Prevention Activity and Grand Prize at 27th Global Environmental Awards

Sekisui House's "Higashi-Matsushima Disaster-Ready Smart Eco-Town" initiative, which contributes to global warming and disaster prevention, as well as to regional revitalization, received the 2017 Minister of the Environment's Award for Global Warming Prevention Activity (organizer: Ministry of the Environment) in the Advanced Implementation of Countermeasure Techniques category and Grand Prize at the 27th Global Environmental Awards (organizer: Fuji Sankei Group—supported by: Ministry of Economy, Trade, and Industry, Ministry of the Environment, Ministry of Education, Culture, Sports, Science and Technology, Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Agriculture, Forestry and Fisheries and Japan Business Federation).

The initiative was praised as a new business model that provides electricity from Japan's first microgrid and utilizes both structural and non-structural measures to give balanced consideration to environmental, economic and disaster prevention issues.



Higashi-Matsushima Disaster-Ready Smart Eco-Town

Aim for an 80% Ratio of Green First ZERO Homes

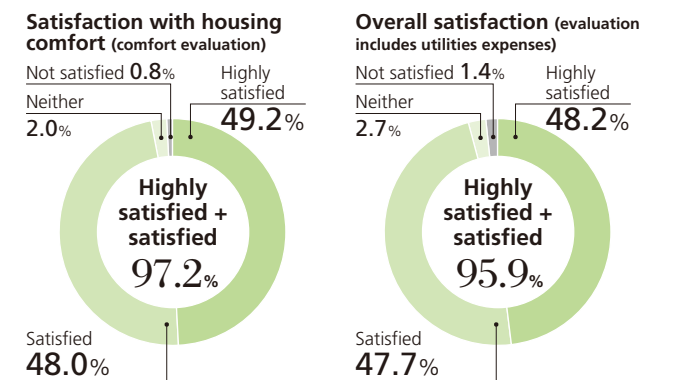
Ever since sales commenced, Green First ZERO Homes have been receiving customer support and praise while delivering positive results. When sales commenced in 2013, Green First ZERO Homes composed 49% of our detached homes. That number has been increasing yearly and as of 2017, has reached 76%. We have established a ratio of 80% as a target to achieve by 2020 and are proceeding with relevant initiatives.

As the graph on the right shows, we are receiving highly positive customer feedback, receiving both living comfort satisfaction rates and overall satisfaction rates of over 90%*.

With the support of our customers' firm trust, we aim to further expand our Green First ZERO home numbers and continue to contribute to global warming prevention.

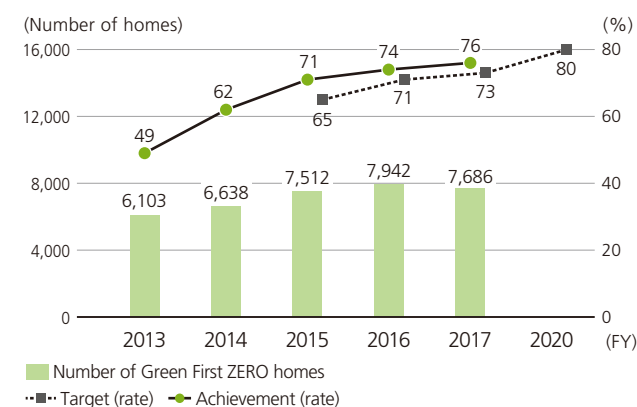
* Percent total of "extremely satisfied" and "satisfied" responses.

Satisfaction Rate of Green First ZERO Residents

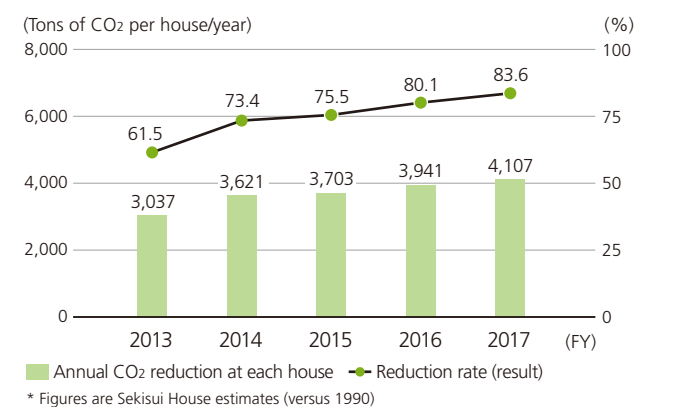


Note: Survey questionnaire taken one year after move-in (March 2015; N = 516)

Growth in the Number of Green First ZERO Homes



Reduction in CO₂ Emissions Achieved by the Green First Strategy*



* Figures are Sekisui House estimates (versus 1990)

Key Performance Indicators (KPIs)

Indicator	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	Definition and remarks
Green First ZERO	%	49	62	71	74	76	Ratio within Sekisui House detached housing (excluding Hokkaido)
Amount of CO ₂ reduction compared to 1990	Tons of CO ₂ /year	50,256	43,015	41,599	41,877	41,681	Reduction of residential CO ₂ emissions from new detached homes compared to 1990 levels (amount and %)
Rate of CO ₂ reduction compared to 1990	%	61.5	73.4	75.5	80.1	83.6	

Evaluation

In 2017, our ratio of Green First ZERO homes reached 76%, exceeding our target value of 73%, and that number is steadily proceeding toward our goal of 80% by 2020. The yearly CO₂ emission reduction rate per building in 2017 reached 83.6% (up 3.5 points year on year) indicating further progress on home CO₂ emission reduction during occupancy stages.

Future Initiatives

Sekisui House will strive to expand the sales ratio of Green First ZERO, detached homes offering comfort, economy, and eco-friendliness, to 80% by FY2020. Furthermore, while aiming to implement ZEH in Sha Maison low-rise rental housing and Grande Maison condominiums, we will proceed with energy-saving and energy-creating renovation initiatives for our existing homes.

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

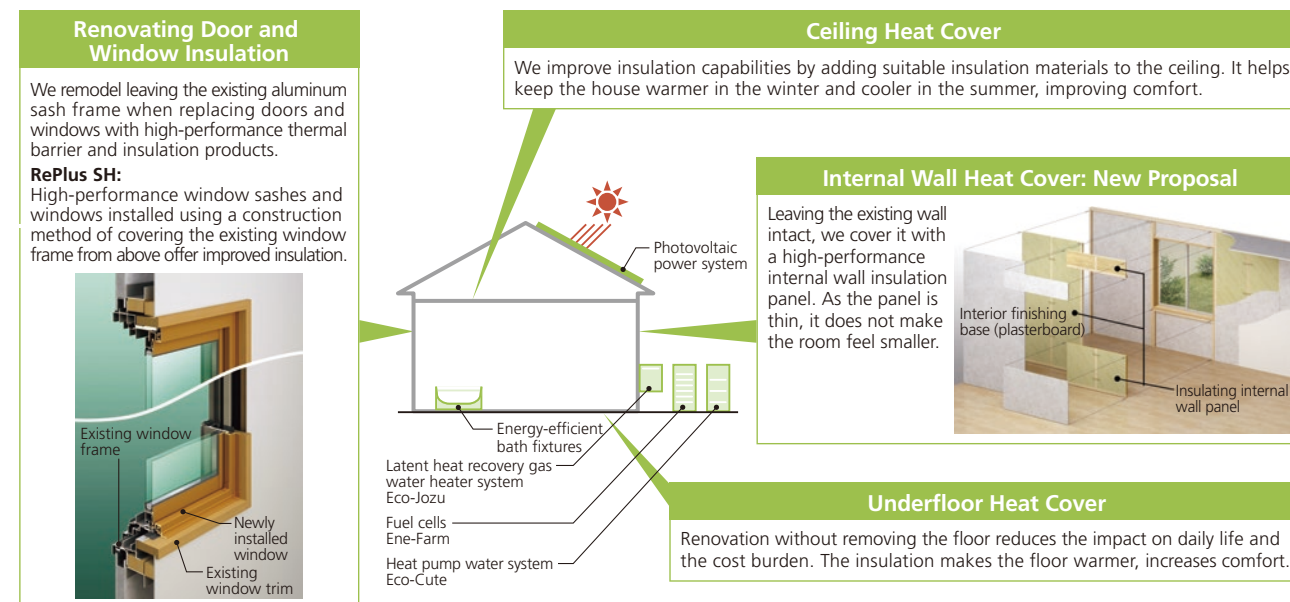
Activities Report

Promoting Long and Healthy Living Initiatives via Green First Renovation of Existing Homes

Three Sekisui House Remodeling companies are focusing on various initiatives such as our Green First Renovation initiative for customers of our detached housing. We are promoting Green First Renovation, which involves proposing ZEH features and living spaces, as well as remodeling to save and create

energy. The Company is also working to reduce CO₂ emissions while offering a comfortable lifestyle and an increase in healthy life years. Additionally, the Company is proceeding with floor, wall, ceiling and window innovations that improve insulation through measures such as internal wall heat covers and the RePlus SH sash cover construction method.

Energy-Saving and Energy-Creating Remodeling Overview



Evaluation

We have prepared a remodeling menu of high-performance CO₂ reduction and insulation for floors, walls, ceilings and doors and windows. We have added higher-performance window insulation products to our lineup, and customers are praising our initiatives as helping them save energy while living comfortably and healthily. Installations of our photovoltaic power system declined in part due to the fall in power purchase prices, but installations increased for Ene-Farm fuel cells, part of energy-creation remodeling that includes hybrid power generation.

Future Initiatives

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

TOPICS

Announced Commitment to 100% Renewable Use and Became First in Japanese Construction Industry to Join the RE100

In October 2017, Sekisui House became the first company in the Japanese construction industry to join the RE100 initiative, which aims to supply electricity used for business activities with 100% renewable energy. As an interim goal, we aim to cover 50% of our electricity with renewable energy by 2030 and 100% by 2040.

Until now, the Company had been supplying and marketing 650 MW photovoltaic systems. On the one hand, we consumed 120 GWh of electricity through our business activities in 2016. On the other hand, the FIT system, in which electric power providers purchase surplus electricity produced by photovoltaic systems, will begin to end starting in 2019, so Sekisui House will create additional

benefits for customers by purchasing their surplus electricity for use in our business activities.

Note: The RE100 initiative is an international initiative that unites the world's most influential businesses for its aim for 100% use of renewable energy. RE100 initiative members include more than 100 companies from a wide variety of industries such as IT and automobile manufacturing.



Certified by STB Initiative

In April 2018, the Science Based Targets (SBT) Initiative certified Sekisui House's greenhouse gas reduction goal levels as scientifically sound in terms of compliance with the Paris Agreement's two degrees Celsius limit, which made us the first Japanese housing manufacturer to receive this distinction. We have set ambitious goals to reduce the amount of energy consumed through the use of our detached housing and rental housing products and to reduce their CO₂ emissions (scope 3, category 11) resulting from electricity both by 45%, compared with 2013 figures, by 2030. Additionally, we aim to reduce our own figures for CO₂ emissions

produced through energy and electricity consumption (scope 1 and scope 2) by 35%, compared to 2013 figures, by 2030.

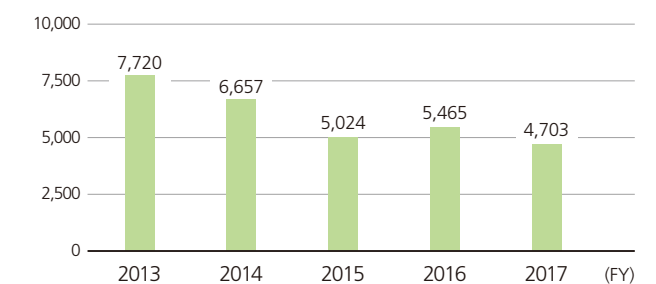


Key Performance Indicators (KPIs)

Energy-Saving and Energy-Creation Remodeling Achievements*

Energy-Saving and Energy-Creation Remodeling menu	FY2017 achievements
Photovoltaic power system installations	567 units
Energy-efficient bath fixtures	3,711 units
Door and window insulation reform	2,814 units
Ene-Farm (residential fuel cells)	535 units
Eco-Jozo (latent heat recovery gas water heater system)	3,031 units
Eco-Cute (heat pump water system)	1,120 units
Underfloor heat cover	975 units

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



* Sekisui House Remodeling Co., Ltd.

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	FY2013	FY2014	FY2015	FY2016	FY2017*2	Definition and remarks
Total energy input*1	TJ	3,542	3,039	3,061	2,985	2,903 (2,893)	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	148,329	126,209	130,482	126,337	140,425 (122,058)	Amount of CO ₂ emitted at these stages per fiscal year
CO ₂ emitted during transportation*2	t-CO ₂	45,815	37,749	36,499	35,828	34,399 (35,082)	Amount of CO ₂ emitted at these stages per fiscal year

*1 Starting in FY2015, energy input from Sekisui House's main overseas subsidiaries was added to the total energy input.

*2 2017 totals were calculated using unitary heat generation and emissions factors based on the Act on Promotion of Global Warming Countermeasures. Figures in parentheses were calculated using the previous calculation method. (For more details, see page 69)



Preserving biodiversity

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

Main stakeholders:

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

Backdrop

Importance of Biodiversity Preservation Activities in Supporting All Lifestyles and Business Activities

Biodiversity, as an ecosystem service, provides us with our daily necessities and has a strong connection with the business activities of companies that are conscious of social issues, such as the procurement of raw materials. The SDGs have reaffirmed this viewpoint. A TEEB* investigation has also pointed out that SDGs 14 (Life Below Water), 15 (Life on Land), six (Clean Water

and Sanitation) and 13 (Climate Action) all support Earth's biosphere, which in turn allows our society to exist, which again in turn supports our daily economic activities. Sekisui House also recognizes the following two points.

* TEEB is a project conducted with cooperation from the UN Environmental Program and the European Commission that aims to make the economic value of ecosystems and biodiversity more visible.

1. Deterioration of the Urban Ecosystem

In recent years, as green space shrinks due to urbanization, effective planting will not only lead to ecosystem preservation, it will support our lifestyles in a variety of other ways, such as creating spaces for relaxation, revitalizing regions and reducing water damage by storing rain water. Every year, many trees are planted when new living spaces are created. However, cultivated and non-native trees don't only include trees that have a high possibility of being utilized by local birds and insects, they also include trees that are not well-suited for Japan's climate and natural features and have low resistance to pests. It is necessary to carefully consider compatibility when selecting plant species in order to protect regional ecosystems.

2. Importance of Traceability in Procurement

Lumber is an important material that supports our living spaces and Sekisui House uses 300,000 cubic meters of lumber each year. However, functional degradation of environmental preservation due to practices such as illegal logging threatens to disrupt our livelihoods, distort the lumber market and present obstacles to sustainable forest management. Additionally, due to complicated distribution channels, securing lumber traceability has become an extremely important issue. Japan's Act on Promoting the Distribution and Use of Legally Harvested Wood (Green Wood Law) isn't the only initiative aimed at securing appropriate lumber procurement; such initiatives have been spreading throughout the world.

Approach

Our Goal

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

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

global biodiversity.

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

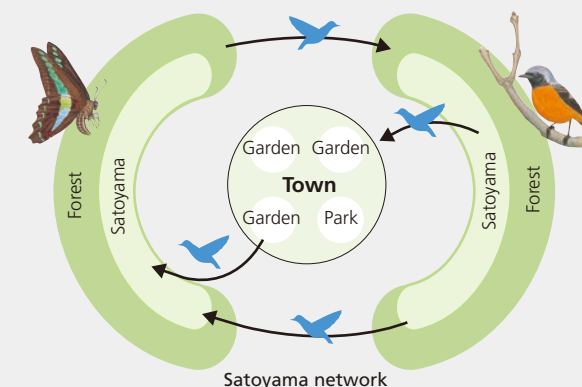
Action Policies

1

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

Since 2001, Sekisui House has promoted gardening and landscaping activities known as the *Gohon no ki* (five trees) planning. Under the slogan "Select five native species... Three for the birds, two for the butterflies," this project involves the proactive proposal of indigenous species able to provide a high level of support for local creatures in consideration of the ecosystem as opposed to the frequent and exclusive use of garden or non-native species.

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



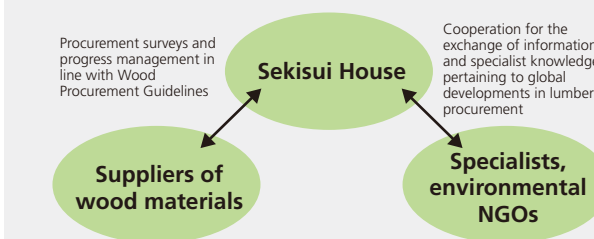
2

Promoting the Use of Legal and Sustainable FairWood Lumber

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

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

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



Impact of These Activities on the Company

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

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

Risk Management

Risk 1

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

Our response 1

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

Risk 2

Due to international demand for supply chain management, some are concerned about restrictions on the steady procurement of sustainable, high-quality parts and raw materials.

Our response 2

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

State of Progress

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

Activities Report

Ongoing Promotion of the *Gohon no ki* planning

We continued to promote *Gohon no ki* planning in FY2017, planting trees out of consideration for regional ecosystems. Throughout the year, we planted 1,030,000 trees in the gardens of our detached homes and collective housing.

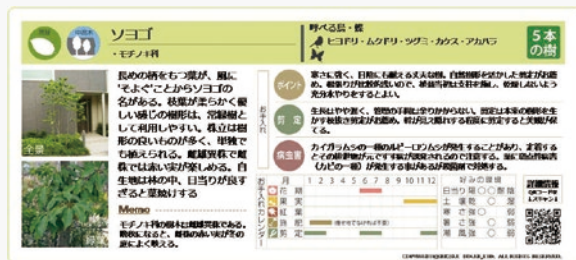
Since the plan started in 2001, we have planted a total of 14,090,000 trees. Although greening initiatives tend to be seen as a factor contributing to increased maintenance costs

in collective housing, the idea that planting increases the comfort of our living spaces, helps to differentiate them from other companies’ properties and helps them to become more beautiful with age has permeated throughout our Group and we have been striving to increase the quality of planting at our collective housing, such as at our rental house, Sha Maison, and at our condominiums.

TOPICS

Increasing Satisfaction through More Elaborate Information Regarding Planting and Raising

We have begun using a planting and raising proposal and maintenance sheet for individual properties. With this sheet, we have become able to inform our customers more specifically about the enjoyable aspects of our gardens, such as the changing flowers, fruits and leaves and the different varieties of migrating birds and butterflies. Additionally, through our Customer Center, we have become able to share more detailed maintenance information regarding fertilization and pruning periods and about response to pests with our customers when they move in. As of January 31, 2018, this system is in use at about 50% of all of our properties, including custom detached houses and rental housing.

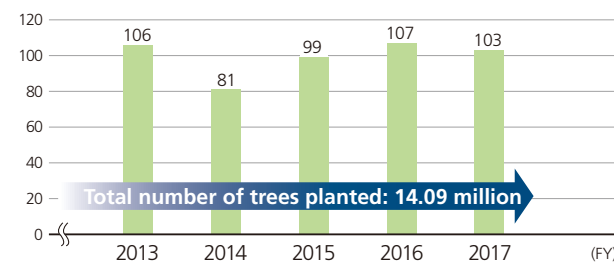


Introducing our Plants via the Planting and Raising Proposal and Maintenance Sheet
We are now able to present customers with a sheet that collects detailed information of about 400 varieties of plants that we use as garden trees at each of our residences.

Key Performance Indicators (KPIs)

Indicator	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	Definition and remarks
Number of trees planted annually	Tens of thousands	106	81	99	107	103	Number of trees planted during the year through landscape gardening and greening initiatives

Number of Trees Planted Annually (Tens of thousands)



Evaluation

Shifts in the number of detached housing starts are causing changes 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, helping to produce sales of ¥67.8 billion in our exterior construction work business, which includes planting and greening initiatives.

Future Initiatives

The permeation of ZEH and the utilization of new construction methods have made the installation of large windows possible and gardens have become added value to the residences themselves, playing a large role in increasing tenant comfort. With this in mind, our designers employ a “whole-area design” process, in which the designer considers the exterior design’s relationship to the overall building from the very beginning.

Additionally, we anticipate the information included in our planting and raising proposal and maintenance sheet will spread and lead to greater awareness regarding the special characteristics of different tree species within the company as well, and to a consideration of ecosystems that begins at an earlier stage.

2 Promoting the Use of Legal and Sustainable FairWood Lumber

Activities Report

Proactively Procuring FairWood Lumber with a View to Zero Deforestation

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

forestry we do not set procurement targets for the sole adoption of certified wood. Still, certified wood accounts for 64.3% of all of our wood materials, including those used for interior installation, and 99.8% of the wood materials used in construction (including certified processed wood).

Additionally, as part of our efforts to strengthen foundational support for “Zero Deforestation” to clearly express the direction we are aiming for as a Company, in March 2018 we completed registration in the System for Businesses that Deal in Registered Lumber , which was established under the Clean Wood Act in 2016.

10 Wood Procurement Guidelines

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

Wood Product Procurement Ranking

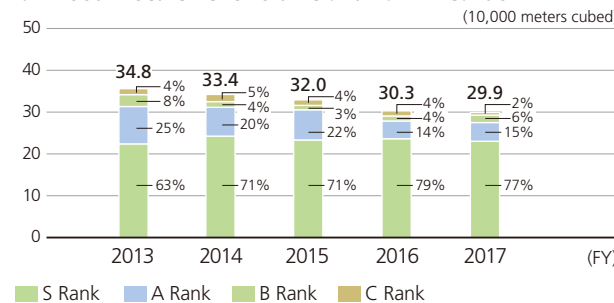
Depending on their total score, procured wood products are classified into four ranks, from high to low: S, A, B, and C. Minimally acceptable scores are set for Guidelines 1 and 4, as we place a high priority on these two items.

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

Key Performance Indicators (KPIs)

Indicator	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	Target	Definition and remarks
Ratio of Rank S and Rank A wood products as defined by the Wood Procurement Guidelines	%	88	91	93	93	92	95	Survey results of about 50 of our main wood suppliers

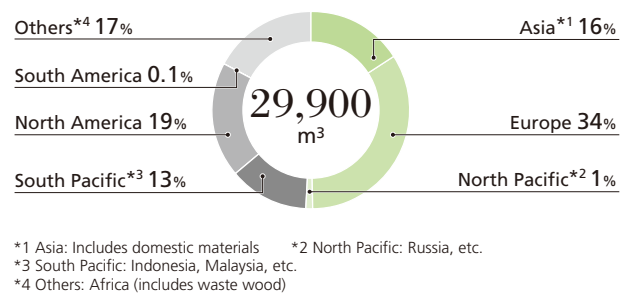
FairWood Procurement Volume and Rank Breakdown



Evaluation

In fiscal 2017, the ratio of Rank S and Rank A lumber that we set as a management goal was 92%. In recent years, we have been working on reducing our Rank C lumber and through improvement efforts and collaboration with our suppliers, we lowered our ratio of Rank C lumber by two points.

Percentage of Wood Products by Region



Future Initiatives

Supplier awareness regarding procurement is growing in line with the enforcement of the Clean Wood Act and broadening concern for SDGs, so we will use this opportunity to strengthen consulting for each of our suppliers while promoting the spread of CSR procurement*

* For more details, please see page 37.



Maximizing Customer Value through the Value Chain

Achieve Highest Quality and Technology through Big Data and Stakeholder Cooperation

Main stakeholders:

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

Backdrop

Collaboration with Stakeholders is Indispensable in Meeting Demand for Housing Value

Demands for housing value continue to diversify due to considerable progress in technology and rapidly changing demands from society. When considering changes in future business environments, corporate approaches to providing the most appropriate value to customers also continue to change from those used previously.

For example, when analyzing which of the diverse cutting-edge technologies are most suitable for consumers in terms of actual and potential needs, utilization of big data and joint inspections with leading equipment manufacturers are crucial.

Additionally, the Company cannot stably procure materials of superior quality to meet environmental or societal demands, train skilled technicians amid the declining population or achieve decent job goals without important cooperation and up and down the supply chain and strategic approaches.

Finally, we recognize the demand for initiatives that bear in mind SDGs focused on Industry, Innovation and Infrastructure (Goal 9), Responsible Consumption and Production (Goal 12) and Partnerships for the Goals (Goal 17).

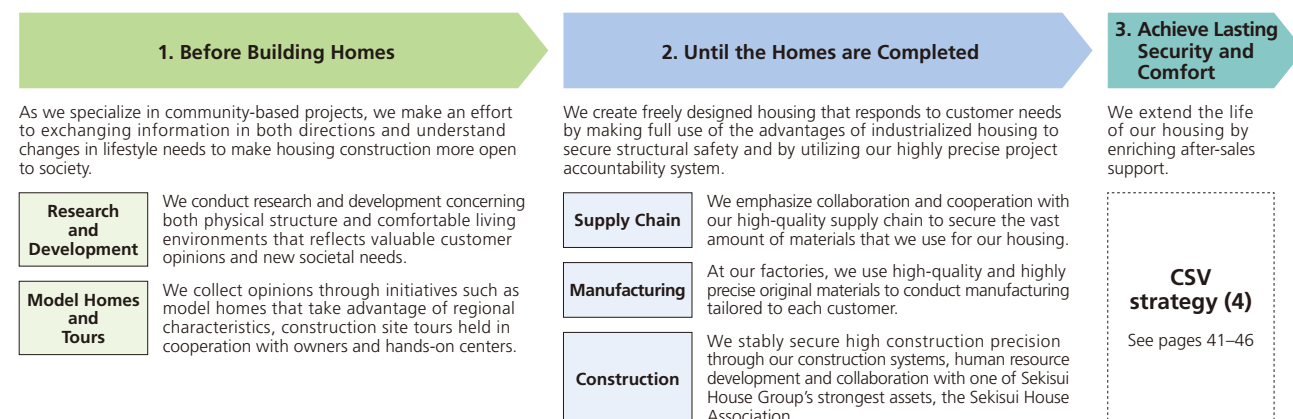
Approach

Our Goal

Respond to Accumulated Needs through the Eyes of the Customer and Produce Performance and Quality that Surpasses that of the Competition

It is necessary to create a total business scenario that utilizes the value chain to maximize customer value in order to understand high demands for housing and to offer truly satisfying quality and service. The key to this is our industry-leading big data, which was accumulated through diverse channels and allows

us to anticipate customer needs and changes in society. We will use this data through our manufacturing and construction throughout the Group and share it through careful supply chain management to provide performance and quality our competitors cannot match while ensuring traceability.



CSV strategy (4)

See pages 41–46

Action Policies

1 Achieve Optimal Safety, Security, Health and Comfort through Big Data

We achieve safety, security, health and comfort through our promotion of research and development regarding both physical structures and comfortable living environments and through top quality and technology. We respond to diverse needs using consumer big data, a valuable intangible asset gathered from encounters with many customers such as those living in our 2,380,000 constructed homes, the 310,000 members of our members-only site, Net Owners Club, the 910,000 visitors to *Nattoku kobo* and the 630,000 visitors to Sumufumulab.

2 Meticulous Supply Chain Management during Material Procurement

Collaboration with suppliers who understand the value we place on consideration for product development in houses that use tens of thousands of parts is an important factor in meeting diversifying needs. As interest in ESG investment rises, we will work to create long-term benefits for both our Company and its suppliers, including CSR procurement, as well as strengthen our collaborative relationships with suppliers.

3 Enhancing Production and Distribution Quality, Improving Operational Efficiency

Under our rigorous quality control system, we build-to-order by manufacturing all major structural components at our factories. In order to regularly provide high-precision structural elements with stable performance and quality, we are proceeding with the automation of our production lines and with utilizing robotic technology, producing various built-to-order product types in small lots.

4 Initiatives Aimed at Strengthening Construction Capabilities and Maximizing Construction Competence

Our strong collaboration with the Sekisui House Association (a voluntary organization comprising Sekisui House Group companies involved with construction and our partner building contractors) and our more than 9,000 construction technicians are major assets when conducting precision construction with the high-performance and high-quality materials produced in our factories.



Creating safe, sound and comfortable homes with the Sekisui House Association

Impact of These Activities on the Company

In order to complete our mission of protecting residents' lives and property, we have led the housing construction industry by proceeding with research and development regarding both physical structures and comfortable living, constructing a total of 2,380,000 homes with top quality and technology accumulated over more than half a century.

We are able to gain customer support due to our housing technologies and because we create high-quality and technologies

utilizing the entire value chain. Through the value chain, we achieve CSR procurement, technology that allows us to produce high-quality homes that fulfill our long-term warranties and construction technologies that maintain our high standards of quality while reducing our construction technicians' workloads. We are driving quality enhancements in standard homes by attempting to cooperate with the value chain in all processes and engaging in the spread of quality housing.

Risk Management

Risk 1 Catch-up and selection difficulty due to technological progress and diversification

Our response 1 As an industry-leading company, we have secured opportunities to participate in the implementation and testing of cutting-edge public and private sector technologies and in joint research with manufacturers upon request. Comparing results produced through these opportunities with big data we have accumulated enables us to respond to actual customer needs and make rapid management decisions.

Risk 2 Concerns regarding ability to maintain high quality despite the decline in number of workers in the construction industry and lack of skilled technicians

Our response 2 We are proceeding with initiatives aimed at conserving manpower and increasing efficiency in our production, distribution and construction processes, mainly through automation. At the same time, we are promoting active implementation of our construction management system,

which uses information and communications technologies such as tablets and PCs, to improve operational efficiency and increasing retention rates by enhancing welfare programs and optimizing the training of young employees.

Risk 3 The increasing social demand for sustainable material procurement within supply chain management

Our response 3 We promote wide-ranging supply management initiatives that focus on quality as well as respond to environmental issues and social issues including human rights and labor.

At Sekisui House, we promote close collaborations with suppliers based on the sharing of CSR procurement policies at regular policy briefings and CSR assessments conducted through supplier evaluations. This sharing of action policies allows us to avoid risks, understand supplier strengths and weaknesses and create and strengthen relationships of trust.

State of Progress

1 Achieve Optimal Safety, Security, Health and Comfort through Big Data

Activities Report

Company-Wide Optimization and Operational Reconstruction through Centralization of Residential Information

We constructed a system using big data to adjust and decrease design and technical specifications and centralize material information to efficiently provide a variety of small-lot produced high-quality housing materials.

With this system, we succeeded in centralizing residential information on design, materials, customers and historical data, including information regarding maintenance. The system is increasing productivity in all types of work by making it possible to conduct major operational processes on tablet PCs and smartphones, shortening construction times and reducing operational costs. This enables us to aim for faster customer service and provide highly precise, quality services with detailed data regarding all involved parties.

Construction of a Residential Information System

Diversifying customer needs and various legal reforms
Respond by developing new materials and updating specifications


Independent business systems in each division produce data fragmentation and redundant work
Operations and Organization become bloated

(Sales Division) Increasing workloads accompanying more complicated design operations
(After-Sales Service Division) As number of homes increases, verifying specifications becomes more complicated, lengthening response times.
(Production Department) Increase in man-hours due to pursuit of high quality and material data management and maintenance

Reconstruct operational flow through centralization of residential information


Examples of residential information use in each process

Sales and Design




For the first time in the industry, immediate virtual reality (VR) experiences of built-to-order houses based on original plans are now possible

Manufacturing and Transportation




We have shortened delivery times by saving a significant amount of labor through robotic production and the calculation of efficient transportation routes, as well as the sharing of IT information from the design phase

Construction



Quickly share residential information through tablet PCs distributed to construction supervisors and builders to realize accurate construction and manage schedules

After Move-in



Utilize residential information for maintenance, remodeling and support when natural disasters occur, as well as for proper storage of repair history to enhance housing stock value

Develop New Technologies and Products Able to Respond to Customer Needs

In 1997, Sekisui House launched B System, the first steel rigid-frame construction method for industrial housing. A special characteristic of this method is that pillar positions can be freely positioned allowing for highly flexible floorplans and window positions on every floor. In 2017, we developed a new construction method, called the Flexible B System and launched

new products allowing us to further raise design freedom levels and space proposal capabilities in response to demands for custom detached houses, rental housing, houses used as commercial properties and offices, and homes for the elderly as well as for non-housing such as childcare centers, hospitals, hotels and public facilities.

We also developed and implemented a new and original construction method, the Dynamic Frame System, in our lightweight steel frame housing, creating large openings and vertically and horizontally wide-open spaces that hadn't existed before. In response to net-zero energy housing (ZEH) initiatives and customer demand for larger windows, we are proposing to make industry-leading high-performance heat insulating aluminum and resin composite sashes a standard component in our windows.



Built-in garages accommodating three vehicles across are now possible thanks to our new Flexible B System construction method



We have created large spaces and windows with our new Dynamic Frame System construction method

Promoting Research and Development of Physical Structures and Comfortable Living Environments through Co-Creation with Various Stakeholders

Seeking to improve the safety, comfort and quality of living spaces while responding to customer demand is a housing manufacturer's mission.

Our Company has been conducting research and development concerning physical structures and comfortable living environments since establishing the Comprehensive Housing R&D Institute in 1990. We have conducted investigative research into how lifestyles and housing best interact with one another, including inspection and assessment of basic housing features, all in pursuit of healthy and comfortable living. Through in-house inspection and research, we quickly identify problems and find solutions, creating technologies that are unique strengths for Sekisui House, such as the heavy steel-framed B system, the SHEQAS seismic control system and the Airkis high-quality indoor air system.

With regard to the Airkis system, working jointly with National University Corporation Chiba University, we established the

Sick House Syndrome Countermeasure Research Wing for the Creation of Healthy Living Environments inside of the university's Preventive Medicine Center in April 2017. We also constructed two test houses on the university's Kashiwanoha Campus and held long-term stay and evaluation studies in an attempt to intensify initiatives conducted from a medical point of view.

Additionally, we established the *Nattoku Kobo* inside of our Comprehensive Housing R&D Institute, where about 30,000 visitors per year visit to conduct two-way exchanges of information between consumers and builders about the ideal state of housing.

Furthermore, we established the Sumufumulab, a base for research and development and information exchange regarding living spaces and lifestyles inside of the Grand Front Osaka, in front of Osaka Station. There, we conduct joint research based on open innovation with various stakeholders.



Life-size mockup at structural testing site that verifies seismic resistance levels



An allergen investigation connected to our Airkis high-quality indoor air system.



Test housing constructed at Chiba University where we research environments that prevent Sick House Syndrome and factors that promote mental health



Open-air lab for verifying the comfort levels of slow living



Test in an artificial climate room to verify insulation and comfort



We conduct joint research with general consumers and companies at Sumufumulab



Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
SHEQAS seismic control system installation ratio (steel-framed two-story detached housing)	%	75	87	89	94	96	96
Airkis high-quality indoor air system installation ratio (steel-framed detached housing)	%	76	78	80	85	87	88

Evaluation

We are maintaining high rates of installation for our SHEQAS and Airkis systems.

Through the centralization of residential information using IT, we were able to improve productivity, operational efficiency and customer services. Additionally, thanks to our research and development concerning physical structures and comfortable living environments, we've developed new construction methods and launched new products that increase our design freedom and space proposal capability. Our range of response to demands for multipurpose construction has expanded.

Future Initiatives

We will continue to actively propose SHEQAS and Airkis systems to customers as competitive advantages unique to Sekisui House.

While further improving IT utilization methods for each individual process, we will heighten our sensitivity to customer needs and the current of time, while conducting research and development concerning both physical structures and comfortable living environments. Additionally, we will continue to make industry-leading proposals while maintaining dialogue with stakeholders and further raise safety, security, health and comfort for residents.

2 Meticulous Supply Chain Management during Material Procurement

Activities Report

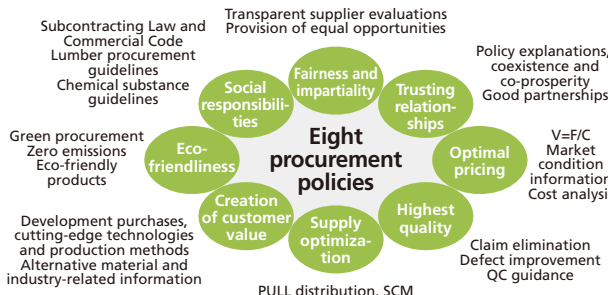
The extensive housing industry, which uses a large amount and wide variety of materials, has a significant impact on the supply chain. In particular, as seen in the UN Sustainable Development Goals (SDGs), the extent to which companies are able to maximize the impact of environmental and social issue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

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 polices focused on the highest quality, optimal pricing and supply optimization.

In addition to conducting detailed sustainability appraisals of our lumber procurement and chemical substance management, we have established independent guidelines manage the progress of targeted suppliers.

Eight procurement policies



Supplier Evaluation Implementation and Improvement

To maintain fair and impartial business practices, we conduct supplier evaluations based on our procurement policies and inform each company of their results so that they will contribute to future improvements.

At the same time, we believe the proper implementation of high-level procurement policy is impossible without a stable corporate structure and quality management, thus we conduct ongoing factory visits and quality control diagnostics with our primary suppliers.

Additionally, in order to deepen mutual understanding and ensure compliance with our procurement policies, 150 of our major suppliers participate in our annual policy briefings. We offer opportunities for mutual motivation at these briefings by explaining our newest management plans, procurement policies and product strategies, sharing information intended to act as guiding principles for our suppliers, honoring outstanding companies and viewing presentations regarding successful initiatives.



Annual policy briefing

Promoting CSR Procurement

Since 2015, our Company has established and implemented CSR Procurement Standards in accordance with our eight procurement policies. Since 2017, we have included a CSR evaluation metric in our supplier evaluations and are raising awareness regarding social responsibility while encouraging sustainable development. Furthermore, the total value of transactions we conducted with the 123 suppliers targeted by our evaluations in 2017 amounted to 74% of our total procurement cost.

In the course of CSR evaluation, we also have all suppliers assess their initiatives in response to ISO26000’s* seven main themes and 28 goals in advance from the perspectives of (1) compliance with regulations, (2) responsible divisions and systems, (3) prevention rule procedures, (4) in-house awareness training and (5) awareness of present conditions. These results are then quantified and evaluated.

Additionally, we visit and monitor suppliers deemed to be in need of attention according to these results to verify conditions. We conducted visits and monitoring at four companies in 2017.

Moving forward, we plan to sponsor a supplier subcommittee underneath the CSR Committee and promote CSR procurement initiatives.

* The International Organization for Standardization (ISO) international standard for organizational social responsibility, issued in 2010.

CSR Procurement Standards

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

3 Enhancing Production and Distribution Quality, Improving Operational Efficiency

Activities Report

Sekisui House’s built-to-order production, which uses materials custom-made for each residence, is the foundation for our principle of making homes tailor-made for each customer. While rationally producing various product types in small lots, we are automating our production lines and installing robotic technologies so that we can consistently provide high-precision materials with stable performance and quality.

Additionally, we are prioritizing health and safety management to prevent work-related employee accidents and other damage to employee health. At the same time, we endeavor to create comfortable work environments, facilitate operations and improve production.

Promoting Automated Production of Main Structural Components

At our five factories across Japan, we produce original materials including our main structural components, such as pillars and beams, as well as exterior wall components. We aim to improve production efficiency and quality at every one of our factories through ongoing improvement activities and effective capital investment.

At the Yamaguchi factory in 2017, we worked towards further automation and augmentation of the B system heavy steel-framed three- and four-story housing construction



New robotic production line

method. To implement our new flexible B system construction method, we also installed a manufacturing line at our Shizuoka factory for WH Columns, which are 2.5 times stronger than our previous columns.

Quality Management System Development

We thoroughly manage quality in all manufacturing processes, placing full-time supervisors on each production line, inspecting

raw materials upon delivery, conducting random checks and quality inspections on components and requiring factory technicians to take regular proficiency tests.

While our highly-skilled employees conduct quality management, we also conduct high-precision investigations using cutting-edge technologies, such as robotics, increasing production efficiency and quality and preventing the release of defective products.

In-House Production of Original Exterior-Wall Components

Dyne Concrete, a component of our highest quality lightweight steel-frame two-story housing product “Is Series” and the Bellburn earthenware exterior walls on our Shawood wooden-frame detached homes are original exterior-wall components produced by Sekisui House. These components are unique in that they are beautifully designed as well as water resistant, weather resistant and durable.

In line with intensive quality management at our factories, we engage in built-to-order manufacturing on each housing order and promote the automation and augmentation of our production lines.

Conducting Work Environment Maintenance

At every factory, we conduct necessary health and safety management to prevent the occurrence of disasters or health problems while conducting operations, securing safety and health for our employees. At the same time, we endeavor to form comfortable work environments, facilitate work performance and raise productivity. In order to develop our health and safety management, we hold a Health and Safety Committee meeting once per month and a Production Department Health and Safety Promotion Council meeting at all factories once per quarter to share information regarding each factory’s present condition, items for improvement and future outlook.

Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Definition and remarks
Breakeven point shipment area	%	100.0	100.9	102.4	98.5	93.1	96.3	Index utilizes FY2012 as 100
Trends in grievances and abnormalities at construction sites	%	100.0	98.0	75.6	56.7	60.7	47.5	Index utilizes FY2012 as 100

Evaluation

Through maintenance and enhancement of our production lines, several of factories have become able to produce components, completing a system that will enable us to continue production in the case that one or more of our factories is damaged during a natural disaster. We were also able to move forward with work environment development, advancing process automation through the introduction of robotics, which clarified the differentiation of processes performed by employees, improving quality and operational efficiency.

Future Initiatives

To contribute to increased work efficiency and labor conservation at construction sites, we will continue to pre-process and assemble components inside our factories and endeavor to deliver them to sites in the most usable condition possible.

Additionally, we will prioritize workstyle innovations in production departments, including subcontractors, in recognition that this will result in more comfortable work environments that will raise productivity and activity levels.

4 Initiatives Aimed at Strengthening Construction Capabilities and Maximizing Construction Competence

Activities Report

Amid the ongoing aging of the construction industry workforce, one in three construction workers in Japan is now 55 years or older. A decrease in the number of construction workers is now an inevitability and the recruitment, training and increased retention of new employees have become industry-wide issues.

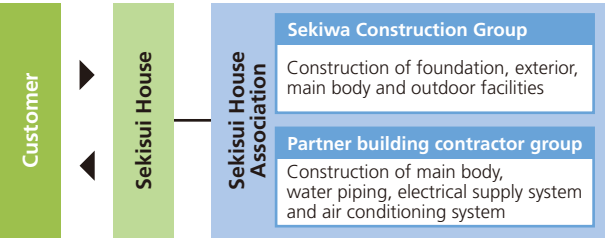
The Sekisui House Group is working to strengthen construction technologies in order to maintain ongoing and stable construction capabilities and improve quality and customer satisfaction. We are also conducting initiatives aimed at maximum utilization of existing construction competence, such as reinforcing organizational strength with partner building contractors while utilizing all systems already available.

Collaboration with the Sekisui House Association, a Voluntary Organization Comprising Members of the Sekiwa Construction Group and Partner Building Contractors

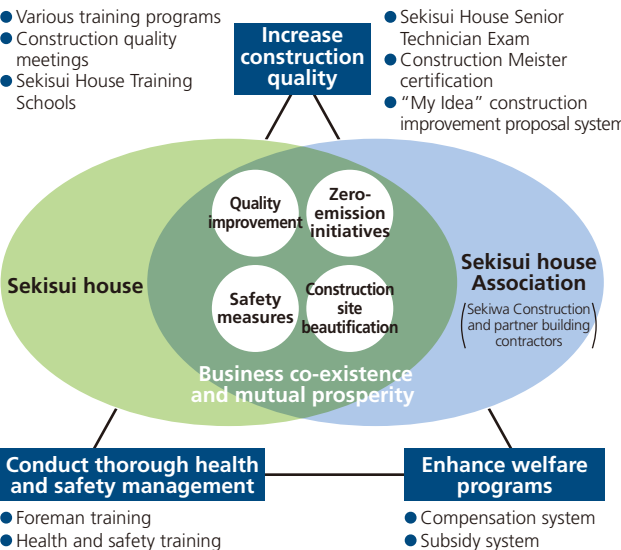
The Sekisui House Group's biggest strength is the Sekisui House Association. Since its founding as a community with a common destiny bound together with strong relationships, the aim has been to ensure co-existence and mutual prosperity for the Group and its members.

The Sekisui House Association is a voluntary organization comprising Group companies and partner building contractors

Sekisui House Group's Project Accountability System



Customer Satisfaction-Boosting Initiatives Conducted as a Community with at Common Destiny



that are involved with construction. The association collaborates with Sekisui House worksites in each region to improve construction quality, provide services for customers and their neighbors, conduct safety measures and site beautification, cultivate human resources and maintain labor environments. The association also endeavors to make operational and technological improvements, providing a forum through which to share information and discuss solution strategies in response to issues raised by building sites or partner building contractors and establishing a place to conduct training and study.

Delayed provision of housing during reconstruction and restoration efforts in response to natural disasters such as earthquakes and floods has become an issue due to insufficient personnel needed for construction in affected areas. Utilizing our strengths as a nationwide organization, we dispatch a large number of technicians from Sekisui House Association members in each region to disaster-affected areas. We are responding to increasing construction demand by securing and fully utilizing ongoing and stable construction capabilities.

Going forward, along with the Sekisui House Association, we will use our full capabilities to increase customer satisfaction and raise our brand value, aiming for co-existence and mutual prosperity as a community with a common destiny.

Promoting the Development of Construction Technologies that Extend Housing Life

One technology that Sekisui House possesses that can extend the life of concrete used in housing foundations and can be utilized in all of our detached housing, is our highly durable foundation sheet construction method. This method involves affixing an adhesive sheet to the surface of foundational concrete beneath a building using special construction jigs, providing the foundation with a coating for a long period of time.

Covering the foundation's surface with a sheet helps to prevent exposure to carbon dioxide, which causes deterioration in concrete. Additionally, by trapping water inside of the concrete, the sheets also reduce cracks that result from drying contraction and enable long-lasting strength and durability. We developed this technology in 2015 and it received the Meritorious Technology Award, First Prize in the Presidential Commendations (based on the 27th commendation guidelines*). By making foundations, a building's bedrock, more durable, we are providing homes in which customers can live safely and securely for a long time.

* This is a Company system that commends technological developments that contribute to operational improvements or are beneficial in the execution of operations as well as creative or original research and development relating to operations having a large impact within or outside the Company.



Construction using special jigs

Finished product

Prioritizing Human Resource Training that Passes Skills to the Next Generation of Young Technicians

Operation of Sekisui House Training Schools

Sekisui House directly operates vocational ability development schools accredited by the Ministry of Health, Labor and Welfare with the goal of cultivating human resources that can be active at the forefront of the industry. We established three schools in East Japan (Koga City, Ibaraki Prefecture), Central Japan (Ritto City, Shiga Prefecture) and West Japan (Yamaguchi City, Yamaguchi Prefecture). At these schools, we conduct training that allows technicians from each company in the Sekiwa Construction Group, as well as technicians hired by partner building contractors, to learn about technology and acquire skills. These schools also aim to teach and refine manners necessary for members of society.

These schools are unique from other schools in that they do not merely provide the opportunity to acquire technical skills and knowledge necessary for construction with Sekisui House, but also the opportunity to study our corporate philosophy, which is indispensable for achieving customer satisfaction. Those who have completed the course work actively in regions throughout the country as construction technicians or construction managers. Their young energy injects vitality into construction sites, strengthening construction capabilities. Even after completing the course, technicians are able to participate in a variety of ongoing training aimed at improving technological knowledge and skills.

Construction Meister and Sekisui House Remodeling Meister Systems

We established the Construction Meister System to honor superior technicians on Sekisui House construction sites and certified 312 technicians in 2017. Since beginning to implement the system in 2010, we have certified a total of 1,933 technicians. Construction Meisters are awarded a certificate, a sticker and incentive pay. We eagerly expect them to contribute to strengthening the "community with a common destiny" mindset that we share with our partner building contractors and to boosting the motivation of other construction technicians by actively setting

good examples, handing down sophisticated, high-level skills and by contributing to improving construction quality.

Additionally, we have established the Sekisui House Remodeling Meister System at the three Sekisui House Remodeling companies in charge of remodeling operations for Sekisui House owners. This system, which we established in 2008, aims to improve remodeling construction sites and construction quality while deepening owner trust and raising owner satisfaction by certifying and registering superior technicians working for partner building contractors who participate in remodeling work for Sekisui House. We certified 29 technicians under this system in 2017 and 368 technicians certified under this system are actively contributing nationwide. Moving forward, we will enhance initiatives enabling meaningful exchanges of information between Remodeling Meisters.

"My Idea" Construction Improvement Proposal System

The "My Idea" Construction Improvement Proposal System encourages and supports creative originality aimed at enhancing quality and increasing customer satisfaction. Once per year, we collect ideas concerning improvements to actual construction methods from technicians throughout the country who are involved with our construction projects. Then, after reviews in each region, a nationwide examination committee conducts a final review, ranking the ideas and awarding certificates of commendation and cash bonuses to technicians who presented selected ideas.

2017 was the 30th year of these activities where the 30th Anniversary Grand Prize was presented for the highest achievement from among 1,268 proposals received from across Japan.

We have received at cumulative total of 51,212 proposals through this system, which have led to many new tools, equipment and construction methods, including some that were commercialized or patented.

We introduce proposals selected for award through our construction newsletter, *Tsuchioto*, which we regularly send to employees working at our construction sites. We also upload videos demonstrating the proposal content to our Company website to inform worksites of superior ideas and to help them spread nationwide.

Key Performance Indicators (KPIs)

Indicator	Unit	FY2013	FY2014	FY2015	FY2016	FY2017
Construction workers (foundations, construction, carpentering)	people	—	10,518	10,393	9,843	9,351
Sekisui House Training Schools participants (total)	people	2,294	2,385	2,480	2,568	2,638
Employees who passed the Sekisui House Senior Technician exam (total)	people	14,458	14,607	14,808	15,012	15,214
Certified Construction Meister	people	312	318	305	325	312

Evaluation

The 18 companies comprising wholly-owned subsidiary Sekiwa Construction and partner building contractors ensure reliable construction quality through participation in our project accountability system. The Sekisui House Association, which we constructed over a long period of time and with which we share a mutually prosperous co-existence, is one of our Company's strong points and supports our business activities with stable construction capabilities despite current challenges facing the industry.

Future Initiatives

Moving forward, we will further strengthen our collaboration with the Sekisui House Association. Additionally, we will cooperate with each worksite and department to maximize construction capabilities by leveling construction work, increasing construction productivity and introducing cutting-edge technologies. Finally, we will proceed with initiatives aimed at securing and retaining new technicians by enhancing training and conducting workstyle innovations.



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:

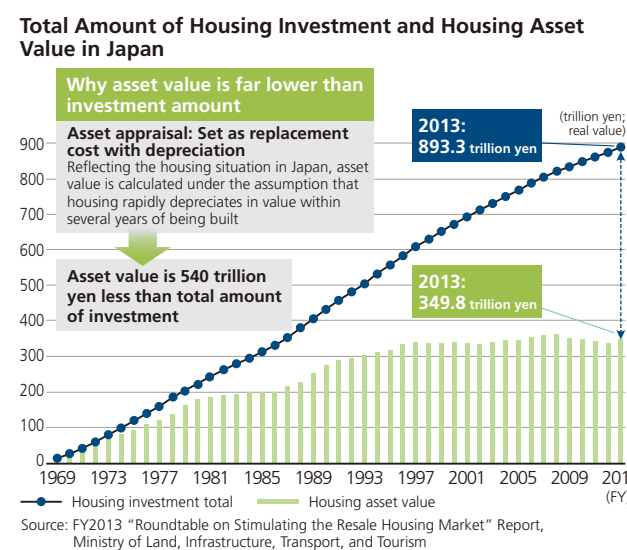
Customers and business partners (materials manufacturers, Sekisui House Association, intermediate disposal operators, dismantlers)

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 the way they do in Europe and the United States. 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.

Even the SDGs cite making cities and human settlements inclusive, safe, resilient and sustainable (Goal 11) as a critical issue, thus it is increasingly important to improve the asset value and sustainability of cities and lifestyles by creating a housing culture that passes safe, secure and comfortable homes on to future generations.



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. We will realize housing that provides "comfortable living—now and always" by expanding service proposals, including the use of IoT, from the perspective of both physical housing structures and comfortable living standards, even

with respect to diverse needs that will arise in the coming era.

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

* A concept aimed at reusing all waste materials and byproducts resulting from industrial activities as resources resulting in zero waste emissions throughout society. The Sekisui House Group defines zero emissions as eliminating waste sent to landfills for disposal as well as waste incineration that does not involve heat recovery.

Action Policies

1

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

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

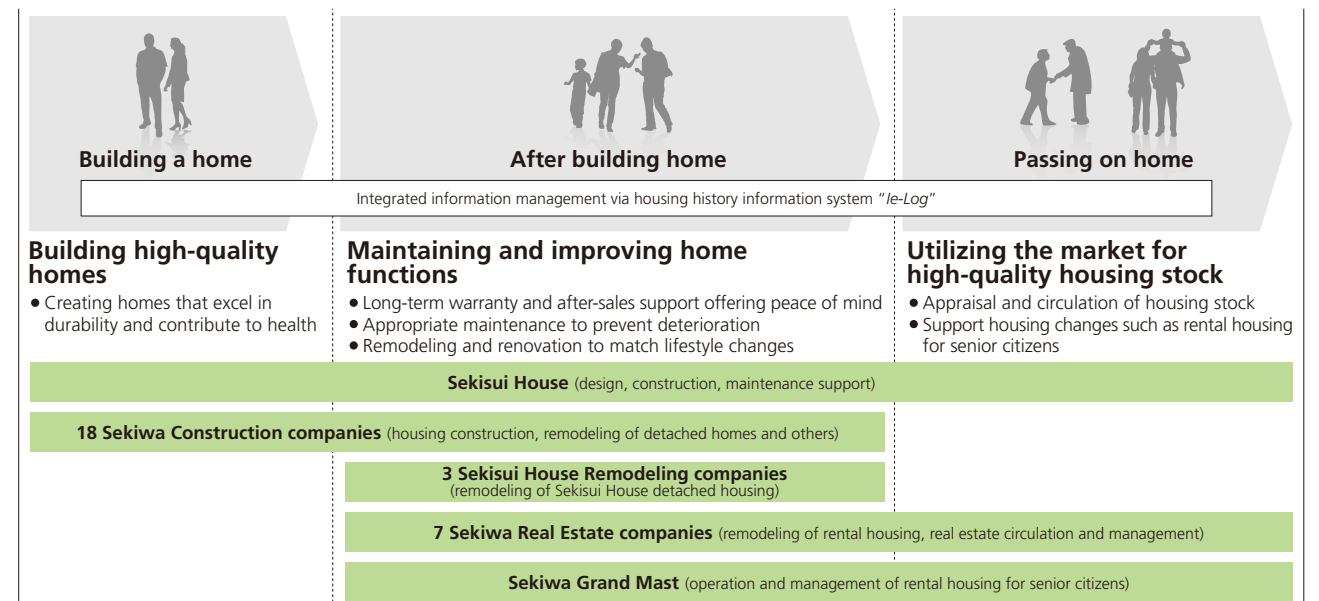
Going beyond repairs, facility renewals, and remodeling for improved comfort and convenience, we conduct renovations involving large-scale transformations and changes in use that correspond to customer needs, providing an extremely high level of safety, security, and comfort that heightens customer satisfaction.

2

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

We are reducing the loss of social assets through the vigorous circulation of properly assessed quality housing stock abundant in society while conducting appropriate maintenance to lengthen the life of housing, leading to resource conservation. Furthermore, we will contribute to the formation of a recycling-oriented society through the effective use of limited resources by focusing efforts on recycling waste and reducing emissions to zero as the result of promoting remodeling and renovation.

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



Impact of These Activities on the Company

Sekisui House, three Sekisui House Remodeling companies and 18 Sekiwa Construction companies provide after-sales support after customers move in. We also utilize the "le-Log" housing history information system to make maintenance, remodeling, renovation and other proposals in an effort to ensure high-quality housing for years to come so customers can live in comfort. Customers also understand these efforts,

leading to the creation of a solid customer base. In addition, by maintaining the asset value of housing at a high level and extending the length of housing life, we are accumulating an excellent social stock. Achieving customer satisfaction and increasing high-value housing as social stock will lead to making sustainable cities and communities (Goal 11), as indicated in the SDGs.

Risk Management

Risk 1

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

Our response 1

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

Risk 2

Intensifying competition due to expansion in the remodeling market

Our response 2

We will attempt to differentiate ourselves in the market with highly cost-effective remodeling and renovation proposals demonstrating a strong commitment making use of business scale in the newly built home market and timely proposals based on housing history information system "le-Log."

State of Progress

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

Activities Report

Long-Term Support for Customer Housing through Group Collaboration

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

As housing is used over the long-term, providing a quality support system after move-in is crucial. Sekisui House employs 1,450 people—accounting for about 10% of all employees—as dedicated staff in our Customer Center. They support the lifestyles of customers living in 790,000 detached homes and

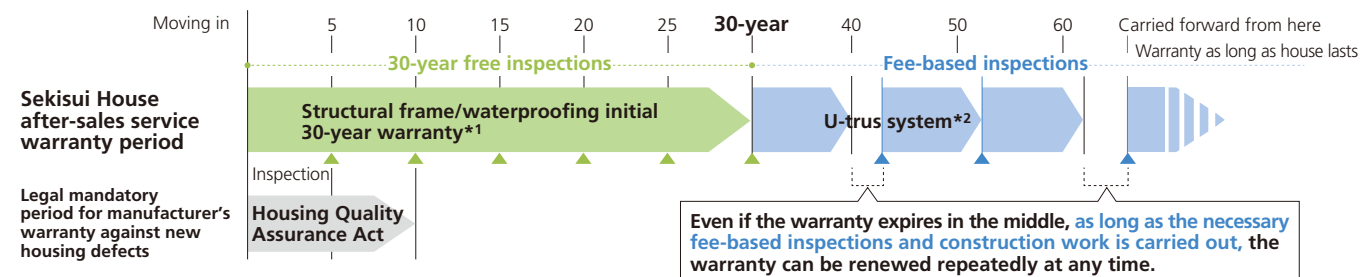
220,000 rental housing units such as by assisting with daily repairs and remodeling consultations. Our unique organizational structure enables us to quickly reflect customer feedback into our product development and management structure.

30-Year Manufacturer Warranty Program, U-Trus System and Housing History Information Database “Ie-Log”

For structural frames and rainwater-proofing components, we offer a 30-year warranty, which provides an additional 20 years to the 10-year liability period required under the law promoting housing quality. In addition, all other components are under warranty for a specified period of time. Even after the warranty period has expired, homeowners can take advantage of our U-trus system to extend warranties in 10-year intervals.

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

The 30-Year Warranty System and the U-trus System



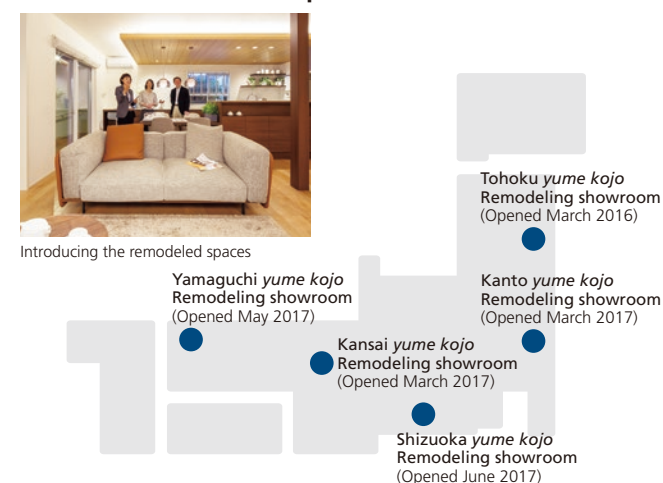
*1. This system is applicable to agreements commenced on or after April 1, 2018.

*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.

Sumai no Yume Kojo Remodeling Showrooms Opened in Five Locations Across Japan

The three Sekisui House Remodeling companies that handle Sekisui House's remodeling business for detached and other housing aim to establish and engage in maintenance-type remodeling to maintain and improve the asset value of homes over the long term.

Remodeling showrooms were opened at the *Sumai no yume kojo* inside Sekisui House factories at five locations across Japan. Initially opened as a facility enabling the comparison and experience of actual-size reproductions of aging and remodeled houses at the Tohoku *yume kojo* in 2016, facilities were expanded to a total of five location across Japan in 2017. Tactile displays of integrated floor, wall and ceiling insulation remodeling aimed at realizing long, healthy customer lives and environmental friendliness are particularly popular with visitors.



From “Unavoidable” to “Enthusiastic” Remodeling Initiatives

For general detached housing and condominiums, the Sekisui House Group responds to customers' various needs, from remodeling to renovations. The 18 companies comprising the Sekiwa Construction Group responsible for Sekisui House construction conduct remodeling and renovation nationwide

under a single brand, “Re:QUEST,” which conducts proposals offering a high degree of customer satisfaction.



Advancing Condominiums with Renovation Proposals

Condominium renovations involve more than simply upgrading fixtures and interiors; we make an effort to improve its functionality as a space and enhance value by giving shape to the required function and value in response to owner requests. The Sekisui House Group, including Sekiwa Real Estate, offers its customers support, from imaging consultation to property search, planning, design and construction. We also conduct regular inspections via a proprietary after-sales maintenance program, which is very popular among our customers.

In addition to these efforts, we have created materials used as proposals for condominium renovation creation that

highlight the achievements and know-how acquired through the construction of numerous custom homes. They introduce our meticulous condominium renovations planned using innovative ideas through examples based on seven groups of owner families in the 30–60 year old age range. With these specific proposal examples, customers can consider their options with the aid of rich imagery.



Proposal Example 1: Space Combining Japanese and Modern

The scenario for this proposal focuses on the renovation of a condominium treasured by a married couple in their sixties who have lived there for many years. This space will be used for those lively times when the couple's three married children and grandchildren visit, as well as during quiet times of comfort when the couple is relaxing in their daily lives. The flooring uses paulownia wood that is soft to the touch and gentle on the occupants. In the wall storage surface of beautiful paulownia woodgrain, a useful desk is built as place for doing housework or using a computer.



Proposal Example 2: Housing that Cultivates a Healthy Life

The scenario for this proposal focuses on a married couple in their sixties who are cyclists and accustomed to training their body on a daily basis. They purchased their current condominium based on the desire to create a fitness gym inside their home similar to those found in luxury condominium complexes. The renovation involves transforming their living space with a focus on beauty and function with a stoic approach to health promotion. The result is a home that cultivates mind and body in an urban space with adult sensibilities.

TOPICS

“Before & After Corner” Opened at the TOKYO interior corporation in Osaka

In January 2018, a “Before & After Corner” was created at the Sekisui House Group condominium renovation showroom exhibit. The “Before” display features a space presenting a 30-year old Sekisui House, while the “After” display features a space outfitted with new fixtures and specifications. This experience of spaces featuring different interior tastes enables customers to develop a concrete image of renovations. We regularly hold various seminars and reform promotions that attract a number of visitors to the showroom, where we propose a wide range of remodeling and renovation initiatives.

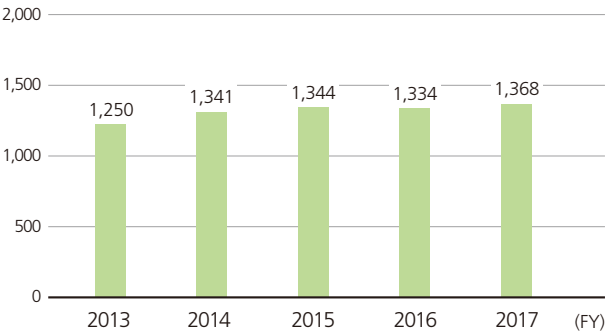


Numerous people attend various seminars

Key Performance Indicators (KPIs)

Indicator	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	Definition and remarks
Long-Term Quality Housing certification acquisition rate*	%	92.1	92.1	92.0	90.5	92.6	* System of certification issued by the Japanese government for houses that meet prescribed criteria, including durability, seismic resistance, ease of maintenance and remodeling, and versatility
Ratio of “very satisfied” customers in survey	%	41.0	41.9	42.0	43.3	42.3	Ratio of “very satisfied” in seven-rank assessment

Remodeling Business Net Sales (Hundred million yen)



Evaluation

Sekisui House maintains a high level of housing certified under the Long-Term Quality Housing Certification Program. Customer satisfaction surveys indicate that customers who are “satisfied” or “somewhat satisfied” have risen to 95.6%, and we will make an effort to provide even higher satisfaction by expanding our service structure and increasing quality. In the remodeling business, we are promoting enhancements to our menu options, from general existing houses to condominium remodeling, including Sekisui House properties. We are also further promoting remodeling proposals contributing to the long-term stable management of Sha Maison rental housing in an attempt to strengthen and expand the foundation for Group collaborations.

Future Initiatives

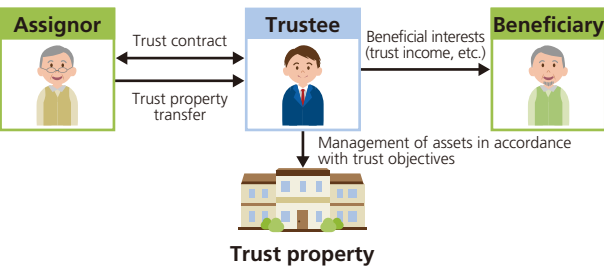
Expanded Support for Rental Housing Management Owners

While some rental housing owners attempt to secure profit and avoid inheritance tax through the utilization of land for rental housing construction, others have concerns about management involving growing old or changes in physical health (the onset of dementia) as well as concerns about troubles surrounding rental housing with regard to inheritance and asset succession methods. There are also people who are troubled because they cannot dispel their concerns about future long-term rental housing management.

Real estate management trusts are an effective method for resolving these worries and concerns.

In August 2017, we launched Sekisui House Trust, Ltd.,

specializing in real estate management trust services to assist rental housing owners in handing over their valuable real estate to the next generation with peace of mind.



2

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

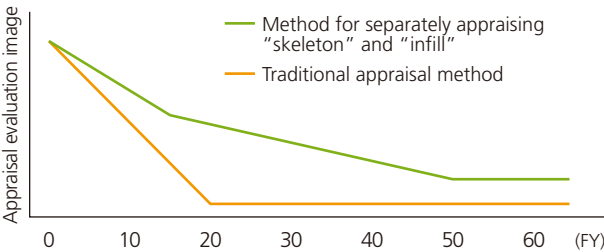
Activities Report

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 participate in the Provision of Quality Housing Stock Association (General Incorporated Association). Salespeople certified by the Association appraise a house’s basic structure (“skeleton”) and its interior furnishings and facilities (“infill”) separately. The value of the building and the land are indicated separately in our proprietary circulation system “SumStock,” which we are striving to expand. The Sekisui House Group is also promoting “SumStock” proposals using “/e-Log.” Our customer centers, Sekisui House Remodeling and each Sekiwa Real Estate Group company work together to promote the spread of “SumStock.”



“SumStock” Appraisal of Building Evaluation



Strengthening the System for Properly Disposing and Recycling of Waste Increasing Due to the Expansion of Remodeling and Renovation

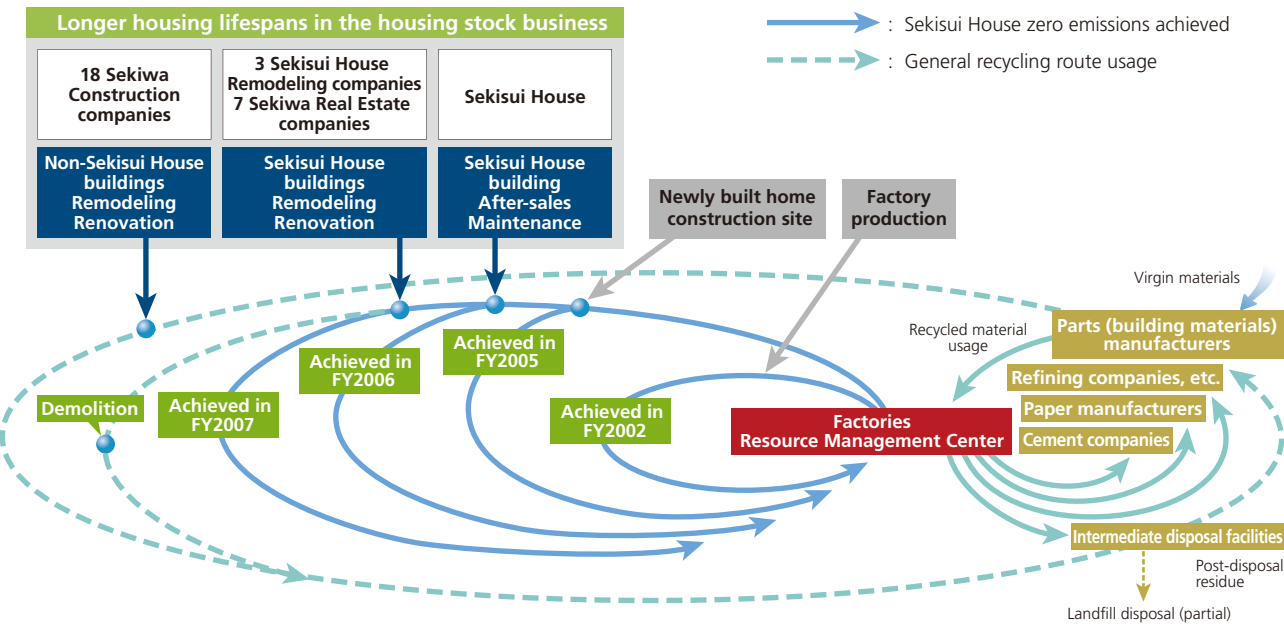
The Sekisui House, which aims to make effective use of limited resources, engages in initiatives that extend housing life and focuses efforts on the recycling of waste created by remodeling and renovation. Up to now, we have promoted industry-leading initiatives including the construction and operation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

From FY2016 to FY2017, we upgraded our electronic management system for waste control, developed at the same

time as acquiring the Wide-Area Certification, to a cloud-based system. In this way, we flexibly responded to the progress of today’s need for the improved functionality of electronic waste management systems. We also completed a waste measurement system utilizing QR codes.

For renovations that include demolition work, to ensure the separation of individual items such as wood and tiles during demolition, we apply guidelines to define waste disposal operator selection criteria. In addition, we are also promoting environmental education for Group company employees involved in remodeling and renovation to create a system for working with partner companies to ensure the appropriate handling and recycling of waste.

Zero Emissions Structure and Status of Support for Remodeling and Recycling



Key Performance Indicators (KPIs)

Indicator	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	Definition and remarks
Total resource input	Thousands of tons	1,286	1,079	1,109	1,098	1,058	Amount used at our factories
Volume of waste generated*	Thousands of tons	362	728	753	725	678	Waste from new construction, remodeling, and demolition
Volume of waste generated at new construction sites	Kg/house	1,449	1,485	1,506	1,476	1,517	Amount per house (per 145 m ²)

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

Evaluation

The volume of waste generated at new construction sites per house was substantially reduced by approximately 60% compared to FY1999 through improved construction methods and other practices.

In recent years, we have made an effort to control waste emissions through the establishment of a streamlined construction model that also utilizes pre-cut components in general models. However, due to an increase of 3–4 story rental housing where the waste emissions are comparatively high, the volume of waste generated at new construction sites per house stays near the same level each year.

Future Initiatives

Regarding waste generated at new construction sites, Sekisui House sets target values for each model, continues to implement optimized construction management and eliminates surplus materials while ensuring reliable disposal and recycling by monitoring waste volumes.

Furthermore, in light of expansion in the Supplied Housing Business, including demolition projects, we collaborate with partner companies and industry organizations to promote research related to proper waste disposal and recycling.



In front of a company office building, which is under construction
Company employees from Sekisui House Sendai Customer Service Center, Sekisui House Remodeling, Ltd. Sendai Sales Office and Sekiwa Construction Tohoku

Promoting diversity and developing human resources

Aim to become a sustainable corporate group generating high added value with response sensitive to diverse customer needs and creative thinking

Main stakeholders:

Customers, employees, investors, students and job applicant

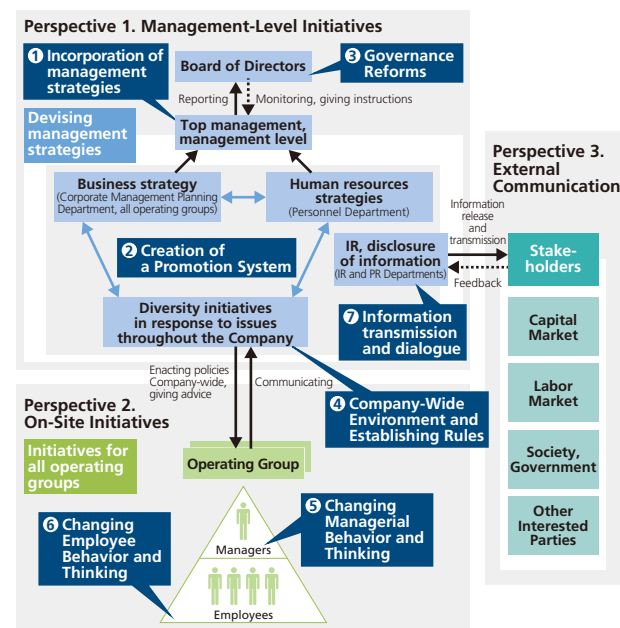
Backdrop

Diverse Perspectives Necessary for Responding to Customer Needs

Diversity management, aimed at increasing diversity in human resources and creating new opportunities for innovation, is very important for securing growth and continuing to create value over the medium to long term in a turbulent market environment. The establishment of environments in which diverse human resources can thrive is also an indispensable countermeasure against Japan's declining workforce population. With this perspective, the Ministry of Economy, Trade and Industry came out with an approach called "Diversity Management (Diversity 2.0) as a Competitive Strategy" and publicly announced its "Diversity 2.0 Behavioral Guidelines." In international society, SDGs five (gender equality) and eight (decent work and economic growth) have also become high priorities.

As customer needs diversify due to lifestyle changes such as falling birthrates, an aging population, changes to the family structure and women entering the workplace, the housing industry has also begun undertaking initiatives toward workstyle innovations that will create workplaces in which diverse human resources, including women, people with disabilities, senior citizens and foreigners, will be able to display their maximum capabilities.

Seven Actions Aimed at Putting the Diversity 2.0 Behavioral Guidelines into Practice



Note: Created based on the Ministry of Economy, Trade and Industry's Diversity 2.0 Behavioral Guidelines

Approach

Our Goal

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

At Sekisui House, we set environment, social, governance (ESG) initiatives as our management foundation for the fourth mid-term management plan. As one of these initiatives, we promote diversity and inclusion and are endeavoring to establish working environments in which we can not only hire human resources with diverse attributes and abilities but also have them display those abilities as much as they while simultaneously respecting one another.

In accordance with the love of humanity that underpins our corporate philosophy, the Group aims to establish work environments that support a variety of work styles, and in which employees can feel the value of their work, while achieving sustainable growth. We want to instill a sense of mission for "Changing society through housing" in each of our employees and respond to society's needs.

Action Policies

1 Promoting Diversity

In 2006, Sekisui House declared "Human Resources Sustainability," whose three main pillars are "encouraging female employees to pursue career development," "promoting a variety of work styles and work-life balance" and "effective utilization of human resources," to be its basic human resource policy. In February 2016, the Group established an action plan for the promotion of active participation by women based on the Act Promoting Women's Participation and Advancement in the Workplace and is strengthening related activities. Additionally, we have established and are

steadily implementing specific policies in connection with three perspectives outlined in the Ministry of Economy, Trade and Industry's Diversity 2.0 Behavioral Guidelines' seven actions: Management-level initiatives, on-site initiatives and external communication. Through these policies we aim to provide not only women but also other diverse human resources the opportunity to play an active role. We have also made diversity promotion as a management initiative a very important theme for our Social Improvement Committee, which operates underneath our CSR committee.

Sekisui House's Action Plan for the Promotion of Active Participation by Women

Promoting Women's careers

Provide training based on level and position while accelerating initiatives geared toward furthering female employees' careers

- Implement various management candidate training programs, such as the Sekisui House Women's College, and cultivate female managers.
- Continuously offer instruction tailored to individual positions, levels and regions as well as networking events in order to conduct career development, network building and systematic training.
- In order to extend women's range of participation, systematically appoint and instruct women as onsite supervisors, a position previously held mostly by men, and make improvements to work environments through the Female Onsite Supervisor Support Program.
- Actively utilize our Career Challenge System which allows general employees to transition into career track positions (Sekisui House, Ltd. only).

Support for Work and Childrearing

Create work climates in which men and women can actively participate and contribute not only in the workplace but also at home and with childrearing.

- Routinely hold active support forums for work and childrearing, targeting staff taking childcare leave, supervisors and staff returning from childcare leave in order to increase autonomy among child caregivers and raise awareness among supervisors.
- Effectively conduct interviews between employees who are pregnant or raising children and supervisors in order to ensure seamless returns and active participation upon return.
- Further encourage male employees to take our men's childcare leave, Hello Papa Paid Leave (target rate of utilization: 50%).
- Inform those who leave the company for reasons of childcare, caregiving or a change in their spouse's workplace about our rehiring program, the Retiree Reinstatement Registration Program, in order to secure superior human resources and to restore them to active participation in the Company upon return.

Workstyle Innovation

Conduct Work-Life Management and Promote Workstyle Innovations that Achieve Results through Balance

- Send strong messages from top management about the rectification of long working hours.
- Collect good examples of high productivity from Sekisui House offices in each region and use them to conduct improvements (utilization of IT, etc.).
- Encourage employees to take paid leave using our Smart Holiday system, which includes, child leave, self-improvement leave, health care leave and volunteer leave (targeted rate of utilization: 80%).
- Encourage the spread of personnel evaluations focused on time-based productivity to provide fair evaluations to employees with time restrictions due to childcare or caregiving.
- Accumulate experience regarding diverse workstyles such as working from home or telework by cooperating with individual employees and aim to strengthen these systems.

2 Develop Professionals with a Deep Sense of Humanity

Our fundamental philosophy regarding the cultivation of human resources is to create autonomous human resources through training and career building. 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 who can build high quality homes.

In terms of employee development, we systematically implement a training program that offers a variety of level- and position-based instruction targeting salespeople, technicians and administration. In an attempt to improve motivation among individual employees, we utilize a professional duties interview system that links development and evaluation by incorporating the PDCA cycle.

Training System



Impact of These Activities on the Company

By implementing diverse workstyles, we are able to make varied proposals from the perspectives of ordinary citizens and conduct technological development making full use of diverse human resources, leading to solutions for social issues. For example, we are able to use the perspectives and sensibilities we have learned from those with disabilities for universal design proposals

and related development of technology.

In addition, developing human resources embodying a love for humanity, the core of our corporate philosophy, and offering high-quality housing or services will drive growth across the entire industry and contribute society at large.

Risk Management

Risk 1 Productivity could decrease with an increase in diverse workstyles.

Our response 1 Establish work environments and systems compatible with childcare and caregiving while stably securing human resources through programs such as the Retiree Reinstatement Registration Program.

Risk 2 Education and training may not lead to growth.

Our response 2 At the managerial level, conduct training that is appropriate for each recipient's level and will increase their ability to lead. Aim to share goals and content of training lectures attended by employees while linking them with OJT and promoting effective human resources development.

Risk 3 There may be a lack of communication from employees working from home.

Our response 3 Encourage employees with diverse workstyles to communicate with each other through the effective use of IT tools, etc.

Risk 4 It may not be possible to fairly evaluate personnel with different workstyles.

Our response 4 Utilize operational big data and employee interviews to quantify and visualize individual personnel's abilities and careers.

State of Progress

1 Promoting Diversity

Activities Report

Development and Career Support for Female Managers

Our Group promotes active female participation through systematic development programs such as management candidate training at Sekisui House Women's College. Additionally, we support the career development and human networking goals of female employees by holding workshops and networking events that are appropriate for employee positions, levels and regions.

We are also working to expand the occupational field of female employees. For example, we make it possible for general staff to transition to career track positions through our Career Challenge System. Additionally, we operate the Female Onsite Supervisor Support Program, which expands opportunities for females to participate as onsite supervisors, a position that was previously held mostly by men, in order to create new and diverse perspectives and values. In keeping with the goals of this program, our sales divisions and branches throughout Japan collaborate to ensure measured promotion, appointment and development of female supervisors and strive to improve work environments through measures such as equipping sites with tools and portable toilets that are more suitable for women. These construction site reforms are also having a positive influence on work environments for our technicians, whose ages are rising.

VOICE

I want to create a path for women to advance their careers.

Naomi Katayama
Manager of Administrative Department,
Yokkaichi branch

I entered the company as a member of the general staff and worked as a member of the model home staff or did internal work at branches for 18 years. Having thought that I wanted to expand my contributions, I transferred to a career track position through the Work Category Transfer Program established in 2006 (now, the Career Challenge System).

After that, I became a second-class architect, switched from office work to technical work and in 2014, was selected in the inaugural class at the Sekisui House Women's College. Through two years of training at the college, I was named Superintendent, one of the five branch management positions, and am the first female in Sekisui House's history to hold this position. In the future, I want to create a path for more women to advance their careers.



Simultaneous Support for Work, Housework and Childcare

Sekisui House is proceeding with system reforms and the development of corporate culture that simultaneously support work, housework and childcare.

In 2017, we established support systems such as Kindergarten Hunting Concierge, which assists employees targeting a return to work within one year of giving birth with searching for a childcare facility, Smart Development Aid, which increases subsidiary aid for full-time employees (both men and women) who are raising children and Partnership Slide, which allows married couples who work on Sundays to alternately work staggered work shifts.

Additionally, we conduct Work and Childrearing Forums to encourage autonomy for employees raising children or on childcare leave and raise supervisor awareness about childcare issues. In 2017, 1,100 men and women in a total of seven locations nationwide participated in panel discussions and group debates, providing them with the opportunity to consider workstyles that will enable them to handle work, housework and childcare simultaneously.

Promote Diverse Workstyles and Work-Life Balance

In 2017, we made the work from home system that we had been testing since 2013 official. In addition, we established the Family Friendly Day at business offices closed on Tuesdays and Wednesdays. This provides alternate holidays on Sundays so that employees can spend time with their families. By increasing the number of workstyle options, we are responding

VOICE

Utilize support systems to advance my career while working and raising children.

Yoko Shiroyama
Planning and Design Section,
South Fukuoka branch



I gave birth to my son in August 2013 and returned to work in the spring of the following year. My husband works at the Kita-Kyushu branch and since we both work on Sundays my child goes to two different nursery schools. The financial burden was large but through proper use of the Smart Development Aid system, our subsidiary aid increased, which was very helpful.

Since we both work in design positions, we need to obtain first-class architect credentials. When one of us took the examination, the other concentrated on child-raising and housework. Through cooperation like this, we were both able to obtain the credentials we needed.

Creating Opportunities for a Diverse Array of Human Resources by Promoting the Employment of Those with Disabilities, etc.

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

We will move forward with initiatives aimed at improving and stimulating work environments through sharing strategies and extracting issues associated with work and communication, and continue promoting the employment, retention and active participation of disabled people.

Evaluation

Sekisui House Group promotes initiatives encouraging female employees to pursue career development as a basic personnel policy. In December 2017, we became the first company in the construction industry to receive the Minister of State for Special Missions Award in the Awards for Advanced Enterprises in which Women Shine, organized by the Gender Equality Bureau of the Cabinet Office. We also received the Minister of Health, Labor and Welfare's Eruboshi certification in January 2018

VOICE

I want to do what I can do to contribute to both the Company and society.

Toshiaki Shimizu
Administrative Department,
North Yokohama Sha Maison branch



I have participated in the construction of about 700 buildings since entering the Company about 20 years ago. In 2012, I was diagnosed with tongue cancer and received surgery. As after effects, my language faculties and shoulder joint functions were left disabled, but with the support of those around me, starting with my supervisor, I was able to return to work.

I started studying sign language three years ago and am now attending the sign language volunteer training course. Outside of work, I am also the chairman of both a regional sign language club and a cancer patient association. In 2017, I became certified as a career consultant to improve my interpersonal support skills. Moving forward, I would like to do whatever I can to contribute to the career support mainly of those who are trying to receive medical treatment while working and those who have disabilities.

and, in March, became the only company in the housing and construction industry to be selected a fifth time for Nadeshiko brand designation by the Tokyo Stock Exchange and the Ministry of Economy, Trade and Industry (METI). Additionally, METI selected us for inclusion in the New Diversity Management Selection 100, praising our initiatives promoting operational efficiency using IT and workstyle innovation.

Key Performance Indicators (KPIs)

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	Evaluation	Target
Number of female personnel in managerial positions (Group-wide)	People	101 (2.26%)	114 (2.43%)	141 (2.79%)	158 (2.94%)	○	FY2020 200 (5%; 10% in the future)
Number of female office managers* ¹ (includes office sub-managers from FY2015)	People	12 (8/16 Sales Division)	18 (13/16 Sales Division)	22 (12/15 Sales Division)	33 (14/15 Sales Division)	○	Minimum 1 female office manager (or at least office sub-manager) at each of our 15 sales administration Headquarters
Employment rate of people with disabilities* ¹	%	2.08	2.21	2.20	2.38	○	Minimum 1 person at every business office (Achieved legally mandated employment rate)
Proportion of male employees who took parental leave	%	19 (119 People)	23 (162 People)	70* ² (436 People)	95 (597 People)	○	FY2020 80%

*1 Sekisui House, Ltd. only

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

Future Initiatives

The housing business is closely related to individual life circumstances, and the diverse perspectives of each person that are based on experiences with housework, childcare and caregiving, take on a life of their own in a variety of spheres. Sekisui House aims to be a corporate Group in which individual employees can work effectively while maintaining an energetic

social life, and utilizing IT and applying various systems, will continue to proceed with adjustments to work environments and workstyle innovations. As an organization in which diverse human resources can exercise their creativity and innovation, we will work together to achieve common goals and innovate across all business fields.

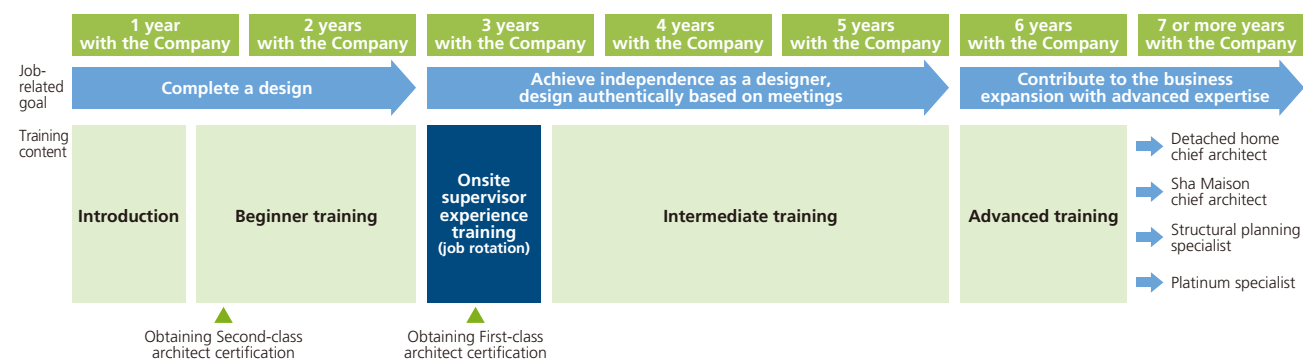
2 Develop Professionals with a Deep Sense of Humanity

Sekisui House Group systematically conducts a variety of training uniquely tailored to employee positions and levels. We offer position-based training targeting personnel in sales, technology and administration, and level-based training

adjusted for an employee's seniority based on years with the Company or age, etc.

In FY2017, we intensified initiatives to provide training for technical positions such as design and onsite supervision.

System for Cultivation of Human Resources for Design



Activities Report

Increase Visibility of Design and Onsite Supervision Operations in Terms of both Quantity and Quality and Clarify Evaluation Standards

As housing quality improves, and markets and customer needs diversify and become more complicated, home designers and construction site supervisors need high levels of expertise and the flexibility to respond to various situations. However, previously, we did not have an objective and unified measure for determining the abilities of designers and onsite supervisors. As a result, it was difficult for employees to envision their futures, establish goals and feel their own growth. It was also difficult for the Company to post personnel appropriately, in terms of training courses and area-specific strategies.

In order to address these issues, we created a nationally

unified evaluation standard for design work and onsite supervision in 2017. This standard has improved the visibility of designers and onsite supervisors' work and has made possible objective evaluations of factors involving quantity, such as shipment values, house numbers and standard hours spent working, and quality, such as compliance, current qualifications and customer satisfaction. While ensuring employee growth through innovation, we will effectively cultivate human resources in each organization, carefully place personnel in appropriate posts and strengthen inter-group collaboration.

Platinum Specialists that Contribute to Business Expansion for a Super-Aged Society

The "platinum specialist" system is an internal certification system that we established in 2015 to improve quality and the training of human resources in highly specialized design fields. The demand for medical care and caregiving facilities in Japan's super-aged society increases each year, and accordingly, Sekisui House Group's platinum business also posts increasingly favorable results.

Using the platinum specialist system, we will cultivate designers that possess high-level knowledge regarding the medical care and caregiving fields and are well versed in laws and regulations regarding special buildings and their facilities, and respond appropriately to market needs. At the end of January 2018, 33 platinum specialists were actively engaged in these efforts. They play central roles in the promotion of our platinum business in each target area.

VOICE

I want to expand the socially significant platinum business.

Shinichiro Tanaka

Medical Care and Caregiving Design Planning Department, North Kanto Sha Maison branch



It has been six years since I began supervising the platinum business. There were some difficulties along the way, but I was able to overcome them while receiving support from both within and outside the Company. It is necessary to develop the next generation of employees to respond to the approaching increase in demand. I want to contribute to society by increasing employee understanding of the platinum business's social significance and through its further expansion.

Logical and highly Safe Structural Planning Specialists

The "structural planning specialist" system is one more internal certification system that we established in 2015 for positions in design. As housing needs diversify, expected performance levels for housing in terms of the environment and safety also increase year by year. We established the structural planning specialist system as a special certification system because high-level knowledge and skills regarding design standards, structural planning and foundation judgment have become

necessary, even in the field of industrialized housing, where it is relatively easy to secure stable performance levels.

Those certified conduct highly safe and economically efficient structural planning while playing a leading role in improving customer satisfaction rates for entire business offices. At the end of January 2018, 53 structural planning specialists were actively engaged in these efforts.

Establishment of the Customer Support Meister (CS Meister) System

At customer centers nationwide, dedicated after-sales service staff supports the lives of our customers by responding to their requests after they move in, conducting regular inspections and repairs and by providing helpful information related to their livelihoods.

We established the "customer support meister (CS meister)" system in 2017 to raise customer satisfaction and to increase the number of customers that support us. The positive example of our after-sales service employees will ensure the development of superior employees and overall rises in customer center satisfaction rates. In FY2017, we certified 29 employees who excel at customer support and lead operations with high-level skills and accurate knowledge, as CS meisters.

VOICE

I want to build favorable and long-lasting relationships with our customers.

Hiroshi Ishikawa

Customer Service Department Shikoku Customer Service Center



As a CS meister, I am in charge of regular inspections for customer homes. I visit customer homes, and after carefully listening to their concerns, I conduct repairs. It is also important to proactively propose ideas to customers during these visits. As inspections are conducted one, two, five and 10 years after move-in, I endeavor to build good and long-lasting relationships with our customers.

Key Performance Indicators (KPIs)

Indicator	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	Definition and remarks
Average hours of annual training per person* ¹	hours	18.9	22.9	21.0	19.7	18.1	Training held at head office only (In FY2017, men attended an average of 16.7 hours, and women an average of 23.5 hours of training)
Training investment amount	Tens of thousands of yen	64,917	69,202	73,425	70,368	87,312	Total amount of expenses attributed to education and training costs
Total number of people obtaining qualifications* ²	People	4,596	4,544	6,427	4,332	3,064	Includes internal qualifications

*1-2 Sekisui House, Ltd. only

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



Developing overseas business

We are promoting housing and urban development based on diverse climates, cultures and lifestyles all over the world that will assist in solving social issues

Main stakeholders:

Local developers,
overseas customers

Backdrop

Creating Business by Adapting Advanced Environmental Technologies and Ecological Urban Development to Local Needs

As the progression of global warming leads to frequent extreme weather, reducing greenhouse gas emissions while securing economic growth is becoming a common goal throughout the world. Construction plays an extremely significant role in global warming countermeasures. Advanced energy-saving and other environmental technologies developed by the Sekisui House Group are driving advances in the industrialized housing industry and are now in demand all over the world.

Additionally, while raising basic performance in consistent

with our concept of lifelong housing by improving earthquake resistance, insulation and other functions, we have promoted housing and urban development that contributes to solving social issues such as balancing housing with the surrounding natural environment and community revitalization. By applying knowledge and expertise accumulated in Japan, we are able to customize projects in line with local climates, cultures and lifestyles to ensure both national and regional development as well as global environmental protection.

Approach

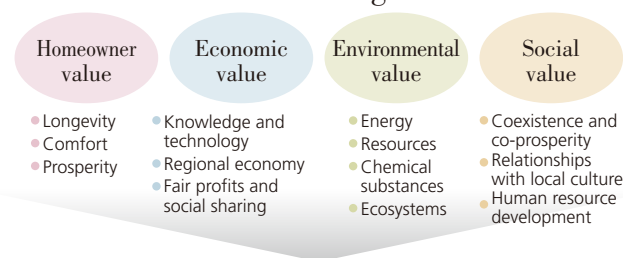
Our Goal

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

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

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

What Home Can Bring to the World



Changing the World Through Living

Action Policies

Provide Sekisui House Quality Globally as the Fourth Pillar of our Growth Strategy

Sekisui House's overseas business has been growing each year, and in our fourth medium-term management plan, we placed it beside our built-to-order, supplied housing and development businesses as the fourth pillar of our growth strategy. Moving forward in our overseas business, we will make full use of the high-quality housing construction and cutting-edge environmental technologies we have developed as a leading Japanese industrialized housing company. We will also offer highly satisfying housing suitable for each country's culture, lifestyle habits, and natural environment. We will develop our business by focusing on building trusting relationships with excellent local partners, and promoting global training and education of superior local human resources that understand Sekisui House's principles and ideas.

United States

We link with excellent local partners to build up our master-planned community business and multifamily business. Sekisui House is contributing to environmentally conscious development by promoting energy-saving housing, and is also pursuing initiatives that contribute to raising housing value. In 2017, we entered the homebuilding business with the acquisition of Woodside Homes. Moving forward, we will aim for continued business expansion by taking advantage of our strengths and working to spread net-zero energy



Bellevue Station (Property sold in 2017)

housing (ZEH) and implement prefab housing (offsite construction) in United States.

Australia

Since Opening in 2009, we have built up our detached housing construction business, providing over 9,500 homes, condominiums, and urban developments, as well as our SHAWOOD wooden-frame houses. Our brand's market recognition continues to increase through our housing's high level of basic and environmental performance and service quality. Based on these results, we aim to improve our customer service. Beginning with environmental considerations, we are improving our housing performance to ensure the sustained growth of the local business.



Ecco Ripley

China

We are developing low-rise housing and the condominium business under the “Yuqin” brand, which includes properties utilizing the B system construction method, in the cities of Taicang, Suzhou and Wuxi on the outskirts of Shanghai and in the northeastern city of Shenyang. We aim to further increase brand penetration by enhancing differentiation factors including



Yuqin Garden in Suzhou

high-quality construction, environmental technologies and after-sales service systems developed in Japan.

Singapore

In addition to promoting projects centered on condominium developments and mixed use development, including retail mall in collaboration with leading local developers, we are also currently engaged in commercial office development projects. We will create new value by sharing Sekisui House concepts, which are based on customer points of view, with local partners.



Seaside Residences

Impact of These Activities on the Company

Leveraging strengths cultivated in Japan, we are able to contribute to local housing environment improvements and environmental conservation. We not only provide homeowners with high added value housing environments, our Group business

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

Risk Management

Risk 1 **Diverse local needs**

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

Risk 2 **Compliance with diverse laws**

Our response 2 We are focusing efforts on local, environmentally-friendly procurement, production and construction in accordance with the statutes, while also strengthening our compliance structure to ensure laws and regulations are adhered to in countries and regions where we operate. Furthermore, in addition to risk management manuals for employees on international business trips or on assignment overseas, we created and applied the Sekisui House Group Overseas Risk Management Guidelines.

Risk 3 **Management of overseas subsidiaries**

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

State of Progress

Activities Report

United States: Entry into the Home Sales Business with the Acquisition of Large Homebuilder Woodside Homes

Sekisui House entered the American home sales business with its February 2017 acquisition of Woodside Homes, which had been expanding its business in the western part of the United States. Since its founding, Woodside Homes has produced a total of 40,000 homes mainly in its western American business area, which includes the state of California. We determined this large homebuilder to be a highly suitable partner due to their extensive product lineup and their high levels of customer satisfaction and environmental consideration compared to their American counterparts.

In order to pursue synergy with Woodside Homes, we have established a synergy team that includes staff from both companies. California has passed new legislation that aims to convert all new housing to net-zero energy housing (ZEH)* by 2020 and,

as in Japan, interest in sustainable living environments is swiftly increasing. In response to these changes, we are actively utilizing our eco-friendly housing technology, one of our company's strengths, while collaborating with Woodside Homes to develop and spread American ZEH. Additionally, to respond to local business risks such as labor shortages, sharp wage increases and decreasing quality, we promote the introduction of prefab housing suitable for each location. As interest in smart homes that feature IoT and AI technology increases, we will collaborate with partners to contribute to business expansion in the American market by proposing these products to the market before our competitors and aiming to maximize synergy with these partners.

* In Japan, ZEH is known as "Net Zero Energy House" and in the United States as "Zero Net Energy House." This definition differs slightly in each country. Sekisui House follows the definitions in each country.

VOICE

Shared philosophies form the basis for a successful integration
Woodside Homes
 BETTER BY DESIGN

Joel Shine
 CEO of Woodside Homes

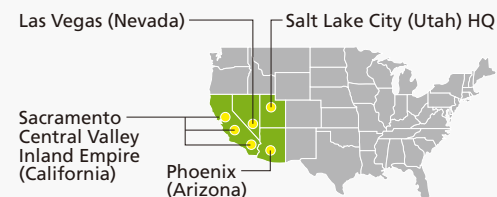


Woodside Homes is honored to have become a part of Sekisui House. Our new relationship was formed from shared philosophies — a love of humanity, a passion for our customers, creating an environment of truth and trust, the pursuit of excellence, and community stewardship parallel the fundamental principles of Sekisui House. For us, these shared values open up a world of possibilities for successful collaboration. We have created a Synergy Team comprised of members from both organizations to assure a comprehensive integration with respect to Research and Development, Building Systems and Purchasing. In the coming years, we will look for achievements in the development of Net Zero Energy homes, Smart Home technology, efficient construction planning, improved purchasing relationships and cost management. We are confident that our collaboration in these areas will add value to the Woodside Homes brand by delivering a superior purchase, building and living experience to our customers.



Hampton Estate, a model building inside of a development in the suburbs of Salt Lake City, Utah

Woodside Homes' business expansion region



Australia: Large-Scale Residential Land Sales Project, The Hermitage, Praised for High Quality and Natural Living Environment

The Hermitage is a large-scale land-for-sale in lots that we began marketing in 2014. We preserved existing trees to the maximum extent possible and utilized the natural terrain, scenery and regional history when creating this development, and it is earning high praise not only for its environmental considerations but also as a mature townscape.

Now, we are focusing on our ready-built SHAWOOD wooden-frame houses and producing high-level homes and living environments that are typical of Sekisui House in their wide-reaching high quality, and differ from those of our competitors by offering sophisticated, environmentally conscious technology. Meanwhile, our SHAWOOD homes' unique performance, comfort, effective space utilization, and considered Japanese designs are also

receiving high praise from local customers. Moving forward, our Company and its research labs will collaborate with local suppliers and proceed with research and development to create the standard for Australia's next generation of homes.



The Hermitage

China: Large Luxury Condominiums Taicang Yuqin Garden Sold Out and Urban Luxury Hotel Le Meridien Shenyang Heping Opens

Although selling homes in skeleton form is the general standard in the Chinese housing market, Sekisui House believes that taking responsibility for everything, including interior decoration, is an indispensable business practice, so we propose homes with high-quality interior decoration and storage installations. We have sold large luxury condominiums through the Taicang Yuqin Project



Le Meridien, Shenyang Heping

in the Shanghai suburbs. Upon completion of construction and the subsequent move-in, we locally offer the same meticulous service that we provide in Japan and are in the process of building an after-sales service system as well. Additionally, we have opened Le Meridien Shenyang Heping, an urban luxury hotel with revolutionary sensibilities incorporating nature and traditions from the northeastern region of China.

Singapore: Joint Development Project Hillsta Receives Three Awards for its Design and Concept

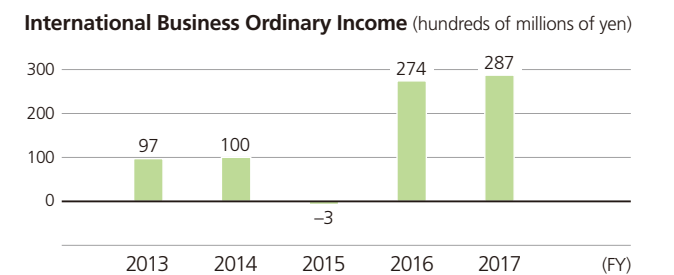
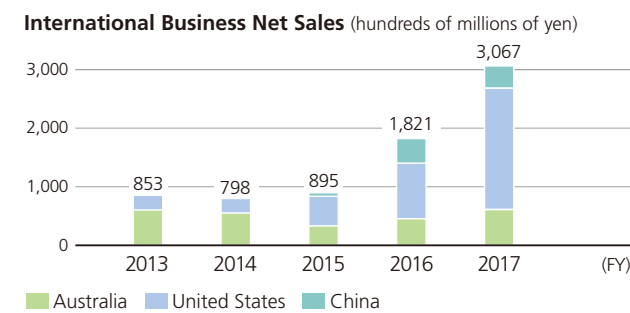
Sekisui House is receiving high praise for its joint development project, Hillsta, which it carried out in concert with local developers in Singapore. The project, whose construction was completed in 2016, received three local awards for its architectural design and development concepts. Our Company's design department created this project's landscape while closely working out



Hillsta

concepts with local joint venture partners. Once again, we were able to demonstrate that productive collaborations create new value.

Key Performance Indicators (KPIs)



Evaluation

As a result of promoting the sustainable development of community assets in various countries and regions in line with local needs, U.S. residential land sales and Australia and China condominium sales are strong. In Singapore, contract rates are high across all properties. In FY2017, net sales for the business grew to over ¥300 billion.

Future Initiatives

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

Strengthening Our Corporate Governance System

We recognize the necessity of a corporate governance mechanism as an important management issue in terms of maintaining the trust of a variety of stakeholders and the ongoing enhancement of corporate value. The Sekisui House Group has positioned 2018 as “year one” of governance reforms, adopting six items for strengthening the corporate governance system. We will promote governance reforms by clarifying management responsibilities and expediting business execution.

Corporate Governance System

The Sekisui House Group has positioned 2018 as “year one” of governance reforms, adopting and promoting six items for strengthening the corporate governance system.

System Strengthening

1

Introduction of a mandatory retirement age of 70 for representative directors.

2

Appointment of women as outside officers.

3

Transparency and invigoration of Board of Director meeting operations.

4

Establishment of the Management Meeting.

5

Clarification of departments under the control of directors.

6

Evaluation of Board of Director efficacy.

For details, please see pages 09-10

Going forward, in accordance with our Basic Policy on Corporate Governance, we will promote the creation of a mechanism for further improving the corporate governance system and create a sounder corporate culture.

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

Board of Directors

System Strengthening 123456

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

To promote the constructive exchange of opinions, in principle, we will not allow concurrent positions involving the chairperson and/or person who convenes Board meetings. The Board of Directors shall appoint two or more external directors. The Board of Directors shall comprise well-balanced members, such as those familiar with the Company’s business and those who possess knowledge and specialization in financial accounting, statutory compliance and other areas.

In the fiscal year ended January 2018, the Board of Directors met 13 times with an attendance rate of 97.1% (including attendance by 96.2% of external directors and 87.2% of external Audit & Supervisory Board members).

Moreover, we will launch self-evaluations activities conducted in cooperation with attorneys and other experts to analyze and evaluate the efficacy of the Board of Directors and promote

Board of Director Composition (As of April 27, 2018)

System Strengthening 12

Directors	Of which are external officers	Age		
		Under 30	30–50	Over 50
11 people (ten men, one woman)	3 people (two men, one woman)	0	0	11

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

ongoing reforms and improvements to strengthen the function of the Board of Directors.

Audit & Supervisory Board

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

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

The Office of Audit & Supervisory Board Members was established as a dedicated organization to which several employees including full-time staff are allocated for assisting Audit & Supervisory Board operations. If said employees are concurrently assigned other duties, they must not be influenced by guidance and commands from the other division to which they are concurrently assigned and, with regard to human resource matters pertaining to these employees, the opinions of auditors must be considered to ensure the independence of their duties with regard to Audit & Supervisory Board operations.

Audit & Supervisory Board Composition (As of April 27, 2018)

System Strengthening 2

Audit & Supervisory Board members	Of which are external officers	Age		
		Under 30	30–50	Over 50
6 people (five men, one woman)	4 people (three men, one woman)	0	0	6

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

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

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

Management Meeting

System Strengthening 4

The Management Meeting was established with the aim of facilitating appropriate decision-making within the execution of important business matters through the vigorous exchange of opinions from the standpoint of appropriateness with respect to management policies and strategies before Board of Director resolutions or requests for approval regarding vital matters including important investment conditions and the formulation of Group-wide management policies, strategies and plans.

Personnel Affairs and Remuneration Committee

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

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

Risk Management Committee

As a consultative body to the Board of Directors, the Risk Management Committee creates appropriate risk management

systems and provides opinions to the Board of Directors on matters relating to the maintenance of risk management systems with the aim of ensuring effective operating conditions.

Meeting in principle once per month, in FY2017 the Committee focused on the deliberation of medium- to long-term issues including (1) maintaining and strengthening compliance, (2) enhancing quality management systems and (3) BCP formulation.

In addition, interviews were conducted with relevant divisions regarding (1) compliance with labor laws and (2) compliance with operational rules to summarize and verify the operational status of risk management systems in each division.

CSR Committee

We have established a CSR Committee comprising directors, some executive officers and two external members (experienced corporate managers and public officials).

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

Internal Control Systems

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

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

Condominium Land Purchase Transaction Incident

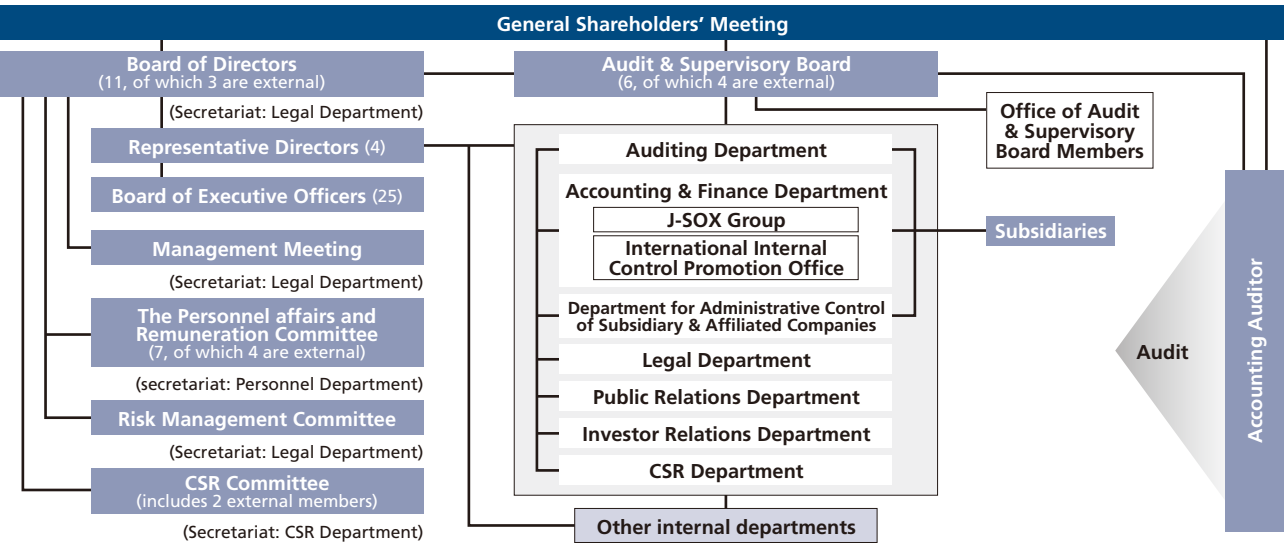
In 2017, after paying the purchase price for real estate in Tokyo to be used for condominiums, a situation arose whereby Sekisui House was unable to register the transfer of ownership, resulting in substantial damages amounting to approximately ¥5.55 billion.

A committee for investigation and countermeasures comprising outside officers was established to investigate problems related to risk management, and on January 24, 2018, the Board of Directors received the committee’s investigation report. The report stated that the divisions involved with and in charge of this transaction moved forward without sufficiently analyzing and verifying risk information or sharing information, and that, with regard to organizational structure issues, the Board of Directors, Audit & Supervisory Board, Chairman and President also shared some responsibility for this incident. The following initiatives will be carried out to prevent such a situation from recurring in the future.

- 1) Establish Management Meetings to deliberate and examine investment projects in a flexible manner. In addition, establish project teams for each issue with regard to organizational improvements as necessary.
- 2) During a transaction, clarify lines of reporting to be used in response to abnormal situations, ensure thorough liaison between divisions to share information control risks.
- 3) Substantially improve operation of approval system by focusing on transactions mediated by brokers and transactions over a specified amount.

For details, please see news releases pertaining to this matter posted on August 2, 2017 and March 6, 2018.

Corporate Governance Structure (As of May 17, 2018)



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

Accounting Auditors

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

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

Governance Awareness Survey

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

In FY2017, the Governance Committee, under the aegis of the CSR Committee, announced the results of the governance awareness survey and formulated an action plan aimed at creating positive, open workplaces to establish opportunities for dialogue regarding workplace culture and the strengths and weaknesses of each business office.

Remuneration and Incentives

Director Remuneration Determination Policies and Procedures

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

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

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

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

Remuneration Amount

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

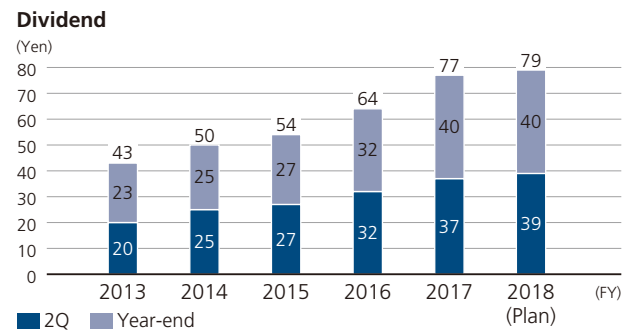
Capital Policies

Aiming to Maximize Shareholder Value

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

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

In FY2017, we issued a midterm dividend of 37 yen and a year-end dividend of 40 yen for a yearly dividend of 77 yen. In FY2018, we plan to issue a midterm dividend of 39 yen and a year-end dividend of 40 yen for a yearly dividend of 79 yen.



Constructive Dialogues with Shareholders and Investors

Appropriately Reflecting Shareholder and Investor Opinions in Management

Sekisui House recognizes the significance of engaging in dialogues with shareholders and investors and reflecting their opinions appropriately in management to achieve sustainable growth and enhance corporate value over the medium- to long-term.

The Company shall endeavor to engage in direct communication outside of one-on-one interviews by organizing management briefings and factory and other facility tours for institutional investors and individual investors separately. The Company shall hold regular meetings with representative directors to share opinions received from shareholders and investors during one-on-one interviews and other discussions for reference purposes when making management decisions.

Compliance and Risk Management

The Sekisui House Group positions compliance and risk management as important issues to be addressed at all times. In addition to establishing the Risk Management Committee as a consultative body to the Board of Directors, in 2017 we revised our CSR promotion system and established the Governance Committee under the aegis of the CSR Committee. In 2018, we formed the Management Meeting to promote compliance and handle risk management. This body engages in vigorous exchanges of opinion about important investment projects before resolutions are made by the Board of Directors or decisions are approved internally. We have also been engaged in the protection of human rights since 1980, building our foundation as a company trusted by society.

Promoting Compliance

Sekisui House attempts to promote thorough compliance, which it positions as an ongoing management concern that includes not only an adherence to laws and regulations, but also the promotion of CSR initiatives as important issues to be addressed at all times.

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

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

We are moving ahead with broadening the Sekisui House Corporate Ethics Guidelines' scope of application and with revisions to the information contained within from the standpoint of changes in social environment, development in corporate activities and from Group management. The Group has made an amendment to the guidelines due to January 2017 revisions made to the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" and the "Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment," and accompanying rising demands made on business owners regarding prevention of harassment concerning pregnancy, childbirth and childcare leave; Sekisui House has added clause 5-3, "Harassment Related to Pregnancy, Childbirth or Childcare Leave" to inform all Group members of related policy. Additionally, since 2005, we have held a "Compliance with Corporate Ethics Check" every October in which all executives and employees submit a "Pledge Regarding Compliance with, and the Essentials of, Corporate Ethics." This submission is made to thoroughly enforce our policy on corporate ethics throughout the entire Group.

Moving forward, we will continue to work together to proactively apply our corporate ethics policy. Furthermore, there have been no serious infractions of laws, ordinances or independent guidelines during this fiscal year.

Additionally, no employees have been subject to disciplinary measures or termination in connection with non-compliance toward our anti-corruption policy during this fiscal year. We are also not aware of any costs resulting from fines, charges, or settlements connected with corruption during the same period.

Fair Business Practices

In the third section of the Sekisui House Corporate Ethics Guidelines, "Relationships with customers, suppliers and competitors," the Group specifies appropriate business practices, adherence to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and prohibition of entertaining and gifts to ensure business practices are thoroughly fair.

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

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

Personal Information Protection Initiatives

Sekisui House Group worksites handle customers' personal information. We created a system corresponding to the Personal Information Protection Law, regularly implement e-learning and repeatedly conduct educational training for employees to ensure the proper handling of customer information. The e-learning activities include tests to confirm how well employees understand the proper protection of personal information. We also established the Customer Information Service Office, a dedicated department unifying responsibility for the protection of personal information led by the CS promotion manager department manager who is also an executive officer. This structure enables the entire Group to comply with the Personal Information Protection Law. On the other hand, in the event of the loss or theft of customers' personal information, in addition to informing customers about the issue immediately, we post information concerning what information was lost or stolen, and notices regarding our future handling of the situation, on our website. At the same time, we make every attempt to recover this information.

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

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

CSR Management Promotion

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

Corporate Philosophy and CSR Policies

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

CSR Management Based on 4 Values and 13 Guidelines

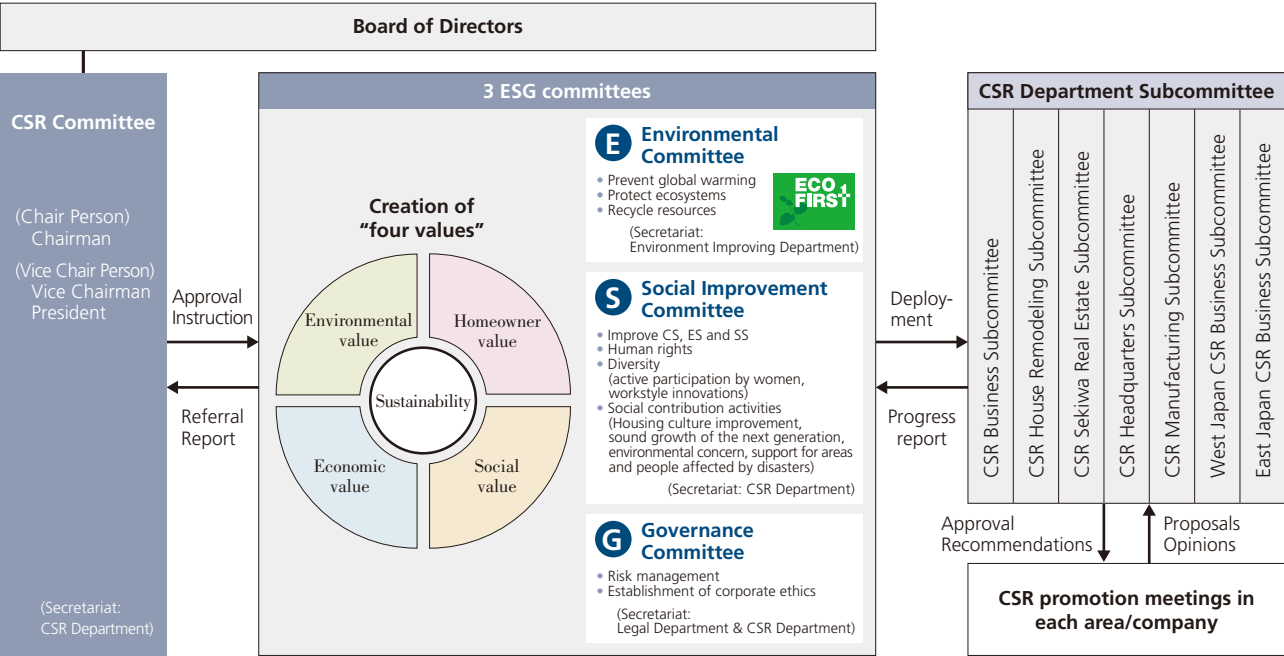
At the Sekisui House Group, we determine the direction of our CSR activities based on four values and 13 guidelines—the principles of action we introduced to achieve our Sustainability Vision. The four values and 13 guidelines are based on the definition of international sustainability and are also consistent with the sustainable development goals (SDGs) adopted at the United Nations Summit in 2015.

CSR Committee and Organizational Management

Incorporating the viewpoints of external stakeholders, the Sekisui House Group CSR Committee develops CSR policies and verifies whether current CSR activities are consistent with social norms and expectations, so that Group-wide CSR initiatives are relevant and effective. In addition to internal committee members including four representative directors, the CSR Committee—which includes two outside experts—meets regularly. CSR Committee members are appointed by the Board of Directors.

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

CSR Promotion Structure



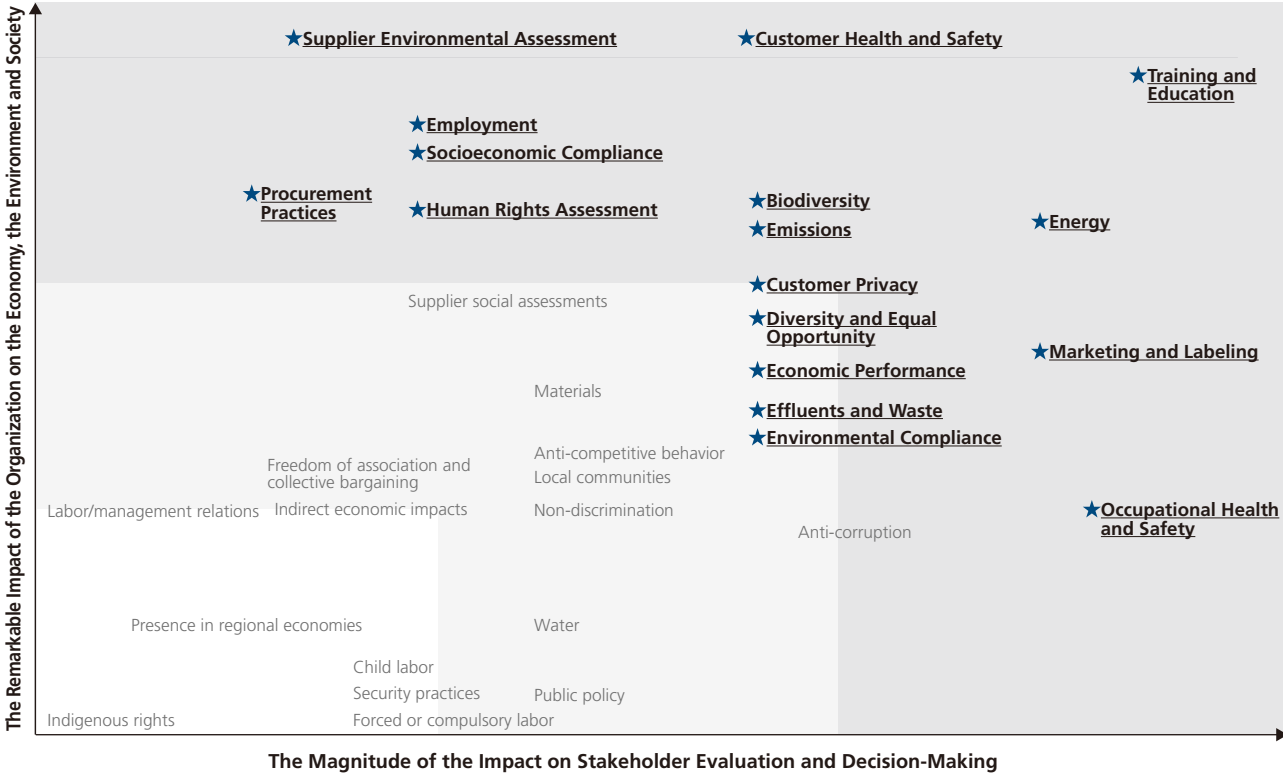
Specifying Material Topics

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

Specifying Material Topics with Consideration for Stakeholders and Impacts on Society

In 2015, we narrowed down the 46 Specific Standard Disclosures of the GRI Guidelines (G4) to 30 material items. 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 items. In 2017, we updated 17 material topics (below) to comply with GRI standards. Please see page 17 for information on the relationship between the CSV strategy and material topics.

Material Topics (Critical Issues) as Seen from Effects on Stakeholders and Impacts on Society ★ Indicates one of the specified 17 topics



Boundaries of the 17 Material Topics

Economic Performance	Sekisui House Group, Customers, Employees, Shareholders and investors, Supplier companies	Employment	Sekisui House Group, Employees, Regional communities
Procurement Practices	Sekisui House Group, Employees, Shareholders and investors, Supplier companies, Regional communities	Occupational Health and Safety	Sekisui House Group, Employees, Supplier companies
Energy	Sekisui House Group, Employees, Shareholders and investors, Supplier companies	Training and Education	Sekisui House Group, Employees, Supplier companies
Biodiversity	Sekisui House Group, Customers, Employees, Supplier companies, Regional communities	Diversity and Equal Opportunity	Sekisui House Group, Employees, Regional communities
Emissions	Sekisui House Group, Customers, Employees, Shareholders and investors, Supplier companies, Regional communities	Human Rights Assessment	Sekisui House Group, Employees, Shareholders and investors, Supplier companies, Regional communities
Effluents and Waste	Sekisui House Group, Employees, Supplier companies, Regional communities	Customer Health and Safety	Sekisui House Group, Customers, Consumers, Regional communities
Marketing and Labeling	Sekisui House Group, Customers, Employees, Shareholders and investors, Consumers, Supplier companies, Regional communities	Customer Privacy	Sekisui House Group, Customers, Employees, Consumers, Supplier companies
Environmental Compliance	Sekisui House Group, Customers, Employees, Shareholders and investors, Consumers, Supplier companies, Regional communities	Socioeconomic Compliance	Sekisui House Group, Customers, Employees, Shareholders and investors, Consumers, Supplier companies, Regional communities
Supplier Environmental Assessment	Sekisui House Group, Shareholders and investors, Supplier companies		

Stakeholder Engagement

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

Main Stakeholders and Overview of Actions

Main Stakeholders and Overview of Actions	Actions	Examples of proposed themes	Response for such themes	Refer to
Customers (Owners) We maintain 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.	<ul style="list-style-type: none">● Customer surveys● Regular information magazines: Kizuna (semiannual), Maisowner (semiannual), and gm (three issues per year)● Net Owners Club website	<ul style="list-style-type: none">● Lengthen lifespan of houses and increase homeowner value● Enhance after-sales support● Proposing and constructing exteriors that are easy to maintain and use	<ul style="list-style-type: none">● Operating “Commons,” 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 41–46 WEB
Consumers (Potential Customers) We proactively disclose information to build relationships of trust with the aim of “creating housing and environments with a rich sense of humanity.”	<ul style="list-style-type: none">● We offer venues for dialogue with consumers through the following:● Comprehensive Housing R&D Institute● Sumufumulab● <i>Sumai no yume koje</i>● Sekisui House Eco First Park● Housing seminars● Life Literacy Book	<ul style="list-style-type: none">● Disclosing housing manufacturing processes and sites● Visualizing environmental problem solving methods through housing	<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 36 Page 74 WEB
Business partners We strive to conduct transactions on a fair and equal basis, and we foster amicable partnerships that promote mutual growth and deliver customer satisfaction.	<ul style="list-style-type: none">● Organizing network of Sekisui House Association and Sekisui House Partners’ Association● Annual policy briefings● Supplier evaluations	<ul style="list-style-type: none">● Improving construction site environments (e.g., labor-saving measures and measures to deal with aging construction technicians)● Improving delivery date accuracy (materials and parts delivery)	<ul style="list-style-type: none">● Improving indications of parts and promote combined, pre-cut and pre-set parts● Sharing process charts online with manufacturers and carrying out thorough information entry● CSV strategy (3) Maximizing customer value through the value chain	Pages 33–40 Page 67 WEB
Employees We respect the diverse individuality of employees to ensure that they can fully demonstrate their competence and achieve creative growth through meaningful work. To this end, we develop workplace environments and programs that nurture employees at work and ensure fair treatment, thereby enhancing employee satisfaction (ES).	<ul style="list-style-type: none">● Internal open recruitment● Internal qualifications● Human relations training (annual)● Governance awareness survey (annual)● Occupational health and safety management system● Sekisui House Group internal magazine (bimonthly)	<ul style="list-style-type: none">● Contributing to women’s career development● Workstyle innovation● Supporting a work-life balance● Promoting employment of the disabled● Creation of open workplaces	<ul style="list-style-type: none">● CSV strategy (5) Promote diversity and human resource development	Pages 47–52 WEB
Shareholders and investors We ensure fair and transparent corporate management to maintain our value in society, with a view to further enhancing our corporate value by achieving healthy growth and returning fair profits to our shareholders.	<ul style="list-style-type: none">● General shareholders’ meeting● Business Report (semiannual) and Annual Report (annual)● Online IR newsletter● Shareholder preferential gift programs	<ul style="list-style-type: none">● Disclosing management strategies and plans in an easy-to-understand manner	<ul style="list-style-type: none">● Holding management briefings● Factory and other facility tours● Conducting one-on-one interviews	Page 59 WEB
Communities We make an effort to cooperate and participate toward social returns, leveraging our strengths as a housing company to nurture rich local cultures and realize abundant and humane lifestyles for all people while protecting the environment.	<ul style="list-style-type: none">● Sekisui House Matching Program● Cooperating with Kids Design Association NPO● Cooperating with Uzo Nishiyama Memorial Library NPO● Kobe Machizukuri Rokko Island Fund charitable trust	<ul style="list-style-type: none">● Safe lifestyles that provide peace of mind● Community development that prevents crime and damage from disasters● Cultivating the next generation● Support the self-reliance of disaster victims and disabled persons	<ul style="list-style-type: none">● Helping build communities through neighborhood bonds● Creating recovery support systems when natural disasters strike● Disaster Risk Reduction Factory of the Future plan● Newly hired employee participation in activities supporting reconstruction in areas affected by earthquakes● Support companies affected by disasters and welfare workers with disabilities by purchasing their products.	Pages 71–74 WEB
All stakeholders	<ul style="list-style-type: none">● Ensure full compliance, eco-friendly practices and accountability			Pages 60–62 Pages 68–70 WEB

Comments from External Members of the CSR Committee

The CSR Committee meets regularly to develop and promote important CSR policies and verify the relevancy and effectiveness of current CSR activities. During these meetings, two external members are asked to share their opinions, which provide the basis for discussion among Committee members. Fiscal 2017 CSR Committee recommendations are as follows.

CSR Committee Recommendations

- I think it is a good thing to operate the CSR Committee with an emphasis on ESG. From this year forward, I think it is highly possible there will be questions regarding ESG at the general shareholders meeting, thus we need to establish objectives in each area and prepare senior management to provide a progress report. This is an opportunity to communicate the idea that companies with good performance also properly engage in ESG.
- In China, they are working on a national environmental policy promoted by the government while thoroughly changing laws on the subject of CO2 reductions. It is appropriate that Sekisui House also leads the world in these initiatives, and as customers consider environmental problems to be social issues, they be made to feel that purchasing a home is a contribution to society. It is important to create a story involving users to convey that we are contributing to society through our business activities.
- With the spread of globalism and the increasing weight of business we conducted overseas, there is a possibility that the more complicated transactions become, the larger the risks. Accordingly, it is necessary to further promote the visualization of local subsidiary management, due diligence and operational information. We must also proactively recruit foreigners.
- I am cognizant of the fact that creating an open workplace is, at present, the most important task for Sekisui House. The degree to which we are able to discern issues occurring in the workplace will be important in terms of preventing problems before they occur and we have to ensure that we are aware of bad news as quickly as possible. We must remain vigilant, especially when performance is favorable.
- Going forward, we need to take a medium- to long-term perspective, as I think there is a possibility that management might stagnate due to a lack of personnel. Given that the current outlook for the housing industry overall is not positive, we must create mechanisms and scenarios that will make potential employees want to work at the Sekisui House Group.
- Sekisui House Group “workstyle innovations” are still in process. We must move forward more quickly. At the same time, continuing to dispatch new employees to disaster-stricken areas to engage in support activities is recognized by institutional investors as a laudable initiative that stands out among our non-financial information.
- Performance will suffer if we only reduce hours worked without increasing productivity. To ensure performance improves, we must concretely demonstrate how to increase productivity while reducing hours worked. It is also important to create a human resource evaluation system based on these efforts.



Haruo Tsuji
Former President
Sharp Corporation

CSR Committee Recommendations

- From my experience tackling environmental issues as a leader in national and prefectural governments, it is extremely critical to demonstrate (provide motivation to incite action) how each one of us ourselves links initiatives to overall goals.
- Although incorporating environmentally friendly features in residential housing and houses for sale inevitably requires us to raise costs, if our materials effectively explain and clearly demonstrate that those costs can be recouped in a certain number of years and that there are merits for the global environment as well as the customer due to the longer service life, I think we can achieve a higher degree of understanding throughout society.
- To quickly respond to changing needs, we must pay constant attention to big data and create business on the assumption that customers themselves possess a substantial amount of information. Thus, it is important to create a means by which employees on the frontline of sales are able to provide their unfettered opinions. They must have a strong sense that the way they do business will change significantly in ten years’ time.
- We must tackle the creation of a market for existing homes as an industry-wide issue, thus it is critical for Sekisui House to work as the leading company in creating a mechanism for properly maintaining housing stock to enhance its value as we carefully pursue this goal.
- Supervisor concern (verbal interaction) is indispensable for employees raising children. Understanding the child raising environment of these employees and offering kind concern will increase their motivation to work hard for the Company. The supervisor’s awareness is more important than employees with workstyle issues.
- According to the governance awareness survey results, awareness was high overall with regard to all items, but as this is a large company with favorable performance, I sense that a conservative atmosphere is taking hold, which tends to maintain the status quo. It is crucial to repeatedly explain the importance of enhancing communication between the organizational leader class and subordinates and engage in work without fear of making mistakes. So doing, this can become a sustainable Company.
- The CSR Promotion Committee plays an important role in communicating the significance of CSR promotion to employees, thus we must explain this significance as often as possible. Increasing productivity and enhancing employee satisfaction are the goals of CSR promotion, but it is also necessary to provide opportunities to participate in a variety of social contribution activities to foster a sense of accomplishment outside the workplace and create a mechanism for engendering a sense of satisfaction.



Hiroya Masuda
Former Minister of Internal
Affairs and Communications
Former Governor of
Iwate Prefecture

Occupational Health and Safety Management

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

Accidents resulting in lost worktime and occupational illness frequency rates

In FY2017, as a result of various initiatives, the frequency rate of accidents resulting in lost worktime and occupational illness in each department generally declined compared to FY2016. We continue to thoroughly analyze causal factors to improve safety and health awareness, prevent unsafe behaviors and control long working hours linked to accidents and illness.

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

Department		Frequency of accidents resulting in lost worktime		Occupational illness frequency rate	
		FY2016	FY2017	FY2016	FY2017
Administrative department (employees*1)		0.16	0.10	0.00	0.07
	Employees*1	0.40	0.00	0.00	0.00
Production department	Subcontractor*2	1.22	0.51	0.00	0.00
	Construction department (subcontractors only)	2.57	1.89	0.34	0.20

*1. Sekisui House on a non-consolidated basis
*2. In FY2016, we only calculated contract workers involved in production, shipping and resource recycling. From FY2017 we will disregard type of work, including clerical so that the scope of calculation better reflects actual safety and health management conditions. When calculated applying the same scope of calculation as in FY2016, the frequency rate of accidents resulting in lost worktime was 0.60 and occupational illness frequency rate was 0.00.

Occupational Health and Safety Activities at Construction Sites

Ensuring the occupational health and safety of everyone engaged in construction work is the Sekisui House Group's social responsibility and one of the items toward which we must make a concerted effort. To enable construction personnel to work with safety and peace of mind, in FY2017 we engaged in measures focused on avoiding serious accidents and slowing down the rise of accidents through the Annual Company-wide Construction Health and Safety Plan. As a result, in FY2017 we were able to reduce the number of occupational accidents.

Accidents in FY2017

- On construction worksites, occupational accidents decreased more than 20% compared to the previous fiscal year and falling-related accidents also declined. However, falls from stepladders, work benches, ladders and other equipment accounted for over 40% of accidents, many of which were caused by human errors such as "leaning too far out," "disorganization" and "using ladders that were too short."
- We promoted the proper installation of external scaffolding and also conducted special classes on scaffolding assembly for users, reducing accidents involving both equipment and people.

- There is a rising risk of heatstroke at construction sites during the summer. In addition to countermeasures that include conducting study groups and distributing salt tablets, from FY2017, we are recommending air conditioned clothing for outdoor workers, which caused heatstroke to decrease 30%.
- In accordance with the standards of related ministries and agencies, we held briefing sessions aimed at preventing the dispersal of building finishing materials containing asbestos released during building demolition and used in building finishing.

FY2018 Initiatives

Under the FY2018 Annual Company-wide Construction Health and Safety Plan, we will promote accident prevention measures at all sales divisions and business offices from the three perspectives of thoroughly eliminating unsafe behaviors, ensuring inspections, work procedures and organization and preventing accidents of a similar nature from recurring.

FY2018 Slogan

Inspections and procedures are work fundamentals
Do not create or allow unsafe conditions

Annual Company-wide Construction Health and Safety Plan Essentials

- Bearing in mind the elimination of unsafe behaviors and conditions, main items to be implemented (prevention of heavy equipment and heavy machinery accidents, falling accidents and heat stroke) will be determined and practiced independently at each business office.
- Standardize railings on the outer periphery of mid-level housing to prevent falling-related accidents.
- Further promote use of air conditioned clothing in FY2018 to prevent heatstroke.
- To prevent the same accidents (type and cause) from occurring, thoroughly raise awareness, and implement and establish recurrence countermeasures for accidents that occurred in the workplace in the past to prevent similar accidents in the future.



Worker safety slogan poster

Environmental Management

Sekisui House has acquired ISO 14001 integrated environmental certification at all factories as process management supporting the high-precision basic functions of our pre-fabricated housing. We are also expanding proprietary environmental management in a variety of business processes as value creation process management throughout the entire value chain.

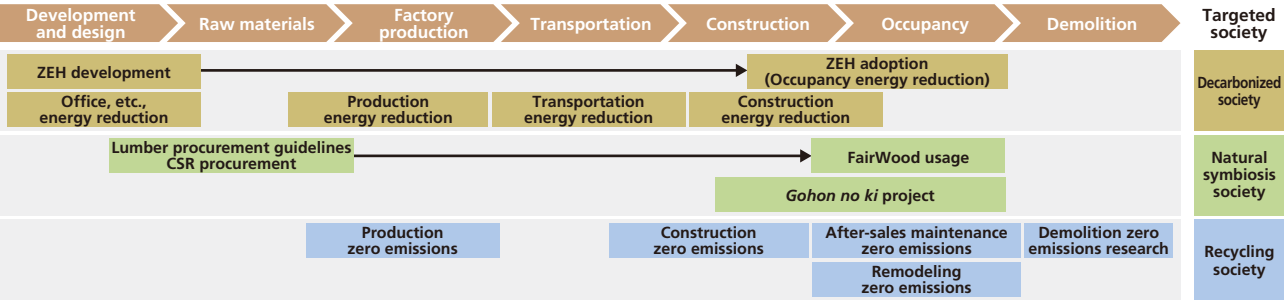
Realizing Integrated Environmental Management Based on Sustainability

With regard to environmental management, up to now, business operators and others set their own policies and goals regarding the environment aimed at environmental preservation. It was common to regard these as environmental preservation activities in the narrow sense that they were making an effort toward these achievements.

However, in light of the role of corporations to realize sustainability represented by the SDGs, it is necessary to consider the environment, as well as the economy and society

in both up and down stream business, which requires the creation of an integrated management system from a more comprehensive viewpoint. In 2005, Sekisui House was among the first to announce its Sustainable Vision, establishing sustainability as the basis of Company management. We also pioneered initiatives in consideration of sustainability in environmental management. Below, we have organized initiatives introduced on each page from the viewpoint of activities in the value chain.

Environmental Management in the Value Chain



(Focuses on representative initiatives introduced in the print version of this report. See pages 15-16 for information related to SDGs.)

Deepening Environmental Preservation Initiatives as an Eco-First Company

In 2008, Sekisui House carried out the Eco-First Promises and was certified by the Minister of the Environment as an environmentally advanced company in the industry. After that, we continued to deepen voluntary initiatives related to environmental preservation, In March 2012 and December 2016, in reflection of changes in social conditions and progress on these initiatives, we revised the promises while

maintaining a large framework to include global warming prevention, ecosystem preservation and resource recycling. Since 2014, we have lead environmentally advanced companies as the third chairman company of the Eco-First Promotion Council, a voluntary management organization comprising 40 Eco-First companies.

Deeper Initiative Examples

(1) Global warming prevention

By 2020, 80% of detached homes will be net-zero-energy housing (ZEH)



Green-First Zero sales promotion

FY2017 76%

(2) Ecosystem preservation

In 2020, the cumulative number of endemic trees planted by the Gohon no ki project will reach 15 million trees.



Gohon no ki project promotion

At the end of FY2017, cumulative total was 14.09 million trees

(3) Resource recycling

Ongoing zero emissions during production, construction and after-sales maintenance, with a material recycling rate of 90% or higher.



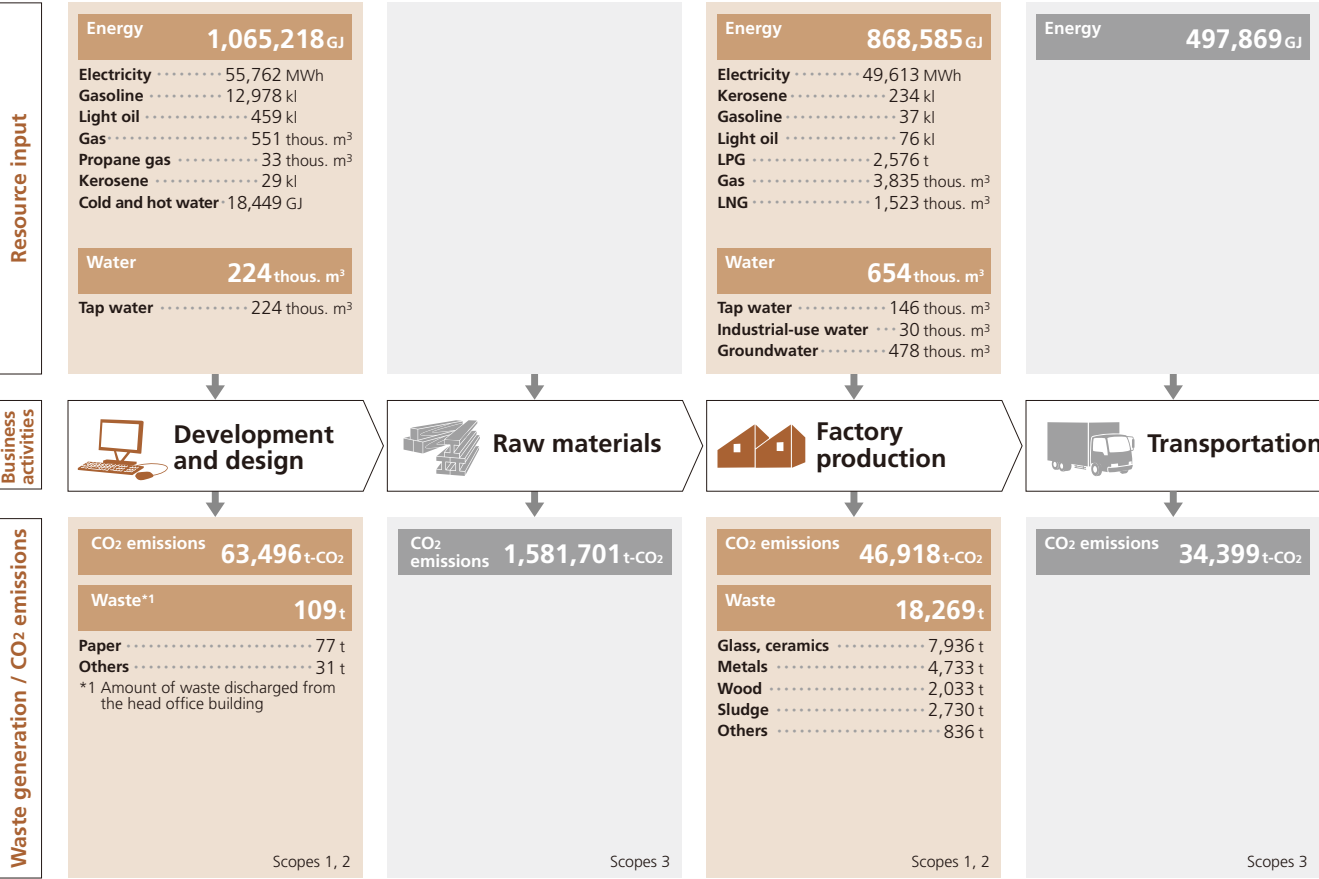
Separating plastic at a resource recycling center

FY2017 84.7%

Material Balance

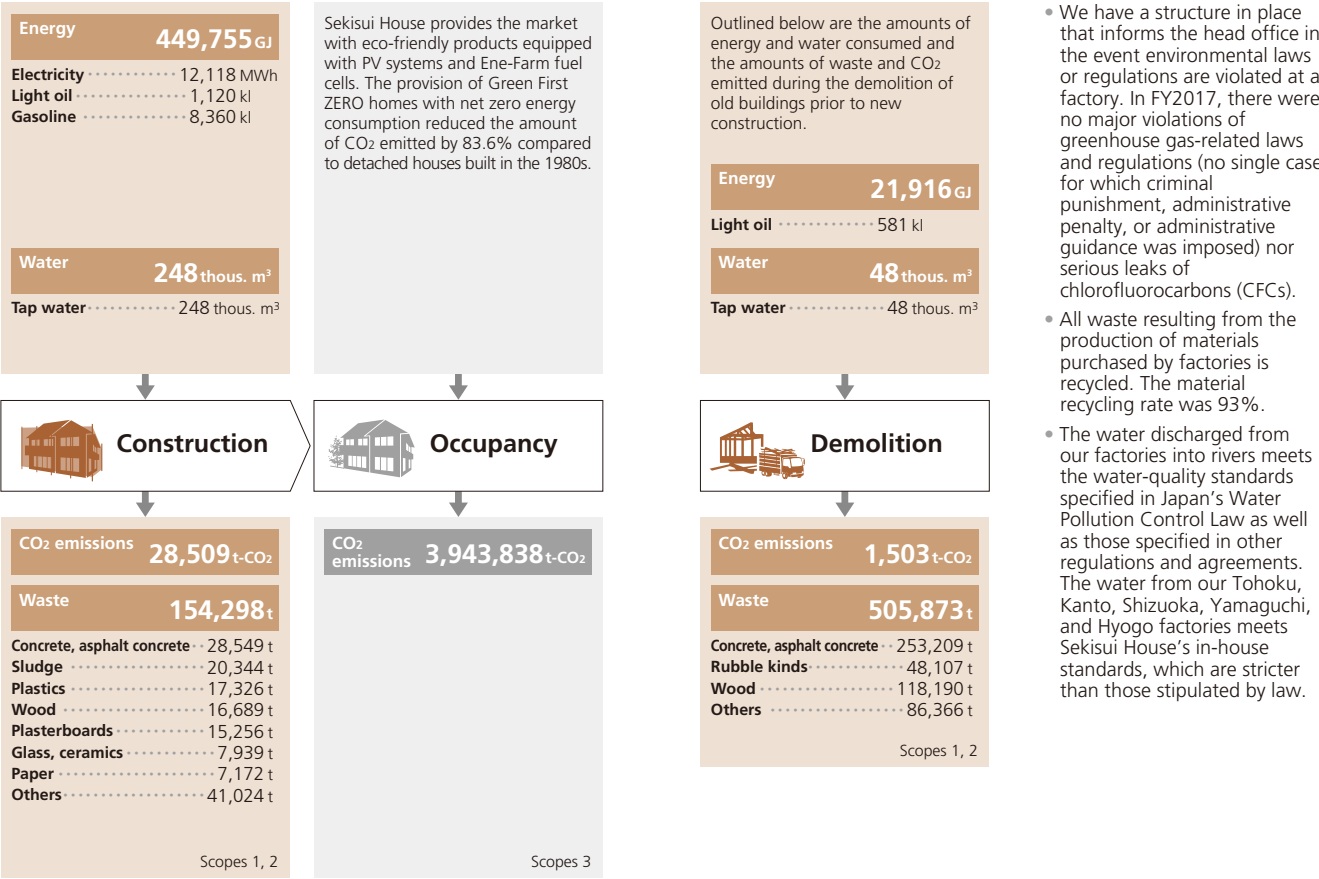
The Sekisui House Group monitors and reports environmental impacts at each stage of the lifecycle of our housing products—including development and design, raw material procurement, factory production, transportation, construction, and occupancy in Japan and overseas.

FY2017 Environmental Impact Caused by Corporate Activities



Scope of coverage: The subjects of this survey are Sekisui House, Ltd., its major consolidated subsidiaries in Japan (46 companies), and major consolidated subsidiaries overseas (10 companies). Scope 3 CO₂ emissions include those attributable to parties other than the Sekisui House Group companies.

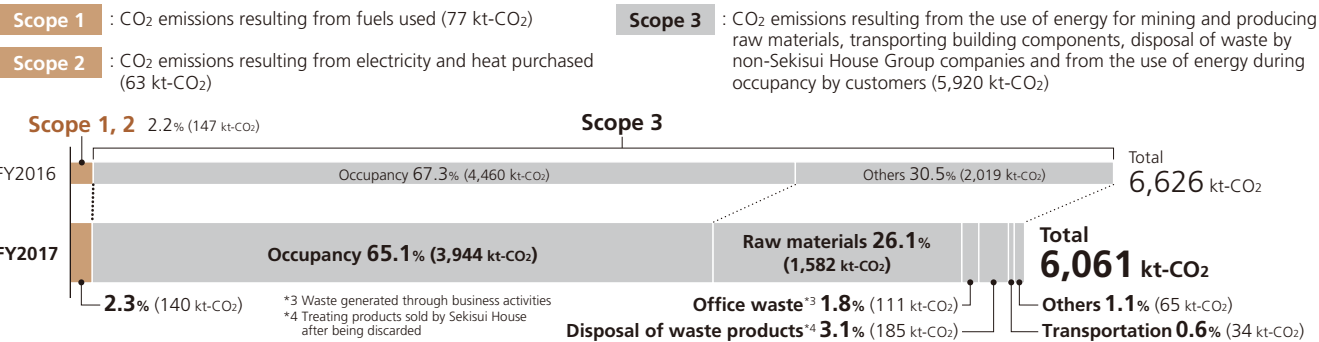
Period covered: The applicable period is FY2017 (from February 2017 to January 2018). Estimated figures were used where final data was not available at the time of calculation.



FY2017 Amount of CO₂ Emissions by Scope 1–3

We calculate and disclose our Scope (1–3) CO₂ emissions in line with the methodology of the Greenhouse Gas Protocol*2.

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



Changes to Calculation Method

The unit heat value and CO₂ emissions intensity were revised in the calculation of the amount of energy consumed and CO₂ emitted. Up to now, we used the conventional unit heat value and CO₂ emissions intensity (electric power CO₂ emission intensity [0.357 kg-CO₂/kWh]) from the Japan Prefabricated Construction Suppliers and Manufacturers Association Eco-Action 21 goal management tally chart. To reflect actual conditions more accurately, the fiscal 2017 results tally for the unit heat value and CO₂ emissions intensity were changed and are based on the Act on Promotion of Global Warming Countermeasures. In line with these changes, compared to the unit heat value and CO₂ emissions intensity

values used up to now, the impact on CO₂ emissions was as follows. Note that the revision had little impact on energy consumption.

- Scope 1 and 2
- Development design 7,980 t-CO₂ increase
 - Factory production 8,919 t-CO₂ increase
 - Construction 1,502 t-CO₂ increase (• Demolition insignificant)
- Scope 3
- Occupancy (category 11) 1,412,726 t-CO₂ increase (• Transportation insignificant)

Notes on the data

Within Scope 1 and 2 emissions, amounts attributed to "construction" and "demolition" are included in CO₂ emissions (applicable to Scope 3) from construction and demolition conducted by non-Sekisui House Group partner building contractors, but because it is difficult to separate due to housing construction and demolition conditions, for convenience they are calculated as Scope 1 and 2.

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

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

Raw materials

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

Factory production

- **Energy and CO₂**: the amount of energy consumed and CO₂ emitted by the five Sekisui House factories in Japan and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.
- **Waste**: the volume of waste generated by the five Sekisui House factories in Japan

Transportation

- **Energy and CO₂**: the amount of energy consumption and CO₂ emissions by specified consignors and Sekisui House Advanced Manufacturing (Shenyang)

Co., Ltd. (The calculation was made according to the guidelines provided in the Act on the Rational Use of Energy and according to version 4.3.1 of the manual issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.)

Construction

- **Energy and CO₂**: the estimated amount of energy consumption and CO₂ emissions resulting from new construction by 18 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., 18 Sekiwa Construction companies, and three Sekisui House Remodeling companies.

Occupancy

- **CO₂**: the estimated amount of CO₂ emissions during occupancy at detached houses built 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 18 Sekiwa Construction companies and building contractor partners.
- **Waste**: the volume of waste generated from demolition of housing and commercial buildings by Sekisui House, Ltd., 18 Sekiwa Construction companies.

Post-Disaster Restoration and Reconstruction

The Sekisui House Group recognizes that, as a Company promoting strategies specializing in business that protects the lives, property and lifestyles of residents, we have a social responsibility to prevent damage (disaster prevention) and mitigate damage (disaster mitigation) from natural disasters. At the same time, we also believe it is necessary that, as a housing manufacturer, we confirm the safety of victims and information on damage when a natural disaster occurs, and promptly establish support systems.

Post-Earthquake Reconstruction

Immediately after the Great East Japan Earthquake, the Sekisui House Group launched customer support activities in stricken areas while also assisting in restoration and reconstruction work and the construction of temporary houses and public housing for disaster victims. March 2018 marks the passage of seven years since the Great East Japan Earthquake, the first five of which was a now concluded five-year intensive recovery period stipulated by the Japanese government. The period from now until March 2021 has been designated as a reconstruction and creation phase.

However, there are still a great number of victims forced to live in evacuation shelters. We are working urgently to quickly develop public housing for disaster victims. Sekisui House Group is making every effort to proceed swiftly and unfailingly.

Reconstruction planning progress differs according to area and administration, requiring lifestyle and housing proposals that reflect conditions in each region. Through local construction efforts and support from all over Japan, the Sekisui House Group has completed construction on and handed over 1,087 public housing units for disaster victims in 464 buildings across three prefectures within the contracted construction period, earning high regard from the government for our construction capabilities and high quality.

Up to now, public housing for disaster victims consisting of existing wooden and reinforced concrete construction had been commonplace, but as our high-quality and quickly built lightweight steel frame construction incorporating original Sekisui House construction methods have gained acceptance. In recent years, we have seen an increase in large-scale projects involving our original heavy steel-framed β system detached housing, which offers a high degree of freedom and short construction periods.

Over the past seven years, reconstruction conditions have changed in each area. In areas affected by earthquake and tsunami in Miyagi and Iwate prefectures, the preparation of public housing for disaster victims is nearly complete, having entered a new phase leading to the final finishing work. In Fukushima Prefecture, the area affected by the nuclear power plant disaster, evacuation orders continue to be rescinded as efforts have entered the “full-scale recovery” phase. The creation of a reconstruction site (compact town) enabling residents to return home is accelerating so that this will become a model for regional revitalization leading to self-reliance in disaster-stricken areas. Leveraging the expertise accumulated through recovery efforts up to now, Sekisui House also responds to a variety of governmental needs, such as the creation of townscapes centered on detached housing and large-scale construction of three and four story buildings using β system. At the same time, we are utilizing

our achievement of realizing Japan's first smart grid, located in the city of Higashi Matsushima in Miyagi Prefecture, to proactively propose the creation of smart reconstruction sites aimed at the local production of renewable energy for local consumption and the reduction of CO2 emissions.


Going forward, we will continue to leverage our technological, proposal and construction capabilities to engage in the promotion of reconstruction efforts, including the provision of public housing for disaster victims that is safe, secure and comfortable, bringing happiness to occupants.

Status of Public Housing for Disaster Victims Provision

	Projects bid on		Projects completed	
FY2012	4 buildings	26 units	—	—
FY2013	84 buildings	285 units	4 buildings	26 unit
FY2014	124 buildings	211 units	16 buildings	53 unit
FY2015	126 buildings	184 units	116 buildings	382 unit
FY2016	46 buildings	301 units	55 buildings	72 unit
FY2017	81 buildings	113 units	273 buildings	554 unit
Total	465 buildings	1,120 units	464 buildings	1,087 unit

Public housing for disaster victims

(1) Public housing for disaster victims in the district of Nakaman, Naraha-machi, Fukushima Prefecture (completed June 2017)



Construction: Wood frame (Shawwood) (Single story)

Number of buildings: 121 structures, 124 units

Detached housing/2LDK: 56 units

3LDK: 63 units

Row house/2LDK: 1 building, 4 units

Community hall: 1 building

Total floor area: 8,747.75 m²

(2) Public housing for disaster victims in the district of Magata, Tomioka-machi, Fukushima Prefecture (completed July 2017)



Construction: heavy steel-framed β system

Number of buildings: 1 building, 40 units

2DK: 12 units

2LDK: 27 units

Wheelchair dwelling units: 1 unit

Total floor area: 2,901.34 m²

Restoration and Reconstruction after the Kumamoto Earthquake

In April 2016, for the first time in the history of seismic observation in Japan, a series of seismic events with an intensity of seven were repeatedly observed in a major earthquake. In addition to numerous casualties, a considerable number of houses were partially or totally destroyed or partially damaged, resulting in serious destruction.

Of the 10,246 Sekisui Homes in Kumamoto Prefecture, there were no personal injuries, nor were any of the houses partially or

totally destroyed. However, having learned from initial responses after the Great East Japan Earthquake, immediately after the foreshock, we set up a coordinated response headquarters at the Kyushu sales office followed by the establishment of a local response headquarters in Kumamoto. After confirming the safety of employees and their families in the affected area, we were able to confirm the status of damage for approximately 10,000 customers in early June. The prompt and appropriate initial response in stricken areas, the quick delivery of goods stockpiled at factories and the head office, the rapid establishment of a construction and technical support system and the attempt to share disaster details and other information via iPads running an original app contributed to the success of these efforts.

Even now that we have reached the recovery phase, reconstruction is still incomplete, as sections of road still have uneven and cracked surfaces and some housing has not been completely repaired. The entire Group continues to engage in large-scale construction to rebuild foundations and structures as well reconstruct homes.

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

Starting one year after the Great East Japan Earthquake, all new career-track employees at Sekisui House take turns going to disaster-stricken areas to assist in reconstruction work. In addition to providing stricken areas with needed assistance, the goal of this reconstruction effort is to deepen employees’ understanding of the significance of the housing business and have employees think and act from other people’s perspectives based on the Sekisui House Group corporate philosophy and code of conduct.

Employees work with NPOs active in areas affected by the disaster, listening to needs for support and taking action after considering what they can do to make local residents happy. In the Tohoku region, we assisted with the relocation of the Ogatsu Rose Factory Garden, conducted cleanup activities at temporary housing and public housing for disaster victims and held events aimed at communication with local residents.

In FY2017, we also began conducting similar activities in areas affected by the Kumamoto Earthquake. This mainly involved installing barriers on temporary housing to block the wind.



Installing barriers to block the wind



Enjoying tea with residents at the temporary housing community hall

Disaster-Stricken Area Reconstruction Support Activity Participants

	Tohoku	Kumamoto
FY2012	347	—
FY2013	566	—
FY2014	460	—
FY2015	390	—
FY2016	323	—
FY2017	335	107
Total number of participants in past six years	2,528	

From FY2017, activity areas were determined in accordance with locations where new employees were dispatched

Rapid Initial Response after Damage from Torrential Rains in Northern Kyushu

From July 5–6, 2017, concentrated torrential rain fell on northern Kyushu, mainly in Fukuoka and Oita prefectures, where serious damage occurred. Although there was no major damage to Sekisui houses in that area, at 8 a.m. on July 6, we established a response headquarters (inside the Kyushu sales office) and a local response headquarters (inside the Kyushu West and Kyushu North customer centers). In Asakura City, Fukuoka Prefecture, and Hita City, Oita Prefecture, which experienced particularly heavy torrential rainfall, a relief line* and home visits were implemented. Four days later on July 9, we had completed follow-ups with 1,146 customers in the area.

As a result of these follow-ups, we determined that owners of four of the 13 houses damaged by flooding required urgent assistance. 57 employees from three customer centers in Kyushu joined forces to remove mud and provide other support in an effort to engage in recovery activities enabling homeowners’ lives to return to normal as quickly as possible. Even after recovery, we continued to respond promptly to any problems that arose.

Note: The relief line is a telephone service provided for customers by customer centers before and after natural disasters to make advance arrangements, offer advice and confirm current conditions.



Removing mud by hand



Covered in mud after removal efforts



Employees with the homeowners (Mr. and Mrs. U, on the right) after mud removal

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

Contributing to Local Communities

With a “love of humanity” at the core of our corporate philosophy as a principle underpinning our activities and an emphasis on the sound growth of the next generation, environmental concern, housing culture improvement and support for areas and people affected by disasters as part of our core corporate activities, we continue to engage in efforts rooted in local communities to create a mechanism enabling voluntary activities by each individual employee, including taking part in volunteer and charitable pursuits, partnering with NPOs and NGOs in support of their activities and assisting educational institutions on selected educational initiatives.

“Sekisui House Matching Program” Support for NPOs and Other Organizations Tasked with Resolving Social Issues

Since FY2006, we have been implementing the Sekisui House Matching Program, under which the Company matches employee donations (approximately 4,400 participants) to NPOs and other organizations engaged in activities that contribute to the creation of a sustainable society.

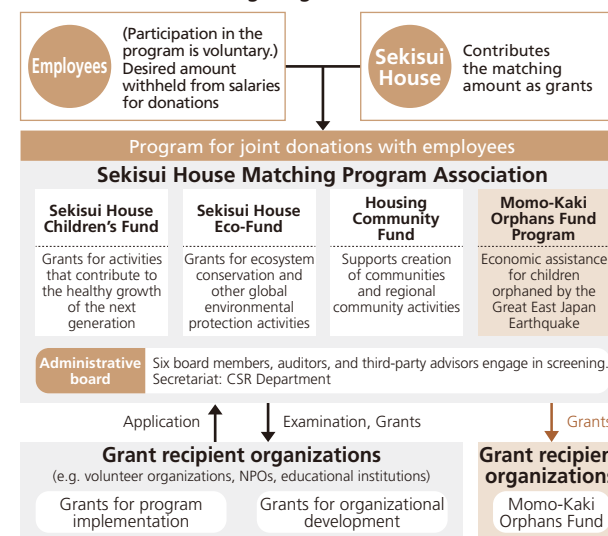
This system enables employees to have an amount of their choice (1 unit = 100 yen) withheld from their salaries for donations, and Sekisui House matches the donations and contributes an equal amount in the form of grants. We have established four funds: The Sekisui House Children’s Fund, the Sekisui House Eco-Fund, the Housing Community Fund and the Momo-Kaki Orphans Fund Program.

In FY2018, ¥26.34 million from our Children’s Fund, Eco-Fund and Housing Community Fund was donated to a total of 29 organizations. In addition, the Momo-Kaki Orphans Fund Program donated ¥13.50 million (a cumulative total of ¥82.50 million)



to the Momo-Kaki Orphans Fund (Chairman: Architect Tadao Ando), which provides economic support for children orphaned by the Great East Japan Earthquake. Up to now, more than ¥300 million has been donated to 286 organizations by these four funds.

Sekisui House Matching Program



Project Grants (grants for programs applied for by organizations)

Note: In addition, we provided organizational development grants to help selected organizations build infrastructure and improve the quality of their activities in anticipation of their future development.

Children’s Fund: 15 organizations, ¥14.50 million

- Incorporated NPO Asperger Society Japan
- Authorized NPO Education Sponsorship in Asia
- Authorized NPO Efa Japan
- Authorized NPO Caring for Young Refugees
- Incorporated NPO Kansai NGO Council
- Incorporated NPO Aikuru Childrearing Family Support Center
- NPO Kokkyo naki Kodomotachi (KnK, Children without Borders)
- Incorporated NPO Kodomo Wakamono Matching

- Incorporated NPO Japan Hair Donation & Charity
- Strohm Social Welfare Foundation Sannoh Children’s Center
- Authorized NPO 3keys
- Incorporated NPO Nijiro Kureyon
- Authorized NPO Japan Rescue Association
- Authorized NPO Foodbank Yamanashi
- Incorporated NPO Fukushima Labor Support Center



Cambodia “Village Kindergarten” project
(Authorized NPO Caring for Young Refugees)

Eco-Fund: 11 organizations, ¥10.18 million

- General Incorporated Association Conference of Earth Environment from Akita
- OISCA Japan
- Incorporated NPO Osaka Bay Coastal Region Environmental Creation Research Center
- Authorized NPO Network for Coexistence with Nature
- Incorporated NPO Kirikirikoku
- Incorporated NPO Groundwork Mishima
- Authorized NPO Together
- Incorporated NPO Hattougawa Seiryu Club
- Incorporated NPO FAIR +
- Incorporated NPO Midorinodam Kitasagami
- Incorporated NPO The Lifestyle Research Institute of Forests



Restoration of the Hasunuma Tonoshita Coastal Forest in Sanmu City, Chiba Prefecture
(Incorporated NPO The Lifestyle Research Institute of Forests)

Housing Community Fund: 2 organizations, ¥1.5 million

- NPO Jun-nama-ken (Sustainable Lifestyle laboratory)
- Incorporated NPO Shinshiro Dreamso



Vacant house matching project to restore vanishing communities
(Incorporated NPO Shinshiro Dreamso)

Sekisui House Eco First Park A Public Facility Enabling Visitors to Experience Environmental Themes Indicated in the Eco-First Promise

We operate the Sekisui House Eco First Park (opened in May 2015), a collection of symbolic model facilities we have been working on throughout the history of our environmental activities located at the Kanto Factory (Koga City, Ibaraki Prefecture), which is open to the public as a facility enabling visitors to experience the three environmental themes indicated in the Eco-First Promise: global warming prevention, ecosystem preservation and resource recycling.

This facility enables visitors to enjoy learning while experiencing the variety of ways housing plays a role in protecting the environment, such as the indispensable eco-friendly designs and technologies that provide comfortable lifestyles while minimizing the use of energy, preserving ecosystems and eliminating waste. We use the facility to promote advances in Sekisui House environmental technologies to a wide range of people, as well as to conduct environmental education programs for elementary school students and their parents and to facilitate an understanding of the relationship between housing and the environment among high school and university students. Going forward, we will continue to proactively utilize and promote this facility with the aim of enabling further developments.



Panoramic view of the Sekisui House Eco First Park



Experiencing tatami dismantling work



Used as a venue for lectures at universities



International students visiting on a tour

Environmental Education Programs at Nationwide Schools and Event Venues

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



The House-cology seminar education program teaches about the relationship between global warming and lifestyle

Koji Kinutani Tenku Art Museum

Sekisui House opened the Koji Kinutani Tenku Art Museum in the Umeda Sky Building, where the Company’s head office is located, featuring the work of Koji Kinutani, Japan’s leading affresco (fresco; a classical mural painting technique) artist. Exhibiting the world’s first 3D video that enables visitors to experience jumping into a painting and numerous rich and colorful paintings and sculptures created with the desire to make people happy, this facility enables visitors to fully experience the world of Kinutani that has captured the imagination of people throughout the world. We also use this space to hold events that can only be experienced at the Tenku Art Museum, including parent and child portrait drawing and affresco (fresco) painting on the walls.



Painting affresco(fresco) on the walls

Conducting Company Tours for Employee Children

Sekisui House conducts company tours for children of employees. At the Umeda Sky Building, where the Company’s head office is located, the children come to work with their parents in the morning during summer break, then they visit their parents’ workplaces. After experiencing the exchange of business cards, they listen to an explanation regarding work details and have their picture taken. This initiative is popular with both parents and children, who say it makes for a great summer vacation memory.



Children listen intently to the explanation



Experiencing the exchange of business cards with employees

Supporting Self-Reliance and Social Participation for People with Disabilities

In collaboration with Incorporated NPO Together (Osaka), we purchase SELP products* that are used as novelties given out to model home visitors and attendees at Sekisui House Visiting Day events held nationwide. In FY2017, we bought a total of 28,991 novelty items nationwide.

Note: Products made in welfare centers by people with disabilities with the aim of job training and social inclusion in Japan.



SELP eco-bag

Independent Third-Party Assurance Report

KPMG AZSA Sustainability Co., Ltd. was engaged to provide assurance on Sekisui House, Ltd.’s Sustainability Report 2018 and verify that the report provides reliable information on the company’s energy consumption, waste and greenhouse gas emissions volumes, water used in factor production and social reporting (frequency of accidents resulting in lost worktime and occupational illnesses).

This is an English translation of the "Independent Assurance Report" dated May 17, 2018 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the "Sustainability Report 2018" published in Japanese by Sekisui House, Ltd.

Independent Assurance Report

Sekisui House, Ltd.
Mr. Toshinori Abe, the Chairman & Representative Director,
Mr. Yoshihiro Nakai, the President & Representative Director

We were engaged by Sekisui House, Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators and greenhouse gas indicators listed below for the period from February 1, 2017 to January 31, 2018 (the “Indicators”) included in its Sustainability Report 2018 (the “Report”) for the fiscal year ended January 31, 2018, and the completeness of material greenhouse gas information in the Report.

Indicators	pages
Energy (total amount and itemized details by energy source) and Tap water, Industrial-use water and Groundwater of “Factory production” in “Resource input”	69, 70
Amount of CO ₂ emissions and Waste (total amount and itemized details by waste category) in “Waste generation/CO ₂ emissions”	69, 70
CO ₂ emissions of “Scope 1, 2 emissions”, “Occupancy”, “Raw materials”, “Office waste”, “Disposal of waste products” and “Transportation” in “FY2017 Amount of CO ₂ Emissions by Scope (1-3) ” and “Scope 1”, and “Scope 2”	69, 70
Accidents Resulting in Lost Worktime and Occupational Illness Frequency Rates	67

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 Company’s web site, 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 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 procedures on 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 one of the Company’s factories 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
May 17, 2018

Summary of Initiatives

Environmental Management (E)

2017 saw full-fledged efforts toward achieving the sustainable development goals (SDGs) targeting economic growth while considering the environment and other factors, with a significant amount of attention focused on the role of corporations toward sustainable societies, including the realization of the Paris Agreement, an international framework for global warming countermeasures that became a global standard earlier in the year.

The Sekisui House Group also promoted activities aimed at realizing sustainable societies it has advocated since 2005. With regard to the Japanese government’s target of making net-zero-energy housing (ZEH) account for the majority of newly built housing by house manufacturers by or before the year 2020, in FY2017, 76% of the houses we manufactured were ZEH compliant. Furthermore, in October 2017, we became the second Japanese company to join the RE 100 initiative, which aims to realize the use of 100% renewable energy in all business activities. In April 2018, our CO₂ reduction targets

were certified under the science based target (SBT) initiative.

Anticipating these international trends and reflecting them in our products and business activities constitutes the foundation of support realizing comfortable, health and sustainable lifestyles for our customers and is critical for the Company’s long-term growth strategy. In terms of ESG investment, we have been included in the Dow Jones Sustainability Indices (DJSI) World Index and all three ESG indices selected by Japan’s Government Pension Investment Fund (GPIF). In FY2018, we will continue to promote environmental initiatives leading to new value proposals for customers and society.



Toshiharu Miura
Director and Managing Officer
In Charge of Technical Divisions

Improvement in Sociability (S)

The Sekisui House Group is engaged in workstyle innovations under the easily understandable key phrase “Creating thrilling and exciting workplaces that make the heart dance.” We believe that workstyle innovations can only be achieved by first addressing several elements, including improving operations, advancing individual employee skills, increasing management skills and making more effective use of IT tools. Furthermore, we are not aiming only for short-term workstyle innovations. It is most important that employees are fulfilled both at work and during private time to increase employee satisfaction (ES) and create business results. Although our workstyle innovations are still in process, the entire Group is engaged in these efforts.

Regarding social contribution activities, the Sekisui House Group promotes activities based on four concepts: sound growth of the next generation, environmental concern, housing culture improvement and support for areas and people affected by disasters. One specific representative example of this is the

Sekisui House Matching Program, an employee and Company joint donation system. Since this program was launched in 2006, more than 4,440 employees have joined and a cumulative total of over ¥300 million has been donated to civic organizations throughout Japan. Amid the adoption of SDGs on a global scale and other movements, the necessity of social contribution activities aimed at creating sustainable societies is rising. We will proactively promote regional contribution activities implemented mainly by business offices throughout Japan, strive to gain the support of local communities and increase our brand value.



Takashi Uchida
Executive Vice President and Representative Director
Management of Administration Division

Governance (G)

With regard to strengthening corporate governance, the management team is taking the lead in Company-wide corporate governance reform efforts. As mentioned in Chairman Abe’s commitment message, we are already engaged in six measures aimed at strengthening our governance structure. As we move forward, we will continue to engage in additional measures. Moreover, governance is not an issue for managers only; at each Sekisui House Group business office throughout Japan, we are strengthening risk management with aim of creating positive, open workplaces where each and every employee can work enthusiastically in an effort to enable the prompt identification and resolution of problems occurring on the frontlines of each workplace. It is also key to build human relationships enabling timely and smooth communication vertically, horizontally and diagonally. We will strive to further strengthen governance

and substantially contribute to improved employee satisfaction and motivation.

As manager of the IR Division, I aim to continue the transparent and timely disclosure of information. I also want to communicate Sekisui House Group financial and non-financial information (and its relevance to ESG efforts leading to sustainable corporate growth) to all our stakeholders in an easily understandable way. I look forward to receiving your frank opinions on the Sustainability Report 2018, which we consider to be an important means of information disclosure.



Shiro Inagaki
Vice Chairman and Representative Director
Management of Investor Relations Division

GRI Content Index for “In Accordance” Items

The Sekisui House Sustainability Report 2018 has been prepared in accordance with the Core options of the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards (GRI Standards).

General Disclosures

Disclosure		Refer to	External assurance
Organizational profile			
102-1	Name of the organization	Pages 5-6	
102-2	Activities, brands, products, and services	Pages 3-4	
102-3	Location of headquarters	Pages 5-6	
102-4	Location of operations	Pages 5-6	
102-5	Ownership and legal form	Pages 5-6	
102-6	Markets served	Pages 3-4, 53-56	
102-7	Scale of the organization	Pages 3-6	
102-8	Information on employees and other workers	[WEB] Corporate Profile	
102-9	Supply chain	Pages 29-34, 37, 39-40	
102-10	Significant changes to the organization and its supply chain	N/A	
102-11	Precautionary Principle or approach	[WEB] Management of chemical substance guidelines	
102-12	External initiatives	Page 68 / [WEB] Kids Design Association	
102-13	Membership of associations	[WEB] Industry Proposals	
Strategy			
102-14	Statement from senior decision-maker	Pages 9-12	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Pages 1, 13, 37, 60, 63	
Governance			
102-18	Governance structure	Pages 57-62	
Stakeholder engagement			
102-40	List of stakeholder groups	Page 65	
102-41	Collective bargaining agreements	N/A	
102-42	Identifying and selecting stakeholders	[WEB] Stakeholder Engagement	
102-43	Approach to stakeholder engagement	Page 65	
102-44	Key topics and concerns raised	Pages 65-66	
Reporting practice			
102-45	Entities included in the consolidated financial statements	Pages 5-7 / Securities Report	
102-46	Defining report content and topic boundaries	Pages 7-8, 64	
102-47	List of material topics	Page 64	
102-48	Restatements of information	N/A	
102-49	Changes in reporting	N/A	
102-50	Reporting period	Page 7	
102-51	Date of most recent report	Page 7	
102-52	Reporting cycle	Page 7	
102-53	Contact point for questions regarding the report	Page 7	
102-54	Claims of reporting in accordance with the GRI Standards	Pages 7, 77-78	
102-55	GRI content index	Pages 77-78	
102-56	External assurance	Page 75	

Management Approach

Disclosure		Refer to	External assurance
Management Approach			
103-1	Explanation of the material topic and its Boundary	Pages 17-18, 64, 77-78	
103-2	The management approach and its components	Pages 60-61, 77-78 Goals and targets: Each CSV Strategy page	
103-3	Evaluation of the management approach	Pages 57-60	

Topic-Specific Standards

Disclosure		Refer to	External assurance
Economy			
Economic Performance			
201-1	Direct economic value generated and distributed	Pages 5-6, 14, 21-22 / Securities Report / Financial Results Summary Page 73 (Community Investment)	
201-2	Financial implications and other risks and opportunities due to climate change	Pages 23-28	
Procurement Practices			
204-1	Proportion of spending on local suppliers	[WEB] Communicating with Business Partners	
Environment			
Energy			
302-1	Energy consumption within the organization	Pages 69-70	● (Page 75)
302-2	Energy consumption outside of the organization	Pages 69-70	
302-3	Energy intensity	Pages 69-70	
302-4	Reduction of energy consumption	[WEB] Energy consumed during production/transportation	
302-5	Reduction in energy requirements of products and services	[WEB] Energy consumed during production	
Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Emissions			
305-1	Direct (Scope 1) GHG emissions	Pages 69-70	● (Page 75)
305-2	Energy indirect (Scope 2) GHG emissions	Pages 69-70	● (Page 75)
305-3	Other indirect (Scope 3) GHG emissions	Pages 69-70	● (Page 75)
305-4	GHG emissions intensity	[WEB] Material Balance	
305-5	Reduction of GHG emissions	Pages 26,28,69-70	
Effluents and Waste			
306-1	Water discharge by quality and destination	[WEB] Amount of water used by the Group	
306-2	Waste by type and disposal method	Pages 46, 69-70 / [WEB] Material Balance	● (Page 75)
306-3	Significant spills	Pages 61, 70	
Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	Pages 61, 70	
Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	[WEB] Communicating with Business Partners	
Society			
Employment			
401-1	New employee hires and employee turnover	[WEB] Initiatives for new graduate hires	
401-3	Parental leave	Pages 47-51 / [WEB] Support for Work and Childrearing	
Occupational Health and Safety			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 67	● (Page 75)
Training and Education			
404-1	Average hours of training per year per employee	Page 52	
404-2	Programs for upgrading employee skills and transition assistance programs	Pages 51-52	
Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Pages 47-51	
Human Rights Assessment			
412-2	Employee training on human rights policies or procedures	Page 61 / [WEB] Human Relations Training	
Customer Health and Safety			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 61	
Marketing and Labeling			
417-1	Requirements for product and service information and labeling	Pages 23-56	
417-2	Incidents of non-compliance concerning product and service information and labeling	N/A	
417-3	Incidents of non-compliance concerning marketing communications	N/A	
Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 60	
Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	Page 60	

Honors from Third Parties during FY2017

Environment

● Sekisui House Limited

October 2017

Joined the RE100 global initiative, which aims to convert 100% of electric power used through business activities to renewable energy



April 2018

Greenhouse gas reduction objectives certified by the Science Based Targets Initiative



● Net-Zero-Energy Housing Green First ZERO Promotion

November 2017

Second place worldwide in the Sustainable City Grand Prize Category of the Green Solutions Awards 2017
Organizer: Construction21 (executive office in France)

● Higashi-Matsushima, Disaster-Ready Smart Eco-Town

November 2017

FY2017 Environment Minister's Award for Global Warming Prevention Activities (Advanced Introduction of Countermeasure Technologies Category)
Organizer: Ministry of the Environment

February 2018

27th Grand Prize for the Global Environment Award
Organizer: Fuji Sankei Group



Community Building, Landscape

● Grande Maison Kyoto Okazaki, Grande Maison Kyoto Oikedori

March 2017

Honorable mention in third Kyoto City Environment-Friendly Buildings Commendations
Organizer: City of Kyoto

● Sydney, Australia Condominium Project: Royal Shores

July 2017

Winner Best Urban Renewal Development—Urban Taskforce's Development Excellence Awards
Organizer: Urban Taskforce

Note: Joint development project with Payce Consolidated Limited

Connor (Central Park)

August 2017

Winner, Excellence for High-Density Development - 2017 UDIA NSW Awards for Excellence
Organizer: The Urban Development Institute of Australia (UDIA)

Note: Joint development project with Frasers Property Australia Pty Limited



● Collaborative Project in Singapore: Hillsta

Note: Joint development project with Far East Organization and China Construction

2017

Singapore Landscape Architecture Award 2017
Organizer: Singapore Institute of Landscape Architects

Landscape Excellence Assessment Framework
Organizer: Nparks (National Park Service)

Best Innovation Development Award
Organizer: Edge Prop



Products, Technology, etc.

● Corporate Advertising "Sekisui House—Always There for You" Series

2017

33rd Yomiuri Advertising Awards; Prize for Excellence in Living Category
Organizer: Yomiuri Shimbun

● Otona HOUSE "awai"

March 2018

IAUD Award 2017 IAUD Award (Housing and Architecture Category)
Organizer: International Association for Universal Design



Kids Design Award

Minister of Economy, Trade and Industry Award (Designs That Contribute to Safety and Security from the Viewpoint of Children Category)

● Sekisui House initiatives to enhance the safety and security of our condominiums



(Designs That Contribute to Safety and Security from the Viewpoint of Children Category)

● Bench Style Original Unit Bath BCH-V

Note: Joint entry with Sekisui Hometechno Co., Ltd.

(Designs That Develop Children's Creativity and Shape Their Future Category)

● Island City Community Garden

Note: Joint entry as the Executive Planning Committee for Small, Well-Circulated and Good Living (comprising Betta-kai, Sekisui House, Camellia Garden Club and the city of Fukuoka as an observer)

● Plans to create space in condominium common areas that will accommodate child growth

(Designs to Support Comfortable Child-Rearing Category)

● VILLAGE MITSUIKE-PARK

● Designs for Creating Time for Family and Career - Support for balancing work and childcare

July 2017

Organizer: NPO Kids Design Association

Wood Design Award

(Architecture and Open Space Division; Heartwarming Design Category)

● Research on anti-fatigue effects of wooden interior spaces on children

(Architecture and Open Space Division; Heartwarming Design Category)

● Sekisui House Eco First Park's Forest Classroom

October 2017

Organizer: Wood Design Award Secretariat



Diversity Initiatives

March 2017

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

December 2017

Fiscal Year 2017 Commendation as a Leading Enterprise for Women who Shine, Minister of State for Special Missions Award

(On this occasion, Chairman & Representative Director Toshinori Abe endorsed the Gender Equality Bureau Cabinet Office declaration on action by a group of male leaders who will create "A Society in which Women Shine")



January 2018

Received the Minister of Health, Labour and Welfare's Eruboshi certification based on the Act on Promoting Women's Participation and Advancement in the Workplace



March 2018

Selected as a Nadeshiko brand 2018 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (Only company in the housing and architecture industry to be selected five times)

CSR and Other Initiatives

● Sekisui House Limited

July 2017

Included in all three ESG indices selected by the GPIF for passive investment

Ranked 11th overall (and number one in the construction and real estate category) in Nikkei Business Publications' "Eco-Brand Survey 2017"

September 2017

Selected by U.S. S&P Dow Jones Indices and Swiss RobecoSAM for inclusion in the Dow Jones Sustainability World Index (DJSI World), as an "Industry Leader" and for inclusion in the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)



January 2018

Ranked number one in the construction industry in the Nikkei 21st Environmental Management Survey corporate ranking

February 2018

Selected by RobecoSAM as "Gold Class" in the homebuilding category and as an "Industry Mover" in the RobecoSAM Sustainability Award 2018



Finished twelfth overall and first in the Housing and Architecture category in Toyo Keizai Inc.'s CSR Company Ranking Fiscal Year 2018

● Sustainability Report 2017

February 2018

21st Environmental Communication Awards Environmental Report Category Sustainability Report Award (Minister of the Environment Award)
Organizer: Ministry of the Environment, Global Environmental Forum

