Sustainability Report 2020
For the year ended January 31, 2020

Sekisui House was the first company in the housing industry to be certified as an Eco-First Company by Japan’s Minister of the Environment (MOE). This document serves as Sekisui House’s report on the status of implementation for the 10 Principles of the UN Global Compact (UNGC), which the group submits to the UN Global Compact Office.
People are born to be happy.
People can help others find happiness, too.
At Sekisui House, we embrace that truth in everything we do. Our extensive track record in the housing sector, where we have built more homes than any other company across the globe, speaks for itself: we have the ability—and responsibility—to make home the happiest place in the world.

We strive to help people find happiness, be it enriching families’ lives through housebuilding projects and services or connecting people across the globe through business and procurement efforts.

In pursuing that aim, we look forward to finding solutions to social issues and making the world we inhabit a better, more sustainable place.
Scope of Business & Business Model

Business Model

Our management foundation comprises our ESG (environmental, social, and governance) initiatives as well as our value chain and core competence. By engaging in close collaboration across our group, we are establishing a business model that creates value for our many stakeholders. While our built-to-order housing business has established a solid foundation with a strong customer base by providing valuable, high-quality residences and buildings, our supplied housing business has developed renovation businesses and other enterprises. We invest the profits earned by these businesses into our Development Business, which contributes to high-quality urban development. Through these businesses and our future investments, we have formulated a sustainable value creation process. Going forward, we will establish an international business model similar to the one we operate in Japan by expanding our built-to-order business globally. The Sekisui House Group has set its sights on developing as a global enterprise that provides contentment by integrating tangible and intangible products and services capable of driving sustainable growth.

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Editorial Policy

This report is published with the objective to spread awareness about the Sekisui House Group’s efforts to create a sustainable society. We also seek to communicate with various stakeholders and improve the quality of our activities through it. We refer to the following for identifying and editing the contents of the report.

- Environmental report: The Environmental Reporting Guidelines 2018 published by the Ministry of the Environment
- CSR report: Guidance on Social Responsibility ISO 26000
- Remodeling: Information for stakeholders & investors
- General meeting of shareholders

Summary of Information Communicated

Financial Information

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Date of publication: This report is published annually in Japanese in May and in English in July.
A company highly responsive to the effects of climate change on future generations and society in general.

The Sekisui House Group is committed to mapping a path forward.

The role and mission of housing in addressing social issues

To those who lost family and friends to COVID-19, the novel coronavirus, we extend our deepest sympathies and most sincere condolences. To the many individuals whose lives were severely disrupted by the disease and to everyone suffering hardship due to the spread of the infection, we offer our thoughts and support. We would also like to express our gratitude to the medical personnel who are first responders who are providing care under such difficult conditions, as well as those who are working under challenging circumstances to maintain the supply of essential goods.

Rest assured that the Sekisui House Group places the highest priority on the safety of its customers, business partners, stakeholders, and employees. Working in cooperation with public health officials and local governments, we are implementing all necessary countermeasures to minimize the spread of the infection.

For the world of politics and the global economy, of which Japan is a part, the coming decades are expected to mark a major turning point in the very structure of society itself. In the midst of this situation, however, the world suddenly fell under the threat of the novel coronavirus. How this continuing peril will ultimately affect our lives and our economies going forward cannot be anticipated with any degree of certainty. Society has had to respond with new approaches, such as changing social interactions due to requests to practice social distancing as part of the measures to prevent the spread of infection. At the same time, however, we must take urgent measures to protect against large-scale natural disasters and the impacts of climate change that are occurring frequently in various parts of the world. Clearly, 2020 will mark 10 years since the Great East Japan Earthquake, which I myself experienced while on a business trip to the city of Sendai. We need to remember our experiences of this disaster and always keep the lessons we learned from it in mind.

We are all aware that natural disasters can occur anywhere at any time, and Japan has gained a critical awareness of disaster preparedness. Thed seismic performance of new houses has improved dramatically, as demonstrated by the SHEQAS assessment report that Sekisui House developed. However, the critical issue is that about nine million homes in Japan still do not meet the new seismic resistance standard, which is defined as the design basis earthquake resistant to collapse even at a seismic intensity of 6 to 7. Resolving this issue through improvements remains an important social issue and a major challenge for the housing industry.

Looking at the energy saving standards for homes, data reveal that nearly half of all houses, or about 22 million of the houses in Japan, have not yet reached the standard. Improving the energy-efficiency of houses is now considered an urgent issue at the national level. Apart from the energy-efficiency aspect, we must also consider factors such as comfort and appropriateness that contribute to the quality of life and health of the people living in the house. Recent changes in people’s living habits have been placed on health problems such as heat stroke in the summer and thermal shock sparked by sudden temperature differences in houses during the cold winter months. “Cool in summer and warm in winter,” is a phrase reflecting the growing awareness of the importance of efficient cooling and heating for maintaining home comfort. This also represents a critical issue we need to recognize as a fundamental issue for ensuring high-quality housing stock and a good living environment.

Solving social issues and achieving goals

Sekisui House celebrates its 60th anniversary with positive financial performance and is grateful to all who helped make this possible. This milestone is the result of the significant structural reforms we implemented on our 50th anniversary, a time marked by the very challenging economic environment resulting from the global financial crisis of that time. One of the main pillars of that initiative was our effort to strengthen group coordination. Elaborating further, we established a project team within our group to address our key business areas ranging from housing to the development of high-quality infrastructure. Sekisui Real Estate was also reorganized as Sekisui House Real Estate under SEKISUI HOUSE, which was established as Sekisui House’s second brand for selling new houses of wood construction.

Still, the diversified strengths of the entire group as a whole and its cohesiveness and comprehensive strength, have expanded our multifaceted contacts of point with context with a focus on our housing-related businesses. Furthermore, we are strengthening our collaborative efforts in order to further integrate our group. As a result, our social responsibility is becoming more demanding and the scope of our responsibility is expanding.

Sekisui House Group is entering a new era. Our 5th Mid-term Business Plan incorporates a policy of strengthening our core business while taking on the challenge of developing new businesses. In 2018, we further expanded the governance reforms that we launched with six items. In 2020, we launched and implemented a total of 17 initiatives, including seven that included a significant review of the executive compensation system; the formulation of standards and procedures for hiring and dismissing management executives; and improvements to the independence of the board of directors. We intend to further improve our governance reforms by establishing a steering committee to improve the independence of the board of directors in a steady and gradual manner so that the various institutional reforms we have introduced are well reflected in our organizational reforms. We will continue to focus on fostering an organizational culture that cuts across both the top management and business management levels, as we strengthen our group governance structure inside and outside Japan.

The task of a corporate leader is to pursue profits, to nurture the next generation of leaders, and to enrich employees and society. Their task also entails the creation of an environment in which our employees can work comfortably in the exciting and vibrant workplace promoted by the Sekisui House Group. By multiplying these initiatives, we will develop as a good corporate citizen capable of earning the trust of all stakeholders. This is my ideal.

The mindset required for this effort is to focus not “for me” but “for you.” I talk to our employees on a regular basis, and I emphasize the critical importance of empathizing with others. The corporate philosophy of the Sekisui House Group mirrors the meaning of “love of humanity”—in short, we develop homes and environment that contribute to the human aspect. We will do what we can do humbly and honestly, and the entire group will continue to meet challenges with a united spirit and a broad outlook on the world.
Combining tangible and intangible products and services that contribute to contentment

The Platform House Concept is an important initiative intended to achieve our vision. We introduced this concept a year ago at the Consumer Electronics Show (CES) 2019, one of the electronics industry’s largest trade shows, held in Las Vegas, U.S.A. Because we feel that happiness is an intangible asset over the long term, we factor it into the health, connection, and learning aspects we incorporate into our houses to assist in engendering happiness. Our first effort in this project was the construction of the world’s first HED-Net (In-Home Early Detection Network) a network that responds quickly to incidents of acute illness at home. In fact, regarding to such incidents has become an urgent issue these days; HED-Net responds by detecting and alerting physical condition through non-contact sensors that can report an emergency without causing stress to the resident. This safety confirmation and early response system can consistently monitor and provide guidance to emergency services. This innovation was also presented at CES 2020 held in January. Such acute illness is strike, which strikes about 290,000 people annually in Japan. The data shows that 79% of strokes occur in the home. If we also consider the prevalence of heart disease, drowning, and falls, a total of about 70,000 people die in their homes in Japan each year. The introduction and widespread adoption of HED-Net would enable early detection and emergency response to the onset of an acute illness or accident at home. In addition, trial calculations indicate that, when HED-Net is combined with the Platform House Concept, the system has the potential to reduce social costs such as medical costs, nursing care costs, and lost labor costs by about 20% or 1.9 trillion yen. Expectations for this innovation are thus quite high. In addition, we believe this could reduce the number of people who require nursing care or who take medical leave. Clearly, this project offers new value for Japan, a developed country with a mature and aging population. By fusing tangible and intangible products and services, we aim to become a partner in the generation of contentment in an era of centenarians while also maintaining close contact with homeowners.

Sekisui House Technology: Becoming the world’s decarbonization standard

If we take a global perspective, we can see that issues such as climate change and the changing economic environment are having a profound impact. As a provider of high-quality housing in Japan, we can make a significant contribution to issues such as housing shortages and supply-demand gaps. Moreover, we offer environmental technologies and address the potential for reducing the performance of homes capable of withstanding natural disasters.

Today, we aim to achieve sustainable growth through our international business by promoting the three businesses that we are currently operating in Japan: our development business, our built-to-order housing business, and our supplied housing business. In order to advance our business overall, we believe it is essential that we address the salient social issues in the various countries and regions in which we operate. For example, in the United States, where climate change is currently a top priority, the company is addressing a variety of issues such as energy efficiency and the management of renewable energy. We are also exploring opportunities to develop regional economic revitalization projects, such as the construction of affordable housing, as a way to address issues such as aging and declining populations.

In the U.S.A., we are considering entering the field of renewable energy, including solar power. We believe that renewable energy is a critical component of sustainable development, and we are committed to leading the way in this area. We are currently exploring the possibility of acquiring a solar power company, which would enable us to generate our own electricity and reduce our carbon footprint. We are also considering the development of solar farms and other renewable energy projects, as well as the use of energy storage technologies to ensure a stable supply of electricity. In addition, we are exploring the potential for using hydrogen as a source of energy, as it is a clean and abundant fuel source. We are currently working with partners in the development of hydrogen technology, and we are exploring the possibility of using hydrogen fuel cells in our homes and buildings.

In order to achieve this vision, we are committed to investing in research and development to develop new technologies and solutions that can help address the challenges facing our industry. We are also working to build partnerships with other companies and organizations to share knowledge and resources, and to collaborate on joint projects that can contribute to a sustainable future. We believe that by working together, we can make a real difference in the world and help to ensure a more sustainable and prosperous future for all.

Becoming a leading company in ESG management

Through its focus on sustainable growth, the Sekisui House Group aims to become a leading company in ESG management. For example, under our environmental initiatives, we have achieved a ZEH ratio of 87% for newly built houses. By utilizing the expertise we have gained in constructing a cumulative total of 51,793 such buildings, we are promoting rental housing, condominiums, and non-residential buildings built to ZEH standards. Furthermore, we have expanded into the field of remodeling and renovation, as reflected in our Morino Dan-netsu renovation service that suggests ways to raise the comfort level of existing detached houses to the ZEH level.

Sekisui House Technology: The concept of “love the world”

In recent years, Sekisui House has also focused on promoting the concept of “love the world,” which is based on the idea of working towards a better world for all. As a global company specializing in housing, we are committed to creating a sustainable future for everyone. To achieve this goal, we have taken a number of initiatives, including the promotion of sustainable housing solutions and the use of renewable energy sources.

In 2020, Sekisui House launched its “RE100” initiative, which aims to obtain 100% of the electricity required for business operations from renewable sources. This is a significant step in our efforts to reduce our carbon footprint and contribute to a more sustainable future. We have also expanded into the field of remodeling and renovation, as reflected in our Morino Dan-netsu renovation service that suggests ways to raise the comfort level of existing detached houses to the ZEH level.

In addition to our environmental initiatives, we have also been focused on promoting social responsibility and improving our corporate governance practices. We have implemented a number of initiatives to enhance our corporate governance, including the development of a new corporate philosophy and the establishment of a new corporate management system. We have also introduced new mechanisms to improve our internal governance and management practices, which have helped to enhance our overall performance and reputation.

In summary, Sekisui House is committed to promoting sustainable growth and making a positive impact on the world. Our focus on ESG management is a key element of this commitment, and we remain committed to continually improving our practices and initiatives in this area.
Promoting sustainable management through our Four Key Values and 13 Guidelines

In keeping with our corporate philosophy of “love of humanity,” the Sekisui House Group creates value by responding to social change and to shifting demand. Our Sustainability Vision, which we adopted in 2005 and which comprises our Four Key Values and 13 Guidelines, continues to serve as the basis of our approach to value creation. At the root of this is the mindset and the roles we have demonstrated throughout our 60 years of history. These include promoting lifelong contentment, protecting the life and property of our customers, protecting the global environment, and conserving the ecosystem. These are beliefs we continue to support.

Key Values under our philosophy of “Love of Humanity”

The Sekisui House Group declared its Sustainability Vision 10 years before the United Nations adopted its sustainable development goals, or SDGs. The SDGs were adopted in 2015 as common objectives of the international community in terms of maintaining the health of society, the economy, and the environment. Since establishing its Four Key Values and 13 Guidelines in its Sustainability Vision, the group has taken a direct approach to pioneering and implementing sustainability.

Many expect that, going forward, social issues will become more complex and increasingly global in nature. To address these issues, we are placing even greater emphasis on implementing the SDGs and targeting “Society 5.0,” which is a vision of an optimized future society utilizing the Internet of Things (IoT) and artificial intelligence (AI).

We remain committed to enhancing our corporate value and contributing to the achievement of the SDGs through our business with diligence and a spirit of innovation.

Corporate Philosophy (fundamentally, “love of humanity”)

At the core of the Sekisui House Group’s corporate philosophy is a love of humanity: recognizing the irreplaceable value in each and every person, and maintaining a fervent hope for the wellbeing of others and a sense of joy in others’ joy, doing whatever we do in good faith and with a spirit of service. This philosophy took root in 1989 with the unanimous approval of every group employee.

Four Key Values and 13 Guidelines

In 2005, we announced our Sustainable Vision targeting balanced management based on four key values that focus on sustainability as the cornerstone of our management. In 2016, we formulated 13 guidelines as guiding principles based on these four key values.

The Era of the Environment, Comfort and Sustainability

As a company that provides housing, we adopted a major strategy focused on the environment. In 1999, we became the first in the industry to introduce an Environmental Future Plan. In 2005, with our commitment to restoring the global ecosystem to its original balance, we established a clear vision of a society in which all can live comfortably in the sustainable society of the future. We publicized this position as the foundation of our business operations.

Contributing to 100 Years of Contentment

For 60 years, Sekisui House has been cultivating “love of humanity,” as well as our Sustainable Vision comprising our Four Key Values and 13 Guidelines complemented by the SDGs. Through our new value of serving as a “partner in promoting contentment in the era of the centenarian,” we are addressing new challenges with a focus on health and happiness.
Maximizing the contentment of our customers, employees, and communities

Forecasting the future has become a difficult undertaking, as climate change, technological innovation, and demographic changes are significantly transforming the economic environment in which we operate. In order to ensure steady progress toward 2050, the target year of our long-term vision, the Sekisui House Group has formulated a 30-year vision we call “NEXT SEKISUI HOUSE.” With our global commitment to making home the happiest place in the world, we are implementing initiatives to maximize the contentment of our customers, employees, and communities as a global enterprise offering integrated and housing-centered tangible and intangible products and services.

NEXT SEKISUI HOUSE
30-year Vision

Sekisui House Global Vision
Making home the happiest place in the world

Initiatives to support greater contentment
• Becoming a partner in contentment while building a close relationship with homeowners.
• Suggesting how to boost happiness by recognizing the value as of intangible assets such as health, connection, and learning.

Sekisui House Technology: Becoming the world’s de facto standard
• Proprietary technologies developed in Japan that contribute to safety and security, such as robust resistance to earthquakes, fires, and impacts.
• Proprietary technologies that contribute to comfort, such as thermal insulation, universal design, and technologies to provide healthier indoor air.

Becoming a leading company in ESG management
• Leading the world with Net Zero Energy Houses. Contributing to the world through the RE100 Initiative.
• Adopting diversity as a growth driver.
• Focusing on innovation & communication.

Decarbonized society
Society in which humans and nature coexist
Circular economy
Society of health and longevity
Diverse society

Our Vision for 2050
Maximizing the contentment of our customers, employees, and communities

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Message from Management
Vision and Goals

Environmental
• Contributing to health, connection and learning
• Universal design
• Comfortable, safe and secure homes and community development
• Disaster-resistant housing
• An affluent way of life with consideration for the elderly

Social
• Health management
• Equality
• Flexibility in work styles
• Human resource development
• Respect for human rights

Governance
• A company with integrity trusted by its customers
• A fair and equitable corporate culture
• Flexibility in work styles
• Human resource development
• Respect for human rights

Sekisui House Technology
We spread Sekisui House Technology worldwide by providing high-quality houses that combine safety, security, and comfort.

We contribute to the emergence of a sustainable society by promoting ESG strategies such as a decarbonized society, improving our sociability and personnel strategies, and governance reform.

Demographic change
Societal and economic change
Technological innovation

Services
Tangible products
Intangible products

Climate change, ecosystem conservation & resource recycling

Becoming a global company that offers integrated housing-centered tangible and intangible products and services

• Becoming a partner in contentment while building a close relationship with homeowners.
• Suggesting how to boost happiness by recognizing the value as of intangible assets such as health, connection, and learning.
• Proprietary technologies developed in Japan that contribute to safety and security, such as robust resistance to earthquakes, fires, and impacts.
• Proprietary technologies that contribute to comfort, such as thermal insulation, universal design, and technologies to provide healthier indoor air.

• Energy efficiency
• Exterior enhancement
• Securing energy
• RE100 (purchase of surplus power)

• Proprietary technologies that contribute to comfort, such as thermal insulation, universal design, and technologies to provide healthier indoor air.

• Leading the world with Net Zero Energy Houses. Contributing to the world through the RE100 Initiative.
• Adopting diversity as a growth driver.
• Focusing on innovation & communication.

• Health management
• Equality
• Flexibility in work styles
• Human resource development
• Respect for human rights

• A company with integrity trusted by its customers
• A fair and equitable corporate culture
• A workplace culture in which employees can work safely and with peace of mind
• Innovation & communication

• Regional revitalization
• A society committed to disaster response and mitigation
• A market of high-quality housing stock
• Diversity

• A company trusted by society
• An equitable and fair society
• A fair and equitable corporate culture
• A workplace culture in which employees can work safely and with peace of mind
• Innovation & communication

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• Diversity

• A company trusted by society
• An equitable and fair society

Sekisui House Sustainability Report 2020
Risks and Opportunities for 2050

As societal circumstances change at an accelerated pace, corporate operations are also exposed to various evident and potential impacts. In order to create value with a business, it is not enough to make a plan based on the current forecast. With a focus on sustainability, Sekisui House Group analyzes medium- and long-term trends that may affect value creation, identifies risk factors, and positions itself for opportunities through future business development. This is then reflected in our strategic planning over the medium and long terms.

Risks and opportunities from the perspective of global megatrends related to the environment, society and the economy

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<td>Increasing disagreement with local requirements for employment and business practices</td>
<td>Use of proprietary technologies to solve social issues</td>
<td><strong>Workforce reforms; Human resource development</strong></td>
</tr>
<tr>
<td></td>
<td>Increasing diversification of personal values</td>
<td>Growing numbers of customers and employees who value the environment and socialibility</td>
<td>Growing risks to environmental reputation and social reputation</td>
<td>Growing need for housing that contributes to sustainability</td>
<td><strong>Contributing to health, longevity and wealth</strong>; <strong>Contributing to society</strong></td>
</tr>
<tr>
<td><strong>Technological innovation</strong></td>
<td>Increasing utilization of big data and the speed of information and communications technologies</td>
<td>Major transformations in financial markets through financial technology and ongoing corporate collaboration on technology</td>
<td>Increasing social demand for customer management and other security measures</td>
<td>Increase in technologies that contribute to sustainability</td>
<td><strong>Strengthening our corporate governance system</strong></td>
</tr>
<tr>
<td></td>
<td>Increasing opportunities for using advanced medical care</td>
<td>Increasing numbers of customers and employees returning after recovering from illnesses</td>
<td>Increasing need for familiarity with medical technology</td>
<td>Enhanced competitiveness of housing and workplaces focused on health and safety</td>
<td><strong>Occupational health and safety management</strong></td>
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</tbody>
</table>

- Our response to TCFD
- Important ESG themes and material items

The TCFD Task Force on Climate-related Financial Disclosures recommends that companies issue climate-related financial disclosures in an effective manner in order to encourage investors to make appropriate investment decisions. In December 2019, Sekisui House published a TCFD Report dedicated to disclosing information on its response to the risks of climate change. The essential themes related to ESG adhere to the GRI Guidelines (G4) and reflect important issues related to the environment, society and the economy.

For material items, please refer to our website.
Initiatives Targeting 2050

In 2008, the Sekisui House Group announced Vision 2050 with the aim of eliminating CO₂ emissions attributable to housing. As a result, we quickly shifted our management focus to decarbonization. In FY2016, during a time of changing demographics and rapid technological innovation, we released Sustainability Vision 2050, our long-term vision for 2050 that prepares for future environmental changes across a wider range of business domains. In FY2017, we announced mid-term initiatives for 2030 in order to publicize our progress to stakeholders who are interested in the group’s achievement of long-term value. In FY2018, we further clarified our society-centered goals by dividing them into two aspects: a diverse society and an advanced, healthy, and long-lived society.

### Sustainability Vision 2050

<table>
<thead>
<tr>
<th>Our Goals</th>
<th>2050 Challenge Objectives</th>
<th>Main Actions Taken</th>
<th>2030 Goals</th>
<th>Measures for ESG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading the Way to a Decarbonized Society</td>
<td>Zero CO₂ Emissions within the Housing Lifecycle</td>
<td>• Announced the Eco-First Promise (2008)</td>
<td>Achieving SBT Goals</td>
<td>E (Environmental)</td>
</tr>
<tr>
<td>Leading the Way to a Diverse Society</td>
<td>Contributing to Health and Longevity through Housing Development</td>
<td>• Paris Agreement Compliance Declaration (2015)</td>
<td>Sustainable Growth Through Diversity &amp; Inclusion</td>
<td>S (Social)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Joined RE100 international initiative (2017)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• TCFD Report published (2019)</td>
<td></td>
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</tr>
</tbody>
</table>
Main ESG Themes

Aiming to be a leading company in ESG management, and creating a sustainable society.

Sekisui House has formulated Sustainability Vision 2050 as a long-term goal reflecting our efforts in relation to ESG (Environmental, Social, Governance) management. Among the initiatives we have adopted to achieve our long-term vision, we have identified 13 key themes under the ESG trend as goals to be achieved during the period between 2020 and 2022. These correspond with the 17 goals of the SDGs (sustainable development goals) adopted by the United Nations, and we are making daily progress to contribute to the emergence of a sustainable society.

### Main ESG Themes

<table>
<thead>
<tr>
<th>Activity Report</th>
<th>Main ESG Themes</th>
<th>Main Corresponding SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental</strong></td>
<td>Decarbonized society</td>
<td>SDG 7, SDG 11, SDG 12</td>
</tr>
<tr>
<td></td>
<td>Society in which humans and nature coexist</td>
<td>SDG 11, SDG 15</td>
</tr>
<tr>
<td></td>
<td>Circular economy</td>
<td>SDG 6, SDG 13</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>Contributing to health, longevity and wealth</td>
<td>SDG 1, SDG 3, SDG 8</td>
</tr>
<tr>
<td></td>
<td>Pursuing customer satisfaction through our value chain</td>
<td>SDG 10, SDG 12</td>
</tr>
<tr>
<td></td>
<td>Promoting diversity</td>
<td>SDG 5, SDG 16</td>
</tr>
<tr>
<td></td>
<td>Workstyle reforms</td>
<td>SDG 8, SDG 10</td>
</tr>
<tr>
<td></td>
<td>Human resource development</td>
<td>SDG 5, SDG 9</td>
</tr>
<tr>
<td></td>
<td>Respect for human rights</td>
<td>SDG 16</td>
</tr>
<tr>
<td></td>
<td>Contributing to society</td>
<td>SDG 13, SDG 16</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Strengthening our corporate governance system</td>
<td>SDG 16</td>
</tr>
<tr>
<td></td>
<td>Compliance and risk management</td>
<td>SDG 16</td>
</tr>
<tr>
<td></td>
<td>Occupational health and safety management</td>
<td>SDG 8</td>
</tr>
</tbody>
</table>

### Environmental: Introducing Initiatives Contributing to a Decarbonized Society

- Strengthening and Expanding our Net-Zero Energy House (ZEH) initiative
- Promoting and expanding the net-zero energy initiative for target buildings
- Promoting RE100 under Sekisui House Owner Denki
- Purchasing post-FIT power from homeowners and using the electricity for the group’s business purposes

### Social: Improving Sociability and Our Human Resource Strategy

- Recruiting and hiring individuals with a diverse array of skills for new fields of business
- Promoting diversity: Creating a workplace that encourages employees to demonstrate a diversity of skills
- Supporting the active participation of women

### Governance: Implementing Reforms

For top management:
- Reforming the corporate governance system and strengthening effectiveness
- Enhancing information disclosure and dialogue with stakeholders

For business operations management:
- Improving the integrity of operations management
- Strengthening the group governance system

<table>
<thead>
<tr>
<th>Key Indicators (FY2022 Target Values) (For details, see pages 65–66)</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green First ZERO ZEH rate: 90%</td>
<td>Page 19–</td>
</tr>
<tr>
<td>CO₂ emissions reduction rate in business operations: 34%</td>
<td></td>
</tr>
<tr>
<td>CO₂ emissions reduction rate for new housing: 43%</td>
<td></td>
</tr>
<tr>
<td>Post-FIT power purchasing rate: 15%</td>
<td></td>
</tr>
<tr>
<td>Sustainable wood procurement rate: 96%</td>
<td>Page 25–</td>
</tr>
<tr>
<td>Ecosystem-friendly tree planting: 19 million planted</td>
<td></td>
</tr>
<tr>
<td>Waste generation rate (new construction): 5.2%</td>
<td>Page 29–</td>
</tr>
<tr>
<td>Waste recycling rate (new construction): 100%</td>
<td></td>
</tr>
<tr>
<td>Waste recycling rate (remodeling): 90% or higher</td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction rate: 95% or higher</td>
<td>Page 33–</td>
</tr>
<tr>
<td>SDG procurement adoption rate: 90%</td>
<td></td>
</tr>
<tr>
<td>SDG procurement score: 88.0 points</td>
<td></td>
</tr>
<tr>
<td>Female managers: 26.0</td>
<td>Page 37–</td>
</tr>
<tr>
<td>Full-time female employee rate: 28.0%</td>
<td></td>
</tr>
<tr>
<td>Hiring rate for new female graduates: 42.0%</td>
<td></td>
</tr>
<tr>
<td>Number of female directors (non-consolidated basis): 1 or more</td>
<td></td>
</tr>
<tr>
<td>Employment rate of persons with disabilities (non-consolidated basis): 2.61%</td>
<td></td>
</tr>
<tr>
<td>Take-up rate for male childcare leave (non-consolidated basis): 100%</td>
<td>Page 43–</td>
</tr>
<tr>
<td>Annual paid leave take-up rate: 60%</td>
<td></td>
</tr>
<tr>
<td>Average monthly working hours per person: 164</td>
<td></td>
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<tr>
<td>Full-time female employee rate: 28.0%</td>
<td>Page 45–</td>
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<td>Annual paid leave take-up rate: 60%</td>
<td></td>
</tr>
<tr>
<td>Average monthly working hours per person: 164</td>
<td></td>
</tr>
<tr>
<td>Total cumulative number of workers who have acquired major qualifications required for employment: 22,900</td>
<td>Page 47–</td>
</tr>
<tr>
<td>Governance awareness survey score Work culture that prohibits abuse of power imbalances: 83.0 points</td>
<td>Page 49–</td>
</tr>
<tr>
<td>Governance awareness survey score Work culture that prohibits abuse of power imbalances: 83.0 points</td>
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</tbody>
</table>
We encourage the adoption of ZEH and ZEB to reduce CO2 emissions in the dwelling and usage phases of houses and buildings; these phases account for the largest proportion of CO2 emissions in the entire industry. At the same time, we are working to reduce CO2 emissions throughout the value chain, which includes promoting energy efficiency and the use of renewable energy sources in our business operations. Our goal, as reflected in the Sekisui House Sustainability Report 2020*, is to contribute to the emergence of a decarbonized society by 2050. 

We are leading the ZEH transition in the housing industry by constructing Japan’s first ZEH rental units and other advanced energy-generating equipment. Having obtained SBT certification†, we are implementing decarbonization efforts.

For this reason, we have developed a proprietary tile-shaped solar panel that allows for the installation of many panels on a roof with a complicated shape. In addition, the panels are incompletely integrated with the existing roof tiles, so the exterior appearance of the building and the surroundings are considered in the installation. In addition, in three- and four-story residences, which are increasing in popularity mainly in urban areas, columns are used to provide direct support for the roof. Moreover, because solar panels are required for ZEH conversions, we have developed large roofs that provide the necessary support regardless of the building configuration.

By solving such difficult challenges with technology and by highlighting the various benefits of ZEH design to our customers, we are continuing to promote adoption of the ZEH standards through our Green First ZERO initiative with the goal of reaching a ZEH ratio of 90%.

We joined RE100* by purchasing surplus electricity from post-FIT* homeowners. Having obtained SBT certification†, we are implementing decarbonization efforts.

We were quick to introduce ZEH Green First ZERO products for new detached houses placed on the market.

We launched models that reduce CO2 by over 50%.

Based on scientific data, we have attained a cumulative total of 51,793 ZEH units (as of March 31, 2020), which represents the highest total in the industry in Japan.

We have implemented various initiatives to promote the benefits of ZEH, including tours and regular seminars at exhibition halls and at Sumai-no-Yume-Kyö. By developing the necessary technologies, we have provided solutions in cases where barriers to ZEH conversion exist.

For example, ZEH standards require the installation of high-capacity solar panels, but securing the required capacity with general large-format panels is difficult on roofs with complicated shapes due to the circumstances of the site or the building design.

- Scope 1: CO2 emissions from fuel combustion
- Scope 2: CO2 emissions from purchased electricity and heat
- Scope 3: CO2 emissions indirectly related to the building’s activities (as compared to 2013)

Launched net-zero energy housing (ZEH) in 2008.

We joined RE100* by purchasing surplus electricity from post-FIT* homeowners.

Both the open balcony space and the installation of high-capacity solar panels are made possible with columns that support the large roof on the second floor.

In order to achieve the ZEH ratio of 90%, we need to reach a ZEH ratio of 87% for new detached houses by 2050.

Cumulative number of detached ZEH homes
Our Sha Maison ZEH rental housing offers 447 units in 58 buildings.

About 30% of the CO₂ emissions attributable to the residential sector are emitted from multi-unit housing complexes, and rental housing accounts for a large portion of this. Clearly, the conversion of rental housing to ZEH standards is an essential aspect of the trend toward decarbonization. By utilizing the expertise we gained through the construction of detached houses, we managed to complete our first rental housing units in January 2018 in which all residential units are fully ZEH. This project, under our Sha Maison rental house brand, was constructed in Kanazawa, Japan. Since then, we have been increasing the number of ZEH rental units across Japan, from Hokkaido to Kyushu.

Two types of ZEH standards apply to multi-unit housing complexes: ZEH-M, which applies the net-zero energy standard to the entire residential building, including common areas; and ZEH, which applies the net-zero energy standard to the individual housing units, in the same manner as detached housing. While the ZEH-M standard substantially reduces CO₂ emissions from the entire residential complex, the individual units do not have to meet the ZEH standard on their own. We place significant emphasis on highlighting the benefits of our rental housing to prospective tenants, and we are working to popularize ZEH-M, which satisfies all ZEH requirements. ZEH residential units offer the many benefits of the ZEH standard, such as the comfort provided by high levels of thermal insulation, reduced utility costs, and the sense of security.

Illustration of ZEH multi-unit residence

<table>
<thead>
<tr>
<th>ZEH-M</th>
<th>ZEH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential unit</td>
<td>Residential unit</td>
</tr>
<tr>
<td>Common area</td>
<td>Common area</td>
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</tbody>
</table>

For a multi-unit housing complex, four types of ZEH standards are defined depending on the differences in energy efficiency: ZEH-M is the most effective standard, as it is capable of reducing primary energy consumption by 100% in balance. In contrast, Nearly ZEH represents a 75% reduction in CO₂ emissions, ZEH Ready represents a 50% reduction, and ZEH Oriented represents a 20% reduction. In addition, 2014 and ZEH adopt different definitions of emission targets, which can be “residential building” for the former and “dwelling units” for the latter.

Based on the definition of ZEH for multi-unit housing revised on March 2018 by the Agency for Natural Resources and Energy.)

that comes from knowing that electricity will continue to be supplied in the event of a disaster. When those living in ZEH units voice their high praise of the results, we are confident that demand for ZEH residential units will rise, leading to an increase in the number of ZEH residential units in the market, thus helping to address the climate change issue.

In fiscal 2019, we supplied 58 ZEH-M buildings and 447 ZEH dwelling units for a cumulative total of 103 buildings and 691 dwelling units. We will continue to strive to popularize ZEH rental housing, which offers value to tenants, building owners, and the environment.

Construction of a super-high-rise ZEH condominium

We are also promoting condominiums built to ZEH standards. In February 2019, we completed construction of Grande Maison Kakuzouzai Kikuzakacho in Nagoya. This is Japan’s first condominium complex to meet the ZEH standard. It has been considered difficult to build multi-unit housing complexes to ZEH standards because of the small rooftop area available for installation of solar panels compared to the large number of housing units in this structure. This is a low-rise condominium with only 12 units, however, so it offers sufficient rooftop area.

On the other hand, with respect to high-rise condominiums on which solar panel installation is difficult, Japan has defined and promoted the ZEH Oriented standard, which provides for as much energy-efficiency as possible without the installation of solar panels. For this reason, in fiscal 2019, we broke ground on Grande Maison Utemochidai The Tower PI in Osaka City. This is a 36-story super-high-rise multi-unit condominium complex in which all dwelling units meet the ZEH Oriented standard. In order to improve energy efficiency, we have equipped all units with high-efficiency air conditioners as well as fuel cells that generate electricity for hot-water supply. One appeal of super-high-rise condominiums is the view from the large windows; however, increasing the area given over to windows, which have inferior thermal insulation performance compared to walls, is a disadvantage when attempting to meet the ZEH standards. However, we have achieved comfort levels equivalent to ZEH while also offering the views available with large windows by specifying high-performance vacuum double-glazed windows and by providing additional thermal insulation in each unit. In fact, the insulation levels exceed the energy-efficiency standards of Hokkaido in chilly Northern Japan.

We will continue to promote ZEH standards with consideration for the unique added value they offer for condominium dwellers.
Thanks to enhanced thermal insulation and more comfortable equipment, the Idokoro Dan-netsu concept is an excellent way to enjoy roomy and more comfortable living spaces.

Under the Idokoro Dan-netsu concept, we can provide greater comfort to residents by installing additional thermal insulation and remodeling with a focus on the living spaces and in keeping with the desired lifestyles.

By combining the newly developed RF Support Beam System with the Idokoro Dan-netsu concept, thermal insulation is upgraded for greater efficiency with emphasis on the living room, dining room, and kitchen spaces. Moreover, the Cocotas multi-split air conditioner is installed for utility areas such as corridors in order to reduce the temperature differences between each room. When undertaking a remodeling project, the Cocotas House Group accurately determines in advance the current state of thermal insulation and other circumstances based on the history of each dwelling.

To appropriately combining our proprietary thermal insulation and renovation materials, we undertake renovations in a short period of time to exacting specifications even in houses more than 20 years old while enhancing comfort, economy, and environmental considerations.

Details of Idokoro Dan-netsu Premium

Ceiling insulation (attic space)

We improve thermal insulation by adding insulating material on top of the existing insulation or by replacing it with upgraded insulation.

Wall insulation

We improve insulation performance by adding superior insulation panels to existing walls or replacing them with a basic frame with new insulation.

Window insulation

We upgrade the weather resistance of the windows by mounting a window on the interior of the existing window or by dismantling the existing sash and replacing it with a new one.

Underfloor insulation

We improve the floor insulation by adding thermal insulation from below the floor without altering any piping, or by replacing it with a new floor base (which incorporates thermal insulation).

Bathroom heating

Bathroom heating is installed for added comfort and convenience.

Floor heating

Floor heating is installed for added comfort and convenience.

Multi-source air conditioning for small spaces

Multi-source air conditioning is installed for utility areas such as corridors.

Installation of equipment providing greater comfort

We install additional equipment such as air conditioners and latching devices for greater comfort.

Component List

Idokoro Dan-netsu Component List (Selected according to customer needs)

- Upgraded thermal insulation
- Installation of equipment providing greater comfort

In-vehicle device

- Sends vehicle operation data over communication networks
- Provides information of operation control
- Verification of effectiveness using data

System server

- Sends email notification for dangerous driving

Telematics website

- Consulting

Leasing company

Year-on-year reduction in CO₂ emissions from commercial vehicles by 1,160 tonnes (3.8%)

The Sekisui House Group’s 12,000 commercial vehicles are equipped with telematics*. We encourage safe and eco-friendly driving practices by promoting routine improvement activities at our business sites and through company-wide, long-term improvement initiatives that utilize driving data such as instances of rapid acceleration or braking. Our group held safe driving training sessions more than 400 times during the year, resulting in a year-on-year reduction in CO₂ emissions of 1,160 tonnes (representing a decrease of 3.8%) thanks to ongoing practices such as distribution of safe driving notebooks, DVD teaching materials, and sticker production.

Since the introduction of telematics devices for vehicles in 2011, our efforts have earned high praise. Notably, we received the Minister of the Environment’s FY2018 Commendation for Global Warming Prevention Activity (Implementation of Countermeasures Category).

* Telematics is a system that provides information on vehicle operations, such as usage and fuel consumption, as well as dangerous driving, such as sudden acceleration or deceleration, using devices fitted in the vehicles and communication terminals.

The structure of telematics

* Applicable when no other incidental conditions apply, such as the designation of the power company purchasing the electric power or the requirement that storage batteries be installed.
Main ESG Themes

Society in Which Humans and Nature Coexist

Basic concept

Striving to maximize ecosystem networks through our business based on sustainable use of natural capital

As an “ecosystem service,” biodiversity helps to support life and is closely related to commercial activity in terms of raw material procurement. As a housing manufacturer that has constructed a cumulative total of 2.46 million dwellings, the Sekisui House Group consumes 300,000 cubic meters of wood annually. At the same time, we plant about one million trees nationwide every year, which makes us one of the largest landscaping companies in Japan. Due to these characteristics of our business and our influence through our suppliers, we promote tree planting as part of our business to contribute to the conservation of local ecosystems. Moreover, we seek to procure sustainable lumber and preserve forests that will lead to conservation of global biodiversity.

Activity report

With 1.09 million trees planted annually, we believe urban tree planting and the Gohon no ki project are growing in importance.

Recent extreme weather events that are believed to be associated with climate change make people’s lives more difficult; moreover, they can damage ecosystems. In light of the decrease in green space due to urbanization in many parts of the world, effective greening not only supports ecological conservation but also creates leisure spaces necessary for family life while revitalizing the area. Functional greening design supports healthy lives in various ways while also storing rainwater and reducing flooding damage.

However, from the perspective of ecosystem conservation, some of the horticultural and exotic trees commonly used for greening are difficult for local birds and insects to utilize. As well, those not suited to the Japanese climate often have low insect resistance. Therefore, since 2001, the Sekisui House Group has been focused on gardening and landscaping practices that actively incorporate native species likely to be accessible to local wildlife. Specifically, we have implemented our Gohon no ki (or five trees) indigenous landscaping project under the slogan “Three are for birds and two are for butterflies.” We are now promoting this initiative nationwide to help establish a Satoyama network that supports habitats for flora and fauna in household gardens while enriching the ecosystem.

In 2019, with the cooperation of specialist researchers, we scrutinized the plant list we had compiled with the assistance of environmental NGOs, local plant grower networks, and our in-house tree doctors. This list reflected a large amount of data on flora and fauna in order to meet market needs. It has since been updated significantly with the addition of suitable tree species. As a result of this activity, we planted 1.09 million trees in FY2019, including those planted under the Gohon no ki project. The cumulative number of planted trees since the start of the project in 2001 has reached 16.11 million.

Enhancing communication through tree identification panels

After completing development of a system providing detailed planting data for each residence, we have promoted the adoption of communication tools that allow homeowners to enjoy growing plants with greater interest after delivery. In June 2018, we updated our tree identification panels. These are popular for their smartphone-accessible QR codes, which allow one to easily pull up garden data throughout the four seasons. The available information includes tips on plant flowering, fruiting, and autumn leaves as well as pruning information. The adoption rate has expanded to about 80% nationwide, with a total of 310,000 ID panels issued to date.

Scan the QR code at right to view some of the actual tree planting information. You can also listen to the songs of wild birds who are attracted to these trees.

Attractive greening for rental properties

For rental properties where profitability is emphasized, tree-planting is commonly disregarded as just another additional cost.

However, at Sekisui House, we are actively developing properties that showcase landscape design. We have branded these properties Sha-Mason Gardens in the belief that beautification over time resulting from proper landscaping improves the asset value as well as the attractiveness and appeal of a property through the years. As a result, we have developed what we call the Five Environmental Premiums to enhance these landscapes from various perspectives:

1. Harmony with the city’s appearance
2. Preservation and restoration of the natural environment
3. Consideration of environmental impact
4. Design for comfort and
5. Design that contributes to biodiversity.

Each of these items has its own rigorous evaluation criteria, including quantification and visualization to contribute to a pleasant living environment. These items encompass the site, the surrounding environment, and the building itself. We further tightened these standards in fiscal 2019 and supplied 1,891 Sha Mason Gardens buildings containing 16,823 dwelling units, which represents 46% of the target. We intend to increase this to 70% of Sha Mason Gardens complexes within three years.

Procuring sustainable lumber following extensive due diligence

Exercising due diligence with relation to procurement

Wood is an essential renewable resource, and we consume about 300,000 cubic meters of wood annually for house construction. However, illegal logging and the pressure to convert agricultural land to oil palm production have led to deterioration of the conservation function of the forest ecosystem, disruption to the lives of local residents, and interference in sustainable forest management. Moreover, because of the complexity of distribution channels, the need to ensure the traceability of wood has become an extremely important issue. In response to this situation, we have been encouraging our suppliers to exercise due diligence by thoroughly monitoring and researching the traceability of the lumber we purchase.

With respect to due diligence, many companies limit the scope of their surveys by excluding medium-density fiberboard (MDF), as it is not subject to legality review under Japan’s Clean Wood Act. However, in response to this situation, we have been thoroughly monitoring and researching the traceability of the wood we purchase.

In terms of operational illegality, we will contact environmental NGOs, local plant grower networks, and our in-house tree doctors. We have accomplished this using a system providing detailed identification data for each building.

<table>
<thead>
<tr>
<th>Due Diligence Practices</th>
<th>Initial risk assessment</th>
<th>Risk assessment</th>
<th>Risk mitigation measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information gathering</td>
<td>Tree species at risk</td>
<td>Logging country risk</td>
<td>Comptition index, etc.</td>
</tr>
<tr>
<td>Risk assessment</td>
<td>Logging country risk</td>
<td>Corruption index, etc.</td>
<td>NPO information, document confirmation, site visits, etc.</td>
</tr>
<tr>
<td>Risk mitigation measures</td>
<td>NPO information, document confirmation, site visits, etc.</td>
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</tbody>
</table>

As a result of our due diligence, we have managed to l"prove global biodiversity. With 1.09 million trees planted annually, we believe manufacturers can play an important role by providing advice to suppliers of wood building materials regarding the tracking process in order to improve sustainability. In addition, in an effort to disclose the state of progress, we demonstrate thorough due diligence with regard to base materials, interior finishing materials, and equipment.

Garden Park Town

Gohon no ki project Cumulative number of trees planted by FY2022: 19 million

Promoting eco-friendly horticulture as the largest gardening and landscaping company in Japan

Build a sustainable society through proper lumber procurement

Promoting the practices of the FairWood initiative

Residential building in Tokyo combining condominiums and rental units with a variety of greenvanry

Building a sustainable ecosystem network through our business operations

Ecosystem-friendly Ecosystem network through our business operations

■ Sustainable wood procurement

We have thoroughly verified the tracking process in order to improve sustainability. In addition, in an effort to disclose the state of progress, we demonstrate thorough due diligence with regard to base materials, interior finishing materials, and equipment.

Clean Wood Act. However, in order to pursue the goal of ensuring the traceability of wood has become an extremely important issue. In response to this situation, we have been encouraging our suppliers to exercise due diligence by thoroughly monitoring and researching the traceability of the lumber we purchase.

With respect to due diligence, many companies limit the scope of their surveys by excluding medium-density fiberboard (MDF), as it is not subject to legality review under Japan’s Clean Wood Act. However, in order to pursue the goal of Zero Deforestation, which is an international requirement, we believe that manufacturers can play an important role by providing advice to suppliers of wood building materials regarding the tracking process in order to improve sustainability. In addition, in an effort to disclose the state of progress, we demonstrate thorough due diligence with regard to base materials, interior finishing materials, and equipment.

After completing development of a system providing detailed planting data for each residence, we have promoted the adoption of communication tools that allow homeowners to enjoy growing plants with greater interest after delivery. In June 2018, we updated our tree identification panels. These are popular for their smartphone-accessible QR codes, which allow one to easily pull up garden data throughout the four seasons. The available information includes tips on plant flowering, fruiting, and autumn leaves as well as pruning information. The adoption rate has expanded to about 80% nationwide, with a total of 310,000 ID panels issued to date.

Scan the QR code at right to view some of the actual tree planting information. You can also listen to the songs of wild birds who are attracted to these trees.

Attractive greening for rental properties

For rental properties where profitability is emphasized, tree-planting is commonly disregarded as just another additional cost.

However, at Sekisui House, we are actively developing properties that showcase landscape design. We have branded these properties Sha-Mason Gardens in the belief that beautification over time resulting from proper landscaping improves the asset value as well as the attractiveness and appeal of a property through the years. As a result, we have developed what we call the Five Environmental Premiums to enhance these landscapes from various perspectives:

1. Harmony with the city’s appearance
2. Preservation and restoration of the natural environment
3. Consideration of environmental impact
4. Design for comfort and
5. Design that contributes to biodiversity.

Each of these items has its own rigorous evaluation criteria, including quantification and visualization to contribute to a pleasant living environment. These items encompass the site, the surrounding environment, and the building itself. We further tightened these standards in fiscal 2019 and supplied 1,891 Sha Mason Gardens buildings containing 16,823 dwelling units, which represents 46% of the target. We intend to increase this to 70% of Sha Mason Gardens complexes within three years.

Procuring sustainable lumber following extensive due diligence

Exercising due diligence with relation to procurement

Wood is an essential renewable resource, and we consume about 300,000 cubic meters of wood annually for house construction. However, illegal logging and the pressure to convert agricultural land to oil palm production have led to deterioration of the conservation function of the forest ecosystem, disruption to the lives of local residents, and interference in sustainable forest management. Moreover, because of the complexity of distribution channels, the need to ensure the traceability of wood has become an extremely important issue. In response to this situation, we have been encouraging our suppliers to exercise due diligence by thoroughly monitoring and researching the traceability of the lumber we purchase.

With respect to due diligence, many companies limit the scope of their surveys by excluding medium-density fiberboard (MDF), as it is not subject to legality review under Japan’s Clean Wood Act. However, in order to pursue the goal of Zero Deforestation, which is an international requirement, we believe that manufacturers can play an important role by providing advice to suppliers of wood building materials regarding the tracking process in order to improve sustainability. In addition, in an effort to disclose the state of progress, we demonstrate thorough due diligence with regard to base materials, interior finishing materials, and equipment.
Mechanism and progress of sustainable wood procurement: Rank A and Rank C wood ratio of 95% 

In terms of procurement, we have adopted 10 policies under our Wood Procurement Guidelines that take into consideration legality, the health of the ecosystems of the felling areas, and the lifestyles of the residents of the logging areas. Since 2006, we have been conducting surveys on the procurement status of about 50 suppliers of wood building materials, receiving reports on the legality of the procured lumber, the place of production, and the attributes, attaining them according to guidelines, and managing their progress. In fiscal 2019, we were able to proceed with confirmation of a new tropical forest species to be surveyed. 

For projects with insufficient assurance of traceability, we exercise thorough due diligence by visiting local production sites, conducting surveys, and confirming facts on the ground. 

10 Wood Procurement Guidelines 

1. Source wood products from areas with relatively low risk of illegal logging. 
2. Source wood products from areas with sustainable 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 processing, producing, 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. 

Through these activities, we are seeking to achieve zero Deforestation, thus halting the destruction of forests that leads to destruction of the ecosystem. 

In fiscal 2019, we were able to achieve our management target of a 95% ratio for Rank S and Rank A lumber. Although we do not set targets for use of certified materials alone in consideration of the healthy development of community forestry, 66% of all wood building materials, including those used for interior installation, and 93% of structural wood use, are PEFC-certified wood products (including certified processed wood). The ratio of certified products itself has been declining due to an increase in the adoption of structural materials that undergo little certification even though they are sourced with sustainable forest management methods. 

Sustainable wood procurement as promoted under the FairWood initiative 

Global adoption of due diligence and the FairWood initiative for wood procurement 

In 2008, a law was enacted in the United States to eliminate illegal lumber from the market. Since then, the EU and other countries and regions have followed suit, and in the past 10 years, the idea of supply chain management of the wood supply has been rapidly gaining ground. The common denominator in this trend is the exercise of due diligence. An increasing number of companies are practicing due diligence, which encompasses ESG factors, with respect to their wood purchases in terms of (1) collecting information, (2) implementing risk assessments, and (3) practicing risk mitigation and improving the risks of legality. 

As an expert who has been monitoring these trends for about 15 years, the most distinctive feature of Sekisui House’s FairWood procurement initiative is that it positions due diligence as an investment in the world and in the future of the planet. By recognizing its responsibilities as a major manufacturer and its influence on suppliers, and by proactively analyzing and responding to ESG risks that are highly relevant to the company, Sekisui House clearly contributes to the emergence of a sustainable society as a whole. Among the 10 indicators of FairWood procurement, it is only natural to comply with “legality” in addition to the need for ecological conservation, CO2 reduction at home and abroad, and consideration of the social welfare of local residents; consequently, the company has accumulated a substantial procurement record. 

In the exercise of due diligence, increasing the proportion of certified materials is often identified as one goal. As conversion of forest land to agricultural land is rapidly progressing around the world, the certification system itself is considered a viable tool for counteracting forest destruction. However, in the case of Sekisui House, the final goal is simply to utilize certified materials; the company is practicing responsible procurement from the perspective of identifying potential risks due to due diligence and by investing in the future of the planet. Examples include branding of domestic lumber as part of the evaluation of community forest lumber that supports domestic producers, and small-scale agroforestry that encounters high hurdles to obtaining certification. Due diligence is not originally uniform, optimizing and creating original products is one of the most effective options for individual companies while at the same time serving as an element of differentiation from others. 

Ecologically rich natural tropical forests that regulate climate and temperature are rapidly disappearing, but the Japanese lumber industry and consumers alike still do not seem to have responded by exhibiting any sense of crisis. In the future, we hope not only to expand our efforts within the company, but also to raise awareness of the idea of investing in the future of the planet through the construction industry and peripheral industries, and to indicate support to consumers and suppliers.
Circular Economy

Main ESG Themes

Circular Economy

Basic concept
We will optimize the use of resources at production, construction and all other stages while supporting the creation of a circular economy through recycling-oriented businesses throughout the product lifecycle.

Under the SDGs, Goal 12 requires that companies ensure sustainable production and consumption patterns in order to stabilize the lives of all as demand for resources and energy increases along with the growth in the global population. It is essential that companies work to optimize the entire lifecycle of their products and improve resource efficiency. The housing industry is expected to develop and popularize recycling technologies while also promoting services and support in line with social trends. The objective is to increase the value of housing stock available in society.

Action policies

Achieving zero emissions throughout the product lifecycle

Activity report
Expanding zero emissions in an ongoing effort to achieve the 100% goal

The housing industry consumes a large amount of resources. Industrialized housing systems that produce the basic structural skeleton in a factory have proven to be effective systems for increasing resource productivity when used in combination with a built-to-order production system. Accordingly, we managed to achieve the zero emissions goal during the FY2019 with the aim of expanding zero emissions and improving resource efficiency.

Increasing the life of houses through circular business model based on in-group alliances

Improving the quality of recycled products

Activity report
Promoting zero emissions with a material recycling rate of 83.1%

Thanks to our zero emissions initiative, the amount of waste generated per building has been reduced by a substantial 60% since FY1999. Following the phase in which we were able to significantly reduce the amount of waste generated, we are currently maintaining that level of waste reduction.

However, with the recent global trend toward emphasizing a “circular economy,” it is becoming more important not only to reduce the amount of waste generated, but also to design the entire business around an effort to improve the quality of recycling.

In light of this trend, we have been improving our construction methods by incorporating feedback from reviews of our construction methods. We are doing so by utilizing the strengths of our in-house production and direct construction methods by incorporating feedback from reviews of our construction methods. We are doing so by utilizing the strengths of our in-house production and direct construction methods. We are doing so by utilizing the strengths of our in-house production and direct construction methods. We are doing so by utilizing the strengths of our in-house production and direct construction methods. We are doing so by utilizing the strengths of our in-house production and direct construction methods.
After one year of implementation, the verified results reveal the following:

- 18,974 tonnes of waste, but also for promoting recycling business models.
- Zero emissions in our plastic initiative.
- 100% recovery of plastics at construction sites and significant reduction in the use of beverages packaged in PET bottles.

Plastics Smart initiative

1. Proactive reduction of CO2 emissions in the residential sector and business activities

- To actively carry out planting plans (Gohon no Ki Project) focused on species native to the region to promote landscaping in housing and the community, and for planting a total of 15 million trees by 2020, which marks 20 years since the launch of business activities based on the Gohon no Ki project.
- To introduce FanWood lumber in cooperation with suppliers and NGOs with a view to preventing illegal logging and loss of natural ecosystems and making the economies of the production areas independent.

2. Proactive revival of ecosystem network

Creating a society that enables a fulfilling and comfortable lifestyle through use of sustainable natural capital.

3. Proactive promotion of resource recycling activities

Striving to increase the value of social assets by promoting revitalization of cities and communities and carrying out proposal-type renovation.

Highlights

Sekisui House Eco First Park, a site for environmental education: 4th anniversary symposium held to commemorate the opening.

Eco-First Promise

Sekisui House was certified as an Eco-First Company by the Japanese Minister of the Environment in June 2008 for making three promises (Eco-First Promise) to reduce global warming prevention, ecosystem preservation and resource recycling. We have been conducting environmental activities with a view to fulfilling these promises. In 2012 and 2016, we updated our Eco-First Promise within the broad frameworks of the three promises while incorporating changes in social environment and the progress in our initiatives to intensify our efforts. The content of the Eco-First Promise will be updated in 2020.

The Eco-First Promise (updated 2016, excerpt)

1. Proactive reduction of CO2 emissions in the residential sector and business activities

- To aim for over 4% reduction in primary energy consumption in our operations, excluding housing stock, by 2030, corresponding to Japan’s targets (9.3% reduction in CO2 compared to 2015).
- To actively introduce energy-saving conditions, eco-friendly cars and LED to surpass the target values (10% reduction in CO2 emissions in 2020 in comparison to FY2016) set by the Japan Prefabricated Construction Suppliers and Manufacturers Association for CO2 emissions from business activities of the group.

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 Contributing to Health, Longevity and Wealth

**Main ESG Themes**

**Contributing to Health, Longevity and Wealth**

**Basic concept**

Since its founding, the Sekisui House Group has focused on supplying houses of high quality that are safe, secure, and comfortable. In response to changing times, we have worked to develop construction methods that make homes highly resistant to natural disasters, with a focus on comfort and environmental considerations. Over the coming 30 years, as the era of the 100-year lifespan comes to the fore, in the quest to build “homes for happiness” we aim to apply the emerging fusion of tangible and intangible products and services to social plan. We plan to utilize technical resources developed in Japan, a country with an aging society and a long-lived population. Our aim is to bring these new services to the global marketplace to address social issues and contribute to fuller living.

**Action policies**

First initiative to build in-home early illness detection network for “houses that support good health”

**Development of HED-Net (In-Home Early Detection Network)**

**Activity report**

**What is The Platform House Concept?**

Our global vision at Sekisui House is to make the home the happiest place in the world. The Platform House Concept was developed and announced in 2019 based on this vision. The concept encompasses systems that will support the health and happiness of residents of the houses we build as we enter the era of 100-year life.

The Platform House will have a range of services installed that promote health, connection, and learning—a new concept that utilizes data from residents to enable active living to and beyond the age of 100. Good health, social connection, and opportunities to learn become intangible assets for residents. Sekisui House aims to develop services that offer and promote these intangibles through business models.

The Platform House Concept proposes the home as not only a place for settling down but as a launchpad for new departures. Vitalized by good health, a sense of connectedness, and the stimulation of learning, residents become motivated to engage in new endeavors to reach their full potential. This launchpad concept is embodied in our use of “platform.”

Our first initiative is centered on health—the foundation for “houses that support good health.” This initiative involves offering services that provide medical emergency response, health monitoring over time, and preventative care.

**HED-Net addresses issues in a healthy, long-lived society**

The first initiative in the Platform House Concept is the world’s first in-home early detection network, HED-Net. It is estimated that approximately 70,000 people in Japan die each year in their homes from an incident that involves either a stroke, heart failure, drowning, or a fall or collapse—a far greater number of deaths than are due to traffic accidents (about 3,500/year). Strokes occur in approximately 290,000 people annually in Japan; 79% of the time they happen at home, and about 150,000 people die at home without help. When people suffer from a heart attack, 66% of the time it occurs at home, while over 5,000 people annually drown at home, often in the bathtub. Falling or collapsing in the home accounts for approximately 3,000 deaths annually.

Traffic accident deaths have declined with the advent of airbags, anti-lock braking systems, and other automobile safety features. However, little has yet to be done anywhere in the world to combat accidents in the home or to provide early detection of a medical emergency. In the case of a stroke, a person needs to get treatment at a hospital within four and a half hours from the onset of the stroke to prevent death or long-term damage. It is clear that how quickly a person is found holds the key to their treatment and recovery. We began research and development on the HED-Net system to address this specific issue.

**Medical condition detection through non-contact sensors eliminates residents’ stress**

The sensing technologies installed in the home, integrated with the HED-Net system, detect and analyze a resident’s vital data such as heart rate and respiration rate. The key feature of this system is the use of non-contact sensors, which cause no stress to the resident. If a possible medical emergency is detected, a medical alert is sent immediately to the emergency call center. The operator then calls to confirm whether there is an emergency or not, and if so, dispatches an ambulance.

When the paramedics arrive, the resident’s door can be unlocked remotely and locked again afterward. This is the first system in the world set up to cover every step from vital sign detection to paramedic rescue. It can reduce the social cost (medical/nursing care costs, etc.) from accidents in the home by as much as 0.1 trillion yen.

As countries around the world, including Japan and other developed nations, face significant challenges ahead in terms of “closet caregivers” for an aging population, there will be a growing need to find ways to cope with the issue. In Japan, strokes account for 18.5% of cases where people start requiring nursing care*, Sekisui House believes that the Platform House Concept can help reduce the number of people who need care, as well as the number of workers who leave their positions to care for an elderly family member.


**Pilot project to begin in 2020**

To research and develop HED-Net, Sekisui House is partnering with academic institutions and other corporations with field-specific expertise to build a broad alliance. Patents have already been obtained for systems to be used in Japan, and international patents are pending.

Following proof-of-concept tests at the Platform House Lab and verification tests at our testing facility, the system will be rolled out in a resident-participation pilot project in 2020, soliciting 30 to 50 households to join. This pilot project will bring the technologies closer to people in real-life situations with the aim of full-scale social implementation in the future.

**Furthuring the concept by monitoring changes over time and in-home prevention**

Starting with HED-Net’s early detection of a medical emergency, further development will involve monitoring changes over time and in-home prevention.

It will be possible, for example, to detect apnea syndrome from data acquired on breathing while asleep. Or, sensors installed in the bathroom sink mirror will be able to detect high blood pressure or other symptoms monitored over time, thereby allowing the early discovery of illness through risk detection. It then becomes possible to develop services that prevent the risk of illness—including exercise, good sleep, and diet services. Beyond health, services can be installed in the areas of social connection and learning, thereby promoting happiness in the home for the era of 100-year life.
Homes for happy living in the era of the 100-year life

The Platform House Concept, First Initiative: The world’s first in-home early illness detection network—HED-Net presented at CES

The world’s largest consumer electronics show, CES, was held from January 7 to 10, 2020 in Las Vegas, USA. Sekisui House presented HED-Net, the world’s first in-home early illness detection network, at the show.

HED-Net protects people and prevents delays in treatment

If you were at home alone and suffered a stroke or other acute medical condition, who would find you? If you ever have a stroke, heart attack or accident in your home, the most important thing is to be found quickly.

At CES 2019, Sekisui House announced the Platform House Concept as a new project to provide services for promoting health, connection, and learning in the home in order to bring people happiness in an age when they are living to the age of 100. HED-Net is the first extension to the plan, announced a year later.

Working to resolve near-future issues that the world will face

At the press event held on January 7, 2020, President Nakai explained how the realization of the Platform House Concept could lower social costs, including medical and nursing care costs, and that such a development could be very useful in solving social problems of the near future for a super-aged society like the one in Japan as a model for the world.

Mr. Ishii, the Senior Manager of the Platform House Promotion Department, shared his thoughts on developing services for residents who “are concerned primarily with living as they always have, which is why we insist on contactless sensors that can pick up readings and analyze data in a stress-free way without infringing on residents’ privacy.”

“This is a long-term, 30-year plan. Over the next three decades we will be working to refine the concept and implementation of homes for happy living in the era of the 100-year life,” said the president. The idea of a plan to bring about happiness through the home environment drew great interest at the show.

Approximately 6,600 people visited the Sekisui House booth over the four days of the show, sharing such opinions as: “I think the homeowner can be happy and feel safe and protected, which is great!” and “This may be just a future scenario, but it would be great if it could be possible right now.”

Sekisui House will continue to conduct pilot tests and pursue research and innovation using advanced technologies in the effort to bring the Platform House Concept into widespread use.

Concept diagram for “houses where happiness grows the longer you live there”
**Main ESG Themes**

**Pursuing Customer Satisfaction through Our Value Chain**

**Basic concept**

People these days are seeking new and different types of value in a house while housing companies are similarly looking for new ways to provide optimal value to customers. Being able to see the big picture in a complex business is necessary for maximizing customer value through the value chain. The key to accomplishing this is in the industry-leading “big data” we have been able to gather through diverse channels. The analysis of such data allows us to anticipate both customer needs and shifts in social trends. Making use of the data throughout the group and sharing it with our suppliers leads it high levels to productivity and top-drawer performance, quality, and after-sales services; it also helps to build a market in which a house is a good social asset.

**Five action policies**

1. Creating safety, security, comfort, and health by integrating tangible (technological development) and intangible elements

Tangible elements refer to the top-quality products and technologies we have developed over half a century that ensure safety, security, and comfort. We also pursue research on happiness—an intangible element—aiming to generate new value in such areas as health, connection, and learning.

2. Metticious supply chain management for material procurement

As interest in ESG investment rises, we are promoting highly sustainable procurement and other practices, and working to create long-term value for both our company and its suppliers, as well as strengthening our collaborative relationships.

3. Enhancing production and distribution quality and improving operational efficiency

We combine small lot, multi-variant, and built-to-order types of production while maintaining efficient systems, and we are increasingly automating our production lines and utilizing AI and IoT to supply high-precision structural components. We are also setting up an on-premises logistics visualization system and working to achieve high efficiency and high quality in the shipment loading process.

4. Strengthening our workmanship and maximizing our construction capabilities

In producing high-precision structural components in our factories, we rely on our Strength—our 8,000 construction technicians, plus the close coordination we are able to achieve with Sekisui House Group companies and our building contractors (the Sekisui House Association). We are also actively engaged in maintaining and ensuring quality workmanship.

5. Providing long-term support for customer lifestyles and maintaining and improving housing property value

We offer asset management and maintenance optimized to individual customers. We provide repairs and improvement services, as well as remodeling for improved comfort and convenience. In addition, we are stepping up renovations that involve significant alterations and changes of purpose.

**Regnum Court**

The Regnum Court brand was released in October 2019—three- and four-story steel-frame detached housing units for urban settings designed using Sekisui House’s Flexible ß System. This system eliminates the through pillars to provide greater freedom in designing the layout of each floor, the size and position of windows, etc. A variety of wall and window design possibilities can provide a sense of openness while protecting privacy under a range of unique conditions. A bright, large living space can be created with large openings to bring light, breezes, and greenery into the interior space. The residents can feel nature as part of the enjoyment of their lifestyle and pursuit of their interests. These new choices are attractive even to people who might prefer living in a tower condominium. Our original super-insulating rear-aluminum composite sash (SAJ sash) provides higher performance than ordinary rear-aluminum composite window sash, while the entire house itself is highly insulated and compliant with Japan’s Net Zero Energy House (ZEH) standards.

Taking the next step, Sekisui House unveiled Regnum Court’s new choices in November 2020. Response was positive, and we continue to pursue distinctive lifestyles that are right for different types of lifestyles, providing people with a wide range of choices.
From reviewing CSR evaluations to SDG-based (sustainable) procurement

To encourage our suppliers in their socially responsible efforts, we carried out CSR evaluations using a check-sheet method in FY2017 and FY2018. In FY2019 we established CSR Procurement Guidelines and required suppliers to submit a consent form to ensure that they agree with the intent of the guidelines. We are thus able to reformulate and establish our sustainable procurement strategy going forward.

Following our signing of the United Nations Global Compact in 2018, Sekisui House joined the Supply Chain Working Group of the Global Compact Network Japan (GCN). In FY2019, we switched from using an in-house CSR assessment check sheet to carrying out evaluations based on the standards set forth in the more comprehensive GCN Self-Assessment Questionnaire (GCN SAQ). The questionnaire has nine categories of procurement standards with items not covered by the previously used check sheet, including corporate governance and supply chain questions. In February 2020, we reorganized the Materials Department into the Procurement Department, and significantly changed the organizational structure involved in production and procurement.

Through such actions, we are making the shift from procurement methods of the past to an active participation in the supply chain (SDG-based procurement) to work toward building a sustainable society.

*SAQ* The Self-Assessment Questionnaire is a self-diagnosis tool that a company uses for analyzing its actions. GCGU SAQ themes and topics (from CSR Procurement Guidelines)

1. Corporate governance
   - We are committed to responsible procurement practices. We will ensure that the procurement processes are consistent with our commitment to building a sustainable society. (Adopted as part of the guidance and requirements of the Global Compact Network Japan (GCN).)
2. Human rights
   - We will ensure a fair distribution of work and wages. We will ensure that work-related conditions in the production process are not harmful to human rights.
3. Labor
   - We will ensure the viability of employees' work or production, the avoidance of discrimination, and the observance of diversity policies.
4. Environment
   - We will ensure the viability of employees' work or production, the avoidance of discrimination, and the observance of diversity policies.
5. Fair business practices
   - We will ensure fair treatment of workers and their families, the avoidance of discrimination, and the observance of diversity policies.
6. Quality and safety
   - We will ensure fair treatment of workers and their families, the avoidance of discrimination, and the observance of diversity policies.
7. Information security
   - We will ensure fair treatment of workers and their families, the avoidance of discrimination, and the observance of diversity policies.
8. Supply chain
   - We will ensure fair treatment of workers and their families, the avoidance of discrimination, and the observance of diversity policies.
9. Local communities
   - We will ensure fair treatment of workers and their families, the avoidance of discrimination, and the observance of diversity policies.

New form of CSR evaluation

From CSR procurement ahead to SDG-based procurement

Monitoring and due diligence to verify evaluations

We conduct monitoring of suppliers flagged by the results of the CSR evaluation through on-site interviews (to provide advice on evaluation standards and how to meet the standards). In FY2019 we conducted such on-site interviews for three suppliers.

Another area of increasing importance to us is related to climate change—reducing CO2 emissions in the production processes within the supply chain. We are therefore using the SAQ and other tools in a steady effort to achieve those reductions.

Additionally, as a construction company that uses a high volume of lumber, we recognize the particular need for rigorous participation in the procurement of large trees where infringement risks are high, so we conduct due diligence targeting approximately 50 companies that are major wood material suppliers. As necessary, we also conduct on-site inspections of logging areas at overseas producers upstream from our suppliers. (For further information, see page 26.)

How supplier evaluation works

CSR supplier subcommittee seminars held to extend and promote SDG procurement

In the construction industry, which has so many small and medium-sized suppliers, we realize that building a sustainable supply chain involves more than simply a one-way evaluation of adherence to guidelines. It is indispensable to educate suppliers and provide advice.

For that purpose, in 2018 we set up a CSR supplier subcommittee under the CSR committee to conduct training on the importance of ESG management and related matters. We obtain the agreement of suppliers to ensure the effectiveness of the SAQ in supporting their efforts to build a sustainable supply chain. In FY2019 training seminars were expanded to the partner companies of our factories in addition to approximately 150 suppliers.

Reevaluate

Verify evaluation

Monitoring / Due diligence on wood

Supplier subcommittee

Extend/Promote

Improving the work environment at production factories

We carry out essential health and safety management at each of our factories in an effort to prevent accidents or health problems that might occur during work operations. We work to assure the safety and health of our employees, and endeavor to create a comfortable work environment, facilitate smooth work, and improve productivity. Health and Safety Committee meetings are held once a month, along with quarterly Production Department Health and Safety Promotion Council meetings, at all factories. We have information regarding the current condition of each factory, specific areas for improvement, and our vision for the future.

Strengthened production of original exterior-wall components

Sekisui House has unique components that employ both beauty and functionality. As a construction company that uses a high volume of lumber, we recognize the particular need for rigorous participation in the procurement of large trees where infringement risks are high. One result of this is that our products are lightweight, durable, and contribute to energy savings. Additionally, our three- to four-story steel-frame houses exemplify an AI-integrated smart system that makes it possible to automate adjustments to our production volume and work scheduling that previously required the expertise of supervisors. The system also has increased operational efficiency and contributed to power savings.

To improve the work environment, we have implemented multiple initiatives, including the following measures:

- **Information sharing**
  - The company introduced a smart system that makes information sharing possible, enabling the management of output in real time. The system employs image-processing-specific AI technology. The system also enables the management of output, which means that it can be adjusted to meet demand.
  - The company has introduced a smart system that makes it possible to automate adjustments to our production volume and work scheduling that previously required the expertise of supervisors.

- **AI-based quality management system**
  - The company has introduced an AI technology that can monitor production and quality in real time.

- **Si Airport glass**
  - The company has introduced an AI technology that can monitor production and quality in real time.

- **Si Airport glass**
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Pursuing Customer Satisfaction through Our Value Chain

Action policies 4

Strengthening our workmanship and maximizing our construction capabilities

Diverse strengths as a group

Improving on-site productivity through physical resources, systems, and people

Activity report

Cooperation with the Sekisui House Association

The Sekisui House Association, made up of the 17 Sekisui Construction companies and partner building contractors, cooperates with Sekisui House business offices to pursue a range of initiatives including efforts to improve construction quality, implement safety measures, beautify work sites, foster human resources, and improve work environments. In 1989 Japan was hit by several natural disasters, including torrential rains in northern Kyushu in August, Typhoon Faxai (No. 15) in September, Typhoon Hagibis (No. 19) in October, and subsequent heavy rainfall events. After such natural disasters, we are able to take advantage of our Japan-wide network to assist with restoration and reconstruction work by having local Sekisui House Association branches send large numbers of technicians to the disaster-stricken area as needed. We are responding to the increasing demand for construction by working to ensure ongoing, reliable workmanship and using our group network to the fullest.

Working to improve work site productivity

One in three construction industry workers in Japan is 55 years of age or older, and ages are rising overall. The total number of construction workers is on the decline, and how to get and train new workers, and how to improve retention rates are key issues for the industry as a whole.

The same decline is happening within the Sekisui House Group, so we are working to ensure ongoing, reliable construction management by strengthening both our technologies and our alliances with partner building contractors, while also taking steps to make the most of our existing construction capabilities. We have launched two sets of working groups—one to focus on solutions employing physical resources and the other to focus on solutions involving systems and people—to improve productivity and reduce personnel hours.

We have organized a Technical Directors’ Council, Construction Management Committee, and Work Site Productivity Improvement Working Group, consisting of technical deputy directors representing locations around the country, the head office, and factories. These bodies are identifying and exploring areas for productivity improvement, such as the AS Balcony, which leads to labor savings in construction by employing an integrated aluminum floor for waterproof construction, and the “8 Thermal Insulation Material Search App” that speeds up searches for construction materials using an iPad.

In August 2019 we established the House Association—Sekisui Construction Factory and Construction Committee to discuss, review, and provide feedback in response to construction site improvement requests submitted by the Sekisui House Association and Sekisui Construction.

Our slogan for these work site productivity improvement efforts is: “Let’s work as a team to steadily increase the number of houses that can be built annually.” These efforts, which pool the resources of the entire company, are leading to reliable and proper construction of houses for our customers.

8 Thermal Insulation Material Search App, a “systems and people” solution

AS Balcony, a “physical resources” solution

Technical training center opened in Hanoi to prepare for hiring skilled workers from Vietnam

In preparation for an anticipated shortage of labor in construction, at Sekisui House we are promoting measures that include rebuilding our construction worker database and getting recruitment support from partner building contractors. Also, to further ensure our construction capabilities, we have begun a full-scale effort to take on technical trainees from Vietnam based on a policy of promoting diversity. In November 2018 we became the first housing manufacturer in Japan to establish a technical training center in another country with our facility in Hanoi.

Explanatory meetings for families, training fees, and other expenses are all covered by Sekisui House and a supportive atmosphere is created so that technical trainees can come to Japan without any concerns.

Prior to coming to Japan, the trainees learn Sekisui House’s construction methods (foundation, exterior frame, interior finishing) and the company’s philosophy so that they can start training when they arrive in Japan without any problems.

We also provide active support to Sekisui House and our partner building contractors who take on the trainees. By 2022 we plan to employ close to 300 Vietnamese workers.

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Smart inspection system allows remote appraisals

During periodic inspections, high-resolution images are supplied by a drone, underfloor inspection robot, and attic inspection robotic camera. The images are uploaded to the cloud and dedicated staff on standby at our office support desk can quickly determine if any defects exist. This new type of inspection system for detached homes that we have dubbed “Smart Inspection,” went online in August 2019. It will be rolled out at 29 Customer Service Centers across the country one by one.

The equipment can easily be controlled remotely by a smartphone or tablet from any location. Because an inspector does not have to climb to a dangerous height or crawl under floors, the system improves the work environment for our employees. This means that inspection work can be done by workers without compromising work opportunities in a way that will help mitigate the construction industry problem of labor shortages and an aging workforce.

Pursuing Customer Satisfaction through Our Value Chain

Action policies 5

Providing long-term support for customer lifestyles and maintaining and improving housing property value

Support and renovation based on advanced technologies

Ensuring customer satisfaction and building a market for quality housing stock

Activity report

Enhancing our initial 30-year warranty program, U-trus System, and housing history information database [e-Log]

Sekisui House offers an initial 30-year warranty program (for contracts signed starting April 1, 2018) that covers the structural framework and any parts used to prevent rainwater leakage. This program provides 20 years of warranty on top of the 10-year defect liability period required under the Housing Quality Assurance Act. In addition, all other parts are under warranty for a specified period of time. Even after the warranty period has expired, homeowners can take advantage of our unique U-trus System to extend warranties in 10-year intervals.

We also operate [e-Log], a database that shares digital information concerning the various building components of each property and other data. This is based on the Long-Life 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 the historical data accumulated through [e-Log] to propose remodeling and renovations.

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Family Suite Renovation

New living proposals for existing houses

Our Family Suite concept for newly built houses proposed a new mode of living. Family Suite Renovation is a system begun in September 2019 that is adapted for existing houses. Many of the existing houses we have built use a lightweight steel framework. Our newly developed [RF Support Beam system] allows structural columns to be removed to renovate a house by converting compactly partitioned areas into a larger living room space. In so doing, the asset value of the house is maintained and improved.

Family Suite Renovation

New living proposals for existing houses

RF Support Beam structure illustration

Life Step System gives back to customers

With the aim of extending the longevity of a house by providing extended after-sales support, we have been able to increase our contact with a large number of owners, and this leads to the building of a solid client base.

Including renovation work done since February 2019, for every contract with the [Life Step System], a homeowner earns a number of “steps” and is issued “Life Step System tickets” that can be used, when a certain number are accumulated, for renovation discounts or in other ways.
Promoting Diversity

Basic concept

Sekisui House embraces diversity in the workplace and aims to establish a work environment that enables everyone to reach their full potential. Efforts toward this end began in 2006 with a basic personnel policy that guides the company's efforts to improve human resource sustainability, consisting of three pillars: promoting the participation of women; utilizing diverse personnel; and promoting diverse workstyles and work-life balance. We are constantly working to put in place mechanisms that help create an environment in which employees and the company can work together to achieve sustainable growth.

Main ESG Themes

Promoting Diversity

Since 2016, every June has been designated “Diversity Month,” during which active discussions are held at workplace to promote a deeper understanding of diversity and inclusion. In 2019, discussions were held on “surface-level (visible) diversity” and “depth-level (invisible) diversity,” and each employee was encouraged to identify and state a small action they could begin to take that day. Also, on the blog written by top management on our internal website, the president wrote about the importance of discussing diversity and the expectations he has for innovation arising from that effort, thereby raising awareness among employees even further.

A tool for communication between top management and employees that is written by four representative directors to share their thoughts and business philosophy.

Activity report

Management training and career development support FY2022: 260 women in managerial positions

Implementing consistent measures to specifically promote women’s participation at Sekisui House, women started to be actively employed in sales positions in 2005. Today, we have 310 women in sales positions nationwide. We also train young women and helping them to get established and promoting women to branch manager positions. This is carried out through regular training sessions for women and working group seminars. Since 2007 we have been holding an annual nationwide Women’s Sales Representative Conference that provides motivation, helps build skills, and provides an excellent opportunity for networking. Since 2007 we have been holding an annual nationwide Women’s Sales Representative Conference that provides motivation, helps build skills, and provides an excellent opportunity for networking. A Women’s Sales Support Committee, comprised of women with a strong sales record who are capable of leading a younger generation of women, works with the heads of training at sales administration headquarters to hold regular workshops in each area. The committee has also designed a one-to-one mentoring system that gives women a chance to consult with another woman to get advice on any matters that may trouble them. The system was implemented in August 2019.

For women in technical positions, not only training specialists, we offer role models and networking opportunities through meetings like the Conference for Women as Technical Personnel. Systematic efforts are also being made to encourage more women to move into supervisory positions. The Female Officer Supervisor Support Program and the Working During Pregnancy Guide are among several efforts being rolled out to create an environment that is easy for women to work in. These include the design of hand tools especially for women and maternity uniforms for engineering employees.

Women have actively proactively contributed to the company's business strategy, and the company is working to encourage their full potential. Every year, women are selected to study in the two-year program, which offers women to branch manager positions. This is carried out through regular training sessions for women and working group seminars. Since 2007 we have been holding an annual nationwide Women’s Sales Representative Conference that provides motivation, helps build skills, and provides an excellent opportunity for networking.

In 2010, long before this system was established, we had been conducting human relations training and participating in outside events to develop and promote understanding of LGBT issues. In 2015 we had been involved in work expansion and workstyle reforms that affect our 400-plus interior coordinators nationwide. At the same time, we have tried to create opportunities for interior coordinators to get training and support from one another, which helps to improve their skills and build motivation.

I am grateful to the many people who have lent me their support, both inside and outside the company, and I consider the experience I have gained and connections I have developed as an interior coordinator—a job so closely linked to lifestyles—to be truly valuable assets.

In 2019, discussions were held on “surface-level (visible) diversity” and “depth-level (invisible) diversity,” and each employee was encouraged to identify and state a small action they could begin to take that day. Also, on the blog written by top management on our internal website, the president wrote about the importance of discussing diversity and the expectations he has for innovation arising from that effort, thereby raising awareness among employees even further.

A tool for communication between top management and employees that is written by four representative directors to share their thoughts and business philosophy.

Enabling employees with disabilities to take on greater roles at work

As a company, we strive to live up to the ideal of providing feelings of belonging. Our aim is to employ at least one person with a disability at every worksite, and we consider the hiring of people with disabilities to be a social mission.

We hold events that give employees with disabilities the chance to exchange ideas with their superiors; we have also established the Career Challenge System—a framework that makes it easier for employees with disabilities to transition from regional positions to career-track positions with the potential for promotions. In these and other ways, we are proactively working to improve the workplace environment and enable employees with disabilities to take on greater roles.

In February 2020, we set up the Promotion of Employment of Persons with Disabilities Office, a new section in the Personnel Department.
Workstyle reforms to stimulate innovation are essential for a company to grow sustainably in times of diversifying life values. Such reforms include reassessing work-life balance in an era of 100-year lifespans and efforts to secure a proper workforce when the population is aging and in decline due to dropping birth rates. Based on the key phrase “innovation & communication,” we are taking steps to promote good health management and create a workplace environment that allows every employee to work with peace of mind and reach their full potential.

We have also created a support system that allows individuals to work while taking care of a child or an elderly person, or getting treatment themselves for a medical condition. These are workstyle reforms that go beyond past efforts to stimulate innovation.

Activity report
All eligible male employees take parental leave for at least one month
As a company that promotes Kids-First initiatives, in September 2018 Sekisui House launched a special childcare-leave program to encourage male employees with a child or children under the age of three to take at least one month off work to focus on childcare (dubbed “Ikumen Leave”). For both male and female employees, leave is paid for the first month, which can be divided into as many as four stretches of time to adapt as needed to one’s individual circumstances.

Since the program went into effect, the company has made a concerted effort to encourage all eligible male employees to take advantage of the system. In the year from February 1, 2019 to January 31, 2020, a total of 415 male employees with a child or children under the age of three took advantage of the paid leave system. 100% of the eligible individuals.

As Japan’s rate of male parental leave stays flat, Sekisui House not only has a policy of male parental leave, but educates women in their career development and impacts workstyle reforms. When the results are in and analyses completed, we plan to make the results public to encourage widespread application in society at large.

Paid childcare leave for men (“Ikumen Leave”) to create a new norm for society
We will continue to gather feedback from employees who take Ikumen Leave and study how men’s sharing of childcare and household duties encourages women in their career development and impacts workstyle reforms. When the results are in and analyses completed, we plan to make the results public to encourage widespread application in society at large.

Support for better health and medical treatment
Opportunities provided for improving mental and physical health
Activity report
Promoting health management
To become the world’s happiest company, our employees must all be able to lead healthy, vibrant, and fulfilling lives both on the job and at home.
Understanding that good health management among employees will contribute to the growth and sustainability of the company, we have established health management policies and are working to reduce overtime hours, encourage more employees to take paid leave, and promote better employee health overall. Sound physical health and mental health are both vital to active, effective work. Aiming to deepen awareness of health on those two fronts, especially the mental side, we conduct training programs for managers and employees in their second and third years. We also organize regular meetings of the CSR Committee, which includes four representative directors, other internal representatives, and two experts from outside the company. Under the CSR Committee is the Social Improvement Group, a subcommittee that focuses on the health management component, taking measures to encourage exercise, utilizing health data to review how health risk is being reduced, and establishing separate areas for smoking while discouraging people from smoking, for example. In fiscal 2020, based on the company’s efforts to address local health issues and promote the health initiatives of the Nippon Kenko Kairi (Japan Health Council), we have been certified as a “Health-friendly 500” corporation by the Ministry of Economy, Trade and Industry, commended for our good health management practices. We plan to continue building good mental and physical health through progressive action to foster a happy approach to life in the era of 100-year life.

The Sekisui House Group’s “happiness” health management
Health management policy
The fundamental philosophy at the heart of the Sekisui House Group is a “love of humanity.” In addition to cultivating systems for workplace climate, that help employees find fuller happiness through work and mental health, we embrace that one idea by promoting workstyle reforms and strive to be a company where employees take the initiative in forming healthy lifestyles.

Start of a Walking Challenge
In February 2019 we began a Walking Challenge, an initiative aimed at promoting health through lots of walking. The company now offers an original app, Sekisui House FIT, to record one’s steps as a way to become more aware of daily exercise and to fun competing with other employees and departments. The participation rate in the Walking Challenge increased from an initial 52% of employees to 73% in January 2020, and the average number of steps taken by participants has increased by about 400 steps. A survey of participants revealed that 60% feel that they “have become more aware of staying healthy than before” and 44% feel that their “communication with others at the company has increased.” Such results will lead to greater health awareness and a more engaged workplace atmosphere.

AI-assisted health risk analysis and genetic testing service launched
In February 2020 we introduced AI technology to analyze and predict health outcomes. Laboratory data was extrapolated three years ahead for each employee, and simulations are used to show how changes in a person’s lifestyle habits could improve their health indicator readings. Also, a service for periodic genetic testing was launched with voluntary participation to ascertain one’s risk level for a number of diseases associated with lifestyle habits, aimed at improving those habits and avoiding illnesses.

Support system for living with cancer or infertility treatments while working
In 2019, Sekisui House introduced a support system that makes it possible to work while managing an illness or while getting outpatient treatments for a medical condition. For employees undergoing treatment for cancer, we have instituted a system that allows for shorter working hours, staggered hours, or working from home to allow the employee to work and get treatment at the same time. The system now allows employees to take accrued annual leave in half-day units, previously only allowed for a maximum of three consecutive days off. It is also possible to choose to take three days off per week (with work days and hours dependent on the diagnosis of the attending physician).
Human Resource Development

Basic concept
At the Sekisui House Group, we put significant energy into optimizing our personnel systems and helping employees to develop their skills. Our focus is on fostering independent thinking—we want employees who are able to innovate and communicate. Our in-house educational systems are designed uniquely for both management and player ranks, and we conduct training systematically to enable all employees to reach their full potential and help us fulfill our role a sustainable company that contributes to society.

Activity report
Systematically discovering, handpicking and fostering the best talent
Our new Human Resources Development Office, which was established within the Personnel Department on February 1, 2019, systematically trains and selects personnel for advancement, creating medium- and long-term HR portfolios to implement the group’s management strategies. The office was established with the mission of developing human resources strategically from an HR perspective with a clear view toward the future, in much the same way as top resources strategically from an HR perspective with a clear view toward the future, in much the same way as top managers/leaders.

Personnel training and leadership selection structure

Activity report
The Personnel Department (and Human Resources Development Office) are systematically training future leaders at each level—candidates for the positions of general manager and executive officer, candidates for branch managers, and young leader candidates.

The Sekisui House Management Training held in November 2018 had 35 participants. The program’s objective is to train and select candidates to become the next generation of branch managers in the Sekisui House Group. Through this training, participants have remarked that their connections at the company had expanded and they had become able to see issues now from a management perspective. The first training session will end in June 2020 and a second session will start thereafter.

The Sekisui House Management Training program emphasizes learning how to expand one’s conceptual thinking and boundaries as a human being. Participants get a broader education in liberal arts (including medicine and philosophy), plus exposure to new fields of knowledge such as innovation and digital transformation (DX). They learn financial accounting, engage in concept work, and expand their knowledge in many areas, all of which eventually plays a part in branch management strategy.

First Sekisui House Management Training completed
The Personnel Department (and Human Resources Development Office) are systematically training future leaders at each level—candidates for the positions of general manager and executive officer, candidates for branch managers, and young leader candidates.

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First implementation of the SHINE! Challenge Program
The SHINE! Challenge Program, which teaches them how to explore issues they set themselves and a heightened perspective by learning action planning, started in 2019. By the end of the second year, the program has invited young people who have started up venture businesses in the Tohoku region as part of earthquake and tsunami recovery efforts to speak about their work and designers working in a global setting to discuss the future of housing.

Introducing “microlearning” to train young people in detached home sales
At the Sekisui House player level, training for young people in the area of sales of detached homes previously lasted three months. Now, with the implementation of microlearning (video-based study using any device), the training program has been extended to three years and we have just entered the second year. This system allows each employee to watch videos at a time and place of their choosing, and to report back to their superiors on what they learned as part of a feedback process. Much less time is spent gathered together for training than previously, and we hope that this promotes more efficient learning.

Activating senior personnel
We are carrying out recurrent (continuing) education as part of the company’s efforts to further train and utilize personnel of a higher age. We started providing middle-career training to personnel at the age of 45 or over six years ago. We offer seminars on pensions for those who reach the age of 60, and other types of education, and plan to take further measures to give employees the motivation to work late into their career.

Message from Management
Vision and Goals

Governance
Environmental
Social

Management
Value and Risk Management

E-Statement
Sekisui House Sustainability Report 2020
Respect for Human Rights

Basic concept
All employees in the Sekisui House Group, by properly understanding and implementing the group’s corporate philosophy, which is rooted in a fundamental love of humanity, meet their responsibility to respect human rights through their actions.

To ensure respect for the human rights of all stakeholders in our business activities, we are working to establish a corporate culture that strictly prevents discrimination, harassment, and infringements of human rights based on compliance with international rules on human rights such as the United Nations’ Universal Declaration of Human Rights and a thorough understanding of the SDGs and the Ten Principles of the UN Global Compact.

Code of Conduct and Sekisui House Group Corporate Ethics Guidelines
Recognizing that further group efforts will be needed in our global activities to fulfill our social responsibility, in April 2020 we drafted the Sekisui House Human Rights Policy. We declare this policy to all stakeholders involved in or affected by our business activities as our group employees work to expand their efforts to ensure respect for human rights.

This policy applies to:
All officers and employees of the Sekisui House Group. We also expect our business partners, including building contractor partners and suppliers, to understand and support this policy.

Supervising responsibility:
The Board of Directors of Sekisui House, Ltd. shall supervise compliance with this policy and its implementation.

Sections:
Respect for internationally recognized standards; Implementation of human rights due diligence; Diversity initiatives; Dialogue with stakeholders; Grievance mechanisms (complaint reporting, consultation, protection); and Disclosure (reporting).

Sekisui House Group Human Rights Policy (excerpt)

The Sekisui House Group believes that its mission is to provide safe, secure, and healthy housing and services, aiming to contribute to a sustainable society.

We provide safe, secure, and healthy housing and services, aiming to contribute to a sustainable society through our various activities.

Toward a harassment-free workplace

To create a welcoming, comfortable workplace environment for all employees of group companies and to raise awareness of human rights issues, annual “human relations training” programs are held with work leaders serving as facilitators.

In addition, the Sekisui House Group has established a sexual and power harassment hotline, which operates out of the head office. The hotline offers consultations on all types of harassment—particularly sexual harassment and power harassment—as well as on human rights matters, and takes input on how to optimize working environments for people with disabilities, among its many functions.

The hotline serves as a valuable resource to help make the workplace at all group companies an environment in which all employees can flourish and grow as individuals, free of harassment or any other infringement of human rights.

Implementing a human rights due diligence process (PDCA)

Fiscal 2019 human rights due diligence process (PDCA) record (for employees)

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<td><strong>Addressing human rights and labor in supplier evaluations</strong></td>
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For more details, please see page 39.

| **Notes** |
| Note: The figures in the table are averages calculated with scores of 100 points for strongly agree, 50 points for neither agree nor disagree, 25 points for disagree, and 0 points for strongly disagree. |

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| Note: For more details, please see page 41. |

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Contributing to Society

Main ESG Themes

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Activity report

Sekisui House Matching Program for matching employee donations

Since FY2020, we have been implementing the Sekisui House Matching Program (currently joined by 25% of employees), under which the company matches employee donations to NPOs and other organizations engaged in resolving social issues. 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. An administrative board comprised of employee representatives selects the organizations to support.

In fiscal 2020, ¥8.33 billion from our Children’s Fund, Eco-Fund, and Housing Community Fund was donated to 37 organizations. Over the 10-year period from 2011 to 2020, the Momo-Kaki Orphans Fund Program donated a cumulative total of ¥122.17 million to the Momo-Kaki Orphans Fund (Chairman: Tadashi Ando), which provides economic support for children orphaned by the Great East Japan Earthquake. Up to now, more than ¥400 million has been donated to 354 organizations by these four funds.

Activity report

"Kids First" efforts in collaboration with educational institutions

Programming education for elementary school students

Providing opportunities for learning about houses of the future and creating them

Elementary school programming education supported by three ministries

Starting in FY2020, programming education in elementary school became mandatory. These national government bodies—MEXT, MITI, and the Ministry of Internal Affairs and Communications—designated September 2019 as Programming Education Promotion Month in Future Sustainability, with the aim of raising interest in science and technology and helping solve social issues using advanced technology. Sekisui House is the only company in the housing and construction industry to be participating and cooperating in this educational initiative. We have held a special lesson entitled “Everyone’s House! Houses of the Future!” for over 300 children from six elementary schools to learn about advanced technology in housing at our Sunami-no Fume-Koji Centers and other locations around Japan. In these lessons, children are able to see and experience the structure of a house, how it is designed to withstand natural disasters, and what features make life more comfortable in a house. They are then given the chance to take ideas from what they learn to design and build “a house of the future” of their own design based on themes such as “eco-friendly home” or “happily smiling home,” using cardboard boxes or a virtual space on a computer.

Cooperation with children’s programming education is a way for Sekisui House to contribute to society and ensure that we are able to achieve the sustainable development goals set out by the United Nations. Looking ahead, as a company that promotes Kids-First initiatives, we are happy to support programming education in elementary schools.

Disaster Support Fund newly established

In January 2020, the 10-year donation period for the Momo-Kaki Orphans Fund Program came to an end and the fund was dissolved. In its place, a new fund was set up to kick off in FY2020—the Disaster Support Fund. This fund supports non-profits and other organizations that go to areas hit by a disaster immediately to assist people and help the area to recover quickly. As a housing manufacturer, by starting a fund to support recovery from a disaster, we intend to help resolve housing shortages immediately after a disaster, which can become a social issue, by assisting in the rebuilding of homes and providing recovery funds to the disaster-hit area, plus other support efforts.

Screening and grants

Grants for organizational development

- Application
- Screening and grants
- Implementing
- Administrative board

Program for joint donations with employees

Sekisui House Matching Program Association

- Children’s Fund
- Eco-Fund
- Matching Program for joint donations with employees

Disaster Support Fund newly established

- Grants
- Matching Program for joint donations with employees
- Disaster Support Fund newly established

Supporting initiatives that help bring sustainability to society

Activity policies

Travel ideas and a new hotel business for regional revitalization to generate prosperity

Proposing an entirely new experience-based travel style

Sekisui House has partnered with Marriott International on the Trip Base Michi-no-eki Station Project, a project for regional revitalization, working in collaboration with local governments around Japan to utilize the system of roadside rest stations called “Michi-no-eki” to propose a style of travel that encourages exploration of lesser-known areas and people affected by disasters. Our efforts include educational support in collaboration with educational institutions and NGOs, and corporate patronage of the arts and culture.

Activity report

New travel style: the roadside hotel

Roadside hotels will have the high usability Marriott is known for, and the “Fairfield by Marriott” brand, the first such arrangement in Japan. The hotel business will be run by Marriott International under its second stage/first phase (from 2021 on). The concept of the project is to provide access to hidden gems across 13 prefectures in the second stage/second phase (from 2022 on). Proposing an entirely new experience-based travel style, Sekisui House has partnered with Marriott International on the Trip Base Michi-no-eki Station Project, a project for regional revitalization, working in collaboration with local governments around Japan to utilize the system of roadside rest stations called “Michi-no-eki” to propose a style of travel that encourages exploration of lesser-known areas to explore by bicycle, motorcycle or car, a trip enabled by the system of roadside rest stations called “Michi-no-eki” to propose a style of travel that encourages exploration of lesser-known areas and people affected by disasters. Our efforts include educational support in collaboration with educational institutions and NGOs, and corporate patronage of the arts and culture.
**Action policies**

**Comprehensive cooperation agreement signed with Osaka Prefecture**

In June 2019, Sekisui House signed a comprehensive agreement with the prefecture to collaborate on 27 issues in seven areas, including children, social welfare and healthcare reforms, the environment, housing, and medium-sized enterprise promotion, disaster mitigation and crime prevention, and government PR. Based on this agreement, we are pursuing collaborations in a wide range of domains, such as creating opportunities for children to have new experiences and setting up sales corners for certified “Made in Osaka” branded products.

The agreement will facilitate an expansion of our ongoing collaborative activities in working with Osaka Prefecture to achieve the targets set in the SDGs through our businesses.

We plan to collaborate and cooperate not only with Osaka Prefecture but with local governments nationwide to help local communities flourish and promote their unique charms.

**Activity report**

**Providing a space for dialogue and a sensing experience**

- **Environmental education for children who are the future**

School visits for three programs of environmental education

As a government-approved Eco-First Company, we are committed to three promises: reducing CO2 emissions, preserving ecosystems, and utilizing resources. Based on these promises, we offer three elementary school-visit programs that include presentations, quizzes, and experiments. These classes and other events provide children with experiential education to teach the importance of saving energy in everyday life, preserving ecosystems, and utilizing resources effectively.

The Sekisui House Eco First Park

At the Sekisui House Eco First Park in Barak’s Koga City, visitors learn about our environmental activities, which are based on the three Eco-First promises. Visitors also have fun learning about the many ways in which houses can help protect the global environment.

- **Sekisui House Sustainability Report 2020**

**Post-disaster restoration and reconstruction**

**Points for the emergence of new housing culture and art culture**

- **Fulfilling the responsibility of a company that protects life and society for us to foster a revival of such valuable experiences for future generations**

The Tohoku Factory immediately sent backup supplies, and shared the disaster mitigation tools including emergency materials and household items with the affected areas.

Reconstruction support with the help of new hires in Miyazaki, Kumamoto and Hiroshima

Every year since the Great East Japan Earthquake in 2011 we have carried out reconstruction support activities using newly hired employees. The purpose of these efforts is to provide support in line with the needs of people in the affected areas as well as to give our newly hired employees practice in thinking and acting in accordance with the corporate philosophy and code of conduct, and to help deepen their understanding of the true impact of the housing business.

In 2019, we had 460 employees participate in these efforts, for a total of 3,481 employees over an eight-year period.

In 2019, special exhibitions were held at the museum that included a three-year anniversary exhibition. The fresco-painting workshop is a unique program that puts people in touch with one of humanity’s oldest painting techniques, the fresco, a program that won the Kids Design Award—a MIEI-supported program.
We have steadily implemented the following measures, including six items aimed at strengthening our corporate governance system.

Initiatives to strengthen the system

One of the characteristics of the Sekisui House Group’s governance reform is to strengthen the effectiveness of governance and ensure sustainable corporate growth. In order to achieve this, it is essential that we realize communication and stimulate the growth of each and every employee by promoting initiatives that combine innovation and communication.

We have steadily implemented the following measures, including six items aimed at strengthening our corporate governance system.

1. Reform at the top management level
2. Reform at the business management level
3. Reform of the corporate governance system and enhancement of its effectiveness
4. Strengthening the group governance system
5. Promoting a two-pronged approach to governance reform through top management and business management

Promoting a two-pronged approach to governance reform through top management and business management

Since 2018, our efforts to reform the governance of the Sekisui House Group have been achieving steady progress. In order to strengthen our governance system further, we are promptly implementing specific measures such as ensuring transparent and vigorous Board of Directors’ meetings and appointing female outside directors. At the Ordinary General Meeting of Shareholders held in April 2020, we undertook a significant review of the executive compensation system, which emphasizes objectivity, transparency, and accountability to stakeholders; improved the ratio of outside directors on the Board of Directors; and shortened the term of office of directors.

In our 5th Mid-term Management Plan, we have stated that we aim to become a leading company in ESG management. We are also looking to leverage the strengths of the group to pursue international expansion. Against this background, in line with the board’s further enhancement of the effectiveness of corporate governance from 2020, we will take a two-pronged approach to governance reform through top management and business management, and we will foster an organizational culture that thrives through innovation and communication.

Direction of reforms after 2020

1. Reform at the top management level
   At the Ordinary General Meeting of Shareholders held in April 2020, we increased the number of outside directors by one, thus bringing the ratio of outside directors on the Board of Directors to one-third. The main purpose of this project is to strengthen the management oversight function; but an alternate aim is to introduce a long-term management vision and instill management innovation through collaboration and “co-creation” with outside directors while encouraging relationships of fair and sound tension.

2. Reform at the business management level
   The strength of the Sekisui House Group—comprising our sales headquarters, branch offices, factories, and group companies inside and outside Japan—lies in the fact that we view business issues from the customer’s perspective. Going forward, we will also promote governance reforms at the business management level in order to further enhance our capabilities at the workplace.

3. Reform of the corporate governance system and enhancement of its effectiveness
   Since 2018, we have steadily implemented the following measures in an effort to establish a foundation of resilient management for long-term and sustainable growth in corporate value. We have adopted the concept of “integrity”—signifying a sincere and high-spirited sense of ethics—as our guiding principle for addressing governance reform. This resonates with “love of humanity,” our core philosophy, and with “truth and trust,” the stance encapsulated in our corporate philosophy. While prioritizing integrity in all our corporate operations, we are promoting reforms aimed at transforming us into a leading ESG management company.

4. Strengthening the group governance system
   At the Sekisui House Group, we have established a corporate governance system, grounded in our corporate philosophy of love of humanity, committed to timely and trustworthy management. Moreover, we have published our Policy on Corporate Governance to inform our stakeholders of our approach and framework.

5. Promoting a two-pronged approach to governance reform through top management and business management
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Throughout the period of our 5th Mid-term Management Plan, we will clarify our human resource requirements and improve and strengthen the system that maximizes management synergies for the entire group, we will clarify the authority and responsibility of the parent company and subsidiaries; establish networks and a reporting mechanism between the management departments of the parent company and subsidiaries; strengthen the development and appropriate placement of governance personnel; and encourage cooperation with our corporate auditors of the parent company and its subsidiaries.
Compliance and Risk Management

The Sekisui House Group considers compliance to encompass more than legal compliance alone; it must also incorporate a corporate social responsibility. Moreover, since any lack of employee awareness of compliance is a matter of corporate risk, we consider compliance and risk to be two sides of the same coin. We regard them as essential management issues that must always be addressed and we remain committed to this view.

Promoting compliance

The Risk Management Committee, an advisory body to the Board of Directors, and the Governance Committee, which has been under the auspices of the CSR Committee since 2017, implement the PDCA cycle while working to improve issues related to compliance. We have also established a Management Committee to deliberate on important investment projects before resolutions and request the approval of the Board of Directors to promote compliance and risk management.

Moreover, we formulated the Sekisui House Corporate Ethics Guidelines to list common items with which officers and employees must comply in order to undertake corporate operations at each group company. We undertake revisions as appropriate from the perspective of changing social conditions and group management.

Every October during our annual Compliance with Corporate Ethics Check, all executives and employees submit a Pledge Regarding Compliance with the Essentials of Corporate Ethics.

Legal compliance status

There was no major violation of laws or voluntary standards in the relevant fiscal year.

- No disciplinary action or dismissal took place against any employee for non-compliance of the anti-corruption policy.
- To the best of our knowledge, no cost was incurred on employees for non-compliance of the anti-corruption policy.
- There were no legal or regulatory infractions or penalties paid related to the provision and use of our products and services. There were also no infractions of health and safety-related regulations or voluntary standards.
- There were no substantiated petitions for redress related to customer privacy infringements or customer data loss.
- The group faced no legal action, substantial fines or punitive measures in connection with violations of laws or regulations related to competition and monopolistic practices.

Internal Reporting System (available 24 hours a day, 365 days a year)

The Sekisui House Group has established an Internal Reporting System that allows employees and other officers of employees of companies with whom we have ongoing business relationships to report illegal or inappropriate behaviors in the group to the company itself or to outside lawyers. The system complies with the Whistleblower Protection Act.

One particular factor contributing to an increase in lost worktime accidents in the Construction Department is the apparently static number of accidents involving falls and cuts/punctures. Notably, more than 40% of falls are from stepladders, and most of these can be attributed to unsafe behaviors. We will therefore promote training focused on methodical work procedures and elimination of unsafe behaviors.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

At the Sekisui House Group, nothing is more important than the health and safety of employees, subcontractors, and any others who play a role in our business. Moreover, since any lack of employee awareness of compliance is a matter of corporate risk, we consider compliance and risk to be two sides of the same coin. We regard them as essential management issues that must always be addressed and we remain committed to this view.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

At the Sekisui House Group, ensuring the occupational health and safety of all of our construction employees is an important social responsibility and one of our key focus areas in our business. We organize and implement a variety of activities to make sure that our construction employees are as safe and secure as possible on the job.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

The frequency of accidents and occupational illnesses resulting in lost worktime in fiscal 2019 increased compared to the previous fiscal year, excluding the occupational illness frequency rate of the Production Department and Construction Department. By thoroughly analyzing and sharing data, we will take steps to raise awareness of health and safety, prevent unsafe behaviors, and minimize the excessive working hours that can contribute to accidents and illnesses.

Accidents resulting in lost worktime and occupational-illness frequency rates

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The number of contractor fatalities due to industrial accidents in the Construction Department over the past three years was 2 in FY2017, 0 in FY2018, and 0 in FY2019.

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International Business and ESG Management

Sekisui House Technology: Becoming the world’s de facto standard

At Sekisui House, we have been contributing to the resolution of social issues throughout the 60 years since our founding, all while providing housing that meets the needs of the times. We are providing solutions by sharing the Sekisui House technology we have developed during our history. These include technologies focused on safety and security, such as resistance to earthquakes, fires and impacts, and technologies focused on comfort, such as thermal insulation, universal design and devices for maintaining indoor air quality. In this way, as we contribute to the emergence of a sustainable society, we are also meeting the preferences of ESG management around the world.

United States

Applying Sekisui House technology: Responding to the various natural disasters that can occur in large land areas

In the U.S.A., demand for housing is projected to grow over the coming decades, with balanced population growth expected across all ages. Due to the large land area of the United States, different regions focus on different issues. In recent years, problems associated with climate change, such as the shifting paths of hurricanes, have become apparent. In addition, the West Coast of North America is exposed to a high risk of earthquakes as well as frequent power outages in light of the numerous major earthquakes that have struck the region in the past. While traditional wooden houses represent the mainstream for dwellings, houses constructed with high resistance to earthquakes, fires and impacts are required to minimize the devastating effects of natural disasters and global warming.

Adopting ZEH standards across the U.S.A. from California

California is an environmentally advanced state that has been proactively adopting environmental regulations. Reductions in greenhouse gas emissions have been legislated, and legislation requiring new homes to be equipped with photovoltaic panels was introduced in 2020, marking the first time such a policy has been adopted in the United States. Our subsidiary, Woodside Homes, is strengthening the development of environment-friendly and lifestyle-oriented products to promote zero net energy housing (or ZNE, the industry term in the U.S.A.) in line with revisions to the state’s environmental and energy-efficiency standards for buildings. We are providing ZEH housing as a foothold for popularizing this innovation in the United States, and we are planning to introduce environment-friendly urban developments in the future.

Development projects focused on biodiversity

Canyon Falls, a community development project in Texas, was developed with a view to preserving biodiversity specifically, it is focused on protecting the habitat of post oak trees, some of which are 120 to 150 years old. It is considered difficult to preserve post oak trees when developing the surrounding land, as this tree species is known for its delicate roots. However, the post oak trees in this area have continued to grow even after the development was completed. At the end of 2018, Canyon Falls was presented with the Tree of the Year Award from the town of Flower Mound in Texas.

The first SHAWOOD concept home in the U.S.A. was unveiled at IBS 2020.

In January 2020, we participated as the first Japanese house builder to exhibit at the International Builders’ Show (IBS), the largest U.S. trade fair for housing, held in Las Vegas. In addition to hosting an exhibit at our booth, we constructed a SHAWOOD concept home (an original wooden house design of Sekisui House) in the Summerlin area of western Las Vegas and opened it to the public. This marked the debut of the SHAWOOD house in the United States, and interest was very high. This also represented a valuable opportunity for us to convey our commitment to making a better society through housing.

The SHAWOOD brand, an initiative intended to resolve housing issues

The SHAWOOD Concept House is a structure built to the ZNE (Net-Zero Energy House) standard that offers high earthquake resistance and photovoltaic power generation capability with storage batteries. It is constructed with fireproof and low-maintenance Bellburn ceramic exterior wall material. This concept home earned high praise from participants, as it demonstrated a path to resolving some of the social issues facing the United States. It was designed to address the issues of life balance, connection with nature, symbiosis, and the design seeks harmony between Eastern and Western living customs, the concepts of indoors and outdoors, and a balance between technology and privacy.

By showcasing these technologies in the United States, we seek to provide helpful solutions. We will continue to promote the adoption of the SHAWOOD concept in the United States, incorporating sales methods that offer health and a choice of lifestyles.

Our research of various display materials suggests we were the first Japanese house builder to exhibit at IBS, an annual housing fair that attracts more than 85,000 participants involved in the construction industry as well as institutional investors from around the world. Our concept home was an actual real-life exhibit presented by one selected company. We constructed it in collaboration with Woodside Homes.
Offering eco-friendly housing in preparation for growth in housing demand

Australian Government statistics suggest that significant population growth is expected in the future, and we expect increased demand for sustainable housing. We have established a SHAWOOD factory in the suburbs of Sydney and have introduced a repetitive production system for high-quality building materials. Furthermore, we have constructed Shinka House, a ZEH-compliant pilot house equipped with solar power generation and photovoltaic, in The Hermitage, a residential housing development on the outskirts of Sydney. In addition to offering an environment-friendly lifestyle that reduces energy consumption, it serves as a platform for promoting the improved quality of housing that we provide to our customers.

The Central Park Project, recognized as the world’s tallest skyscraper

Construction of Central Park, a development complex in central Sydney, has been under way since 2011 with our joint venture partner, Frasers Centrepoint Limited. The concept of “environment-friendly development” has been thoroughly implemented here; for example, a large reflector is used to direct natural light to the lower part of the building in addition to adjusting indoor temperatures with a garden on the 29th floor, and a huge reflector, an aerial garden, impressive green walls, and reflectors to take advantage of natural light.

In May 2019, we undertook our full-scale entry into the UK housing market in partnership with Homes England, a UK government agency, and Urban Splash, an integrated real estate company. The chronic housing shortage in the UK has become a social issue, resulting in a shortage of about four million houses. In addition, the traditional stone-and-brick construction methods used for local houses are associated with challenges in terms of productivity, construction time, and quality, and a high-quality housing alternative is demanded. We believe we can contribute solutions to these issues by employing our high-quality, short-term industrialized housing technology. Notably, the UK government aims to decarbonize by 2050, from our experience with ZEH gained from our track record in Japan, we are confident we can help to solve the environmental problems facing the UK.

Adapting “slow living” to the local culture

In Australia, we assist local employees and industry groups in understanding our corporate philosophy by inviting them to Suma-no-Yume-Kojo Centers, Nottok Kojo (Home Amenities Experience Studio), and Sekisui House Eco First Park in Japan. The Gohon no ki indigenous landscaping project (highlighted on page 25) has been incorporated at each project, and the Satoyama concept has been adapted in various parts of our local projects, both of which have been well received by local customers. Similar initiatives are being undertaken in each country in which we operate, and participants who visit these facilities retain and bring back what they have learned in Japan, adapt it to their cultures and climates, and implement it.

Our Australian subsidiary promotes diversity, with females filling 50% of the employee positions and about 6% of the managerial positions. The company has also instituted an extensive promotion system for managers that focuses on individual abilities. In addition, in order to support the social advancement of women and the development of the next generation, West Village has partnered with the Property Council, a real estate industry group, to explain our initiatives in Australia and introduce local high school students to the town development and housing development field. The management’s “Girls in Property,” is contributing to the promotion of female participation in the male-dominated real estate development field and the construction industry.

Introducing the Gohon no ki project in residential development

In housing developments in the UK, which are incorporating the perspective of biodiversity conservation, we are undertaking research to incorporate biodiversity conservation efforts such as the Gohon no ki indigenous landscaping project in these sites.

Activities of the International Auditing Office and establishment of our International Whistleblowing System

We are working to strengthen governance at local subsidiaries in each country through a focus on the activities of the International Auditing Office, which was established in April 2019. In June 2020, we established an International Whistleblowing System with third-party law firms as a point of contact, in addition to maintaining our in-house reporting system at our local subsidiaries in the U.S.A., Australia, the UK, and Singapore (excluding Woodside Homes). If the law firm receives a report from an employee of a local subsidiary, the report is communicated directly to the head office to ensure the system operates as intended, ensuring its effectiveness.

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Introducing the Gohon no ki project in residential development

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We are working to strengthen governance at local subsidiaries in each country through a focus on the activities of the International Auditing Office, which was established in April 2019. In June 2020, we established an International Whistleblowing System with third-party law firms as a point of contact, in addition to maintaining our in-house reporting system at our local subsidiaries in the U.S.A., Australia, the UK, and Singapore (excluding Woodside Homes). If the law firm receives a report from an employee of a local subsidiary, the report is communicated directly to the head office to ensure the system operates as intended, ensuring its effectiveness.

Offering eco-friendly housing in preparation for growth in housing demand

Australian Government statistics suggest that significant population growth is expected in the future, and we expect increased demand for sustainable housing. We have established a SHAWOOD factory in the suburbs of Sydney and have introduced a repetitive production system for high-quality building materials. Furthermore, we have constructed Shinka House, a ZEH-compliant pilot house equipped with solar power generation and photovoltaic, in The Hermitage, a residential housing development on the outskirts of Sydney. In addition to offering an environment-friendly lifestyle that reduces energy consumption, it serves as a platform for promoting the improved quality of housing that we provide to our customers.

The Central Park Project, recognized as the world’s tallest skyscraper

Construction of Central Park, a development complex in central Sydney, has been under way since 2011 with our joint venture partner, Frasers Centrepoint Limited. The concept of “environment-friendly development” has been thoroughly implemented here; for example, a large reflector is used to direct natural light to the lower part of the building in addition to adjusting indoor temperatures with a garden on the 29th floor, and a huge reflector, an aerial garden, impressive green walls, and reflectors to take advantage of natural light.

In May 2019, we undertook our full-scale entry into the UK housing market in partnership with Homes England, a UK government agency, and Urban Splash, an integrated real estate company. The chronic housing shortage in the UK has become a social issue, resulting in a shortage of about four million houses. In addition, the traditional stone-and-brick construction methods used for local houses are associated with challenges in terms of productivity, construction time, and quality, and a high-quality housing alternative is demanded. We believe we can contribute solutions to these issues by employing our high-quality, short-term industrialized housing technology. Notably, the UK government aims to decarbonize by 2050, from our experience with ZEH gained from our track record in Japan, we are confident we can help to solve the environmental problems facing the UK.

Adapting “slow living” to the local culture

In Australia, we assist local employees and industry groups in understanding our corporate philosophy by inviting them to Suma-no-Yume-Kojo Centers, Nottok Kojo (Home Amenities Experience Studio), and Sekisui House Eco First Park in Japan. The Gohon no ki indigenous landscaping project (highlighted on page 25) has been incorporated at each project, and the Satoyama concept has been adapted in various parts of our local projects, both of which have been well received by local customers. Similar initiatives are being undertaken in each country in which we operate, and participants who visit these facilities retain and bring back what they have learned in Japan, adapt it to their cultures and climates, and implement it.

Our Australian subsidiary promotes diversity, with females filling 50% of the employee positions and about 6% of the managerial positions. The company has also instituted an extensive promotion system for managers that focuses on individual abilities. In addition, in order to support the social advancement of women and the development of the next generation, West Village has partnered with the Property Council, a real estate industry group, to explain our initiatives in Australia and introduce local high school students to the town development and housing development field. The management’s “Girls in Property,” is contributing to the promotion of female participation in the male-dominated real estate development field and the construction industry.

Introducing the Gohon no ki project in residential development

In housing developments in the UK, which are incorporating the perspective of biodiversity conservation, we are undertaking research to incorporate biodiversity conservation efforts such as the Gohon no ki indigenous landscaping project in these sites.

Activities of the International Auditing Office and establishment of our International Whistleblowing System

We are working to strengthen governance at local subsidiaries in each country through a focus on the activities of the International Auditing Office, which was established in April 2019. In June 2020, we established an International Whistleblowing System with third-party law firms as a point of contact, in addition to maintaining our in-house reporting system at our local subsidiaries in the U.S.A., Australia, the UK, and Singapore (excluding Woodside Homes). If the law firm receives a report from an employee of a local subsidiary, the report is communicated directly to the head office to ensure the system operates as intended, ensuring its effectiveness.
Positioning ESG management as a foundation of company operations, in line with its corporate philosophy and policies, the Sekisui House Group pursues its goal of becoming a leading company in ESG management through its everyday business activities. The group's concrete action plans take shape through the efforts of the CSR Committee and its three subordinate ESG committees.

The CSR Committee includes four representative directors from within the company organization and two outside experts (outside members) to enrich the relevant initiatives from a diversity of perspectives. Furthermore, we have established CSR subcommittees in each department to promote awareness of our efforts at all business locations. In order to implement our activities in cooperation with the managers of business locations, we also assign CSR Promotion Committees at all our business sites to link ESG management to the actions of each employee.

Corporate philosophy and CSR policies

At the core of the Sekisui House Group's corporate philosophy is a love of humanity: a fervent hope for the wellbeing of others and a sense of joy in others' joy, doing whatever we do in good faith and a spirit of service. That philosophy took root in 1989 with the unanimous approval of every group employee. Striving to ensure the well-being of all of our stakeholders—customers, employees, and shareholders—we pursue a CSR policy that focuses on maximizing customer satisfaction (CS), employee satisfaction (ES), and shareholder satisfaction (SS) in harmony with our corporate philosophy.

The framework for the CSR Committee and promoting ESG management

The Sekisui House Group regularly convenes its CSR Committee to determine and promote policies and discuss whether CSR initiatives responding to the trend toward ESG management are in line with common sense and the expectations of society, and whether social issues are being resolved through our business operations.

Members of the CSR Committee are chosen through a resolution of the Board of Directors. The Chairman and Representative Director serve as the Chair and the Vice Chairman as well as the President and Representative Director serve as Vice Chairs. To support the internal committee members, we have added two external experts: Katsuhiko Kokubu, Professor and Vice President of the Graduate School of Business Administration, Kobe University, and Hiromi Tokita, Director of Lloyd’s Register Japan K. K.

Moreover, three ESG committees operate under the umbrella of the CSR Committee to develop action plans, promote initiatives, and help efforts take root under the chairmanship of the Representative Directors and the Senior Managing Officer. Furthermore, we have established CSR subcommittees in each department to raise awareness of our efforts at all business locations. In order to implement our activities in cooperation with the managers of business locations, we also assign CSR Promotion Committees at all our business sites to link ESG management to the actions of each employee.

Environmental management

The year 2019 marked a transition in Japan to a new beginning, as the name of the historical era changed from Heisei to Reiwa, we focused our attention on the dawn of a new age in our country. At the same time, however, we had to accept that the dawn of a new era also brought tremendous damage caused by record-breaking rains from powerful typhoons that struck the Boso Peninsula and other parts of Japan. It is suspected that global warming is beginning to significantly affect our lives in the form of abnormal weather events. Clearly, these types of natural disasters can lead to supply chain disruptions and other business risks. We have come to realize once again that proactive efforts to address non-financial issues in the business itself, including countermeasures targeting climate change, will significantly support the sustainable growth of companies.

Moreover, in the context of global efforts to fight climate change, we are actively promoting the widespread adoption of the ZEH standard, which aims to achieve zero energy balance in the dwelling phase. In FY2019, the ZEH standard for detached homes we supplied reached 83.9%, and we were able to achieve our target rate of 80% in FY2020 ahead of schedule. In addition to the benefits of increased energy efficiency, the ZEH standard is highly resilient because it provides comfort and can be powered with solar cells, fuel cells, and storage batteries even during power outages. We believe our excellent track record in this area is attributable to customer appreciation of the added value these amenities provide. We are promoting multi-functional housing in rural housing and non-residential buildings as well by taking advantage of the expertise we have gained from building detached houses.

Regarding ESG investment, which evaluations the long-term growth potential of companies, we have become the first non-financial private enterprise in Japan to provide institutional investors with TCFD reports, which provide financial information and analyze the risks and opportunities posed by climate change.

In Fiscal 2020, we still continue to create sustainable value by “making home the happiest place in the world.”

Improvement in sociability

With a commitment to “making home the happiest place in the world,” we remain focused on addressing social issues through housing. As a concrete measure to ensure the contentment of our customers, employees, and communities, we are developing technologies that pursue health in addition to safety, security, and comfort. In the context of the digitalization of tangible technology and intangible elements. At the same time, we are maximizing customer satisfaction through “superior quality and value.” While we implement employee contentment initiatives, we are strengthening initiatives such as promoting diversity, reforming workplaces, and developing human resources in addition to gradually developing content for health management. In the summer of 2020, we are launching a program of AI-based risk analysis of health checkup results and lifestyle improvement simulation programs. Our goal is to raise awareness and improve the health literacy of all employees. In terms of addressing the contentment of our communities, we are solving social issues such as the declining birthrate and aging population through proposals such as nursery schools and nursing homes; specifically, we are specializing in four policies: nurturing the next generation; protecting the environment; improving housing culture; and preventing disaster and providing disaster relief. In response to these policies, the Sekisui House Matching Program, a joint donation system for employees and companies that meet certain criteria, started the implementation of programs by non-profit organizations and foundations in cooperation with our office. In April of this year, we established a human rights policy, ensuring that our corporate philosophy, which we work toward the emergence of a sustainable society, will continue to enhance our corporate value by meeting the expectations of our various stakeholders as they expand globally.

Governance

EIG investment is now in excess of 3,000 trillion yen and is considered a driving force for corporate growth. With regard to the governance aspect, we have positioned 2018 as the First Year of Governance Reform and have begun implementing steps to strengthen our corporate governance. We have implemented 17 reforms from the top management level to the business management level and are continuously working to further improve them. These reforms include improving the independence of the Board of Directors and reviewing the term of office of the Representative Director.

Moreover, in order to strengthen the governance system, it is important to promote the creation of an open workplace culture. The Governance Subcommittee under the CSR Committee promotes a more open atmosphere in three phases: top-down, up and down from the management team. In addition to promoting the perception of, and raising awareness of, governance compliance under the slogan “Innovation & Communication,” we are nurturing the next generation of leaders who represent one of the foundations of our growth.

In October 2019, Konoko Construction Co., Ltd. became a subsidiary, as a result, the number of group employees both inside and outside Japan has grown to 27,000. As we prepare to celebrate our 60th anniversary in August 2020, we are dedicated to making this year one in which every Sekisui House Group employee understands and acts on the essence of our corporate philosophy and ESG management.

In addition to publishing this Sustainability Report, we have decided to issue a new Integrated Report in 2020 with enhanced information for investors. As the individual responsible for the Investor Relations Division, I will continue to increase transparency and the timeliness of our information disclosure. Moreover, when designing media, we will strive to reflect the Sekisui House Group’s efforts to contribute to the emergence of a sustainable society using a structure that is more conscious of the target audience.
ESG & Main Indicators

The Sekisui House Group aims to become a leader in ESG management by setting major non-financial indicators (including KPIs) and implementing the PDCA cycle to improve our initiatives while monitoring our progress.

The ESG data presented below is also available on our website with greater detail. https://2c.sekisuihouse.jp/xs9q

<table>
<thead>
<tr>
<th>ESG Indicator</th>
<th>Unit</th>
<th>2019 Results</th>
<th>2020 Targets</th>
<th>2021 Targets</th>
<th>2022 Targets</th>
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<tbody>
<tr>
<td><strong>Environmental</strong></td>
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<td>Green First ZERo ratio</td>
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<td>Rate of CO2 emissions reduction from business operations</td>
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<td>Rate of CO2 emissions reduction from new housing</td>
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<td>Ratio of post-PIT IT infrastructure</td>
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<td>Sustainable wood procurement ratio</td>
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<td>Waste recycling rate (new constructions)</td>
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<td>Waste recycling rate (maintenance and remodeling)</td>
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<td><strong>Societal</strong></td>
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<td>In-workplace accidents</td>
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<td>Number of persons with disabilities (non-consolidated basis)</td>
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<td>Employment rate of persons with disabilities (non-consolidated basis)</td>
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<td><strong>Circular Economy</strong></td>
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<td>Waste recycling rate for new industrialized housing products</td>
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<td>Waste recycling rate for maintenance and remodeling</td>
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<td><strong>Social</strong></td>
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<td>Governance awareness survey score for “Anti-harassment culture”</td>
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<tr>
<td>Sign-up rate for Sekisui House Matching Program</td>
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**FY2019 value chain CO2 emission status (outline of Scope 1, 2, 3)**

**Scope 1 & 2**

- **Scope 1:** CO2 emissions associated with fuel consumption: 70,574 (t-CO2)
- **Scope 2:** CO2 emissions associated with purchased electricity and heat: 50,808 (t-CO2)

**Total of Scope 1 & 2:** 121,382 (t-CO2)

**Scope 3**

- **Category 11:** Use of solid products (sheeting): 3,605,204 (t-CO2)
- **Category 1:** Purchased goods and services (raw materials): 1,538,204 (t-CO2)
- **Other categories:** Product disposal, business waste, uprooted transportation, etc.: 361,547 (t-CO2)

**Total of Scope 3:** 5,504,951 (t-CO2)

**Total of Scope 1, 2, 3:** 5,626,337 (t-CO2)

**G. Governance**

<table>
<thead>
<tr>
<th>Main Themes</th>
<th>Indicator</th>
<th>Unit</th>
<th>2019 Results</th>
<th>2020 Results</th>
<th>2021 Results</th>
<th>2022 Results</th>
<th>2019 Targets</th>
<th>2020 Targets</th>
<th>2021 Targets</th>
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<tbody>
<tr>
<td>Contributing to Health, Longevity and Wealth</td>
<td>Customer satisfaction</td>
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<td>95.2%</td>
<td>95.5%</td>
<td>95.6%</td>
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<td>SDS procurement coverage</td>
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<td>77%</td>
<td>80%</td>
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<td>Promoting Diversity</td>
<td>Number and percentage of female managers</td>
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<td>20%</td>
<td>22%</td>
<td>25%</td>
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<td></td>
<td>Percentage of number of full-time female employees</td>
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<td>25%</td>
<td>28%</td>
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<td>Percentage and number of female new-graduation hired</td>
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<td>Procurement ratio of Rank S and Rank A wood products (according to Wood Procurement Guidelines)</td>
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<td>Waste recycling rate for new industrialized housing products</td>
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* Items that serve as indicators for the creation of an open workplace culture among all survey items of the annual governance awareness survey. Figures in the table are average values calculated as follows: “strongly agree” 100 points, “mostly agree” 75 points, “mostly disagree” 25 points, “strongly disagree” 0 points.

**Sekisui House Sustainability Report 2020**

65 Sekisui House Sustainability Report 2020

66 Sekisui House Sustainability Report 2020
Material Balance (Environmental Impact)

To make its environmental-conservation activities as effective as possible, the Sekisui House Group monitors and reports on environmental impact at each stage of the housing product lifecycle—including development and design, raw-material procurement, factory production, transportation, construction, and occupancy—in Japan and overseas.

FY2019 environmental impact of corporate activities

| Energy | 966,238 GJ |
| Electricity | 48,472 MWh |
| Gasoline | 12,331 l |
| Natural gas | 583 l |
| Propane | 488 GJ, 271 thou. m³ |
| Kerosene | 41 thou. m³ |
| Concrete | 2,568 thou. m³ |
| Water | 18,770 GJ |

| Electricity | 811,950 GJ |
| Gasoline | 5,029 thou. m³ |
| Natural gas | 1,982 l |
| LPG | 1,471 l |
| Kerosene | 64 l |
| Gasoline | 25 l |
| Water | 2,418 thou. m³ |

| Water | 457,591 GJ |
| Electricity | 12,630 MWh |
| Gasoline | 6,979 thou. m³ |
| LPG | 1,003 l |
| Kerosene | 593 l |
| Gasoline | 25 l |
| Water | 2,050 thou. m³ |

| Energy | 403,743 GJ |
| Electricity | 12,630 MWh |
| Gasoline | 6,979 thou. m³ |
| LPG | 1,003 l |
| Kerosene | 593 l |
| Gasoline | 25 l |
| Water | 2,050 thou. m³ |

| Energy | 197,061 GJ |
| Electricity | 4,094 MWh |
| Gasoline | 4,135 thou. m³ |
| Kerosene | 35 l |

Notes on the data

Scope 1 and 2 emission amounts attributable to “construction” and “demolition” include CO₂ emissions resulting from construction and demolition by non-Sekisui House Group partner building contractors (applicable to Scope 3). As it is difficult to separate the figures due to housing construction and demolition conditions, the values are included in the calculations for Scope 1 and 2 for the sake of convenience.

\[
\text{Scope 1, 2, and 3 Emissions} = \text{Emissions (Construction and Demolition)} + \text{Emissions (Scope 3)}
\]

| Energy and CO₂: Estimated energy consumption and CO₂ emissions resulting from new construction by 17 Sekisui Construction companies and partner building contractors.
| Factory production: Energy consumption and CO₂ emissions from the five Sekisui House factories in Japan and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd., and the Insulgem Manufacturing and Quality Control Centre (Australia).
| Raw materials: Estimated CO₂ emissions associated with the production of materials purchased by Sekisui House Co., Ltd.

Below are the figures for energy consumption, water consumption, waste, and CO₂ emissions resulting from the demolition of old buildings prior to new construction.

Sekisui House provides the market with eco-friendly products featuring PV systems and low-emission fuel cells. By supplying detached houses (built to the Green Fora ZERU (ZEH standard) aiming for net-zero energy consumption, we succeeded in reducing CO₂ emissions by 82% (relative to detached houses from the 1980s).

\[
\text{Scope 3 Emissions} = \text{Emissions (Construction and Demolition)} + \text{Emissions (Scope 3)}
\]

Development and Design

| Development and design | 53,791 GJ (CO₂ emissions) |
| Raw-material procurement | 1,538,204 GJ (CO₂ emissions) |
| Raw materials | 1,549,081 GJ (CO₂ emissions) |
| CO₂ emissions | 3,107,374 GJ (CO₂ emissions) |

| Paper | 107 l (Recycling rate: 76.4%) |
| Other | 36 l |
| Total | 143 l |

| Waste | 16,320 thou. m³ (Recycling rate: 100%) |
| Glass/crushed stone | 7,724 thou. m³ |
| Metal | 4,484 thou. m³ |
| Sludge | 2,005 thou. m³ |
| Wood | 1,447 thou. m³ |
| Other | 764 thou. m³ |

| Energy and CO₂: Estimated energy consumption and CO₂ emissions resulting from new construction by 17 Sekisui Construction companies and partner building contractors.
| Energy and CO₂: Estimated energy consumption and CO₂ emissions during occupancy at detached houses and low-rise rental apartments built from building components shipped from factories (calculated assuming an occupancy period of 60 years for detached housing and 45 years for low-rise rental apartments).

Konoike Construction Co., Ltd.

| Construction | 25,039 GJ |
| Construction | 148,572 GJ (Recycling rate: 97.4%) |
| Construction | 3,605,204 GJ (CO₂ emissions) |

| Concrete | 24,460 l |
| Plastic | 18,974 l |
| Wood | 17,713 l |
| Sludge | 14,286 l |
| Plasterboard | 14,064 l |
| Debris | 12,757 l |
| Other | 46,386 l |

| Recycling rate: 37.3% |

| Waste | 1,394 thou. m³ (Recycling rate: 37.3%) |
| Concrete | 229,596 l |
| Wood | 191,185 l |
| Debris | 46,471 l |
| Other | 37,571 l |

| Energy and CO₂: Estimated energy consumption and CO₂ emissions associated with domestic construction and civil engineering work (excluding demolition) with Konoike Construction Co., Ltd., as the lead manager.
| Energy and CO₂: Estimated energy consumption and CO₂ emissions are only estimated for small-scale construction work at contracted amounts of less than 100 million yen.

Konoike Construction Co., Ltd.

| Waste | 12,769 thou. m³ (CO₂ emissions) |
| Concrete | 69,520 l |
| Wood | 18,344 l |
| Debris | 2,718 l |
| Other | 1,593 l |

| Recycling rate: 58.9% |

[Remarks]

- We have a framework under which the head office receives reports of any violations of environmental laws or regulations at a factory. In FY2019, there were no major violations of greenhouse-gas-related laws or regulations (no single case subject to criminal punishment, administrative penalty, or administrative (pardon) or any serious cases of忏悔廃業 (fuukyoden)).
- Sekisui House receives all waste resulting from the production of material and associated factories. Of that total, the material-recycling rate was 94.9%.
- The water discharged from our factories into rivers meets the water-quality standards specified in Japan’s Water Pollution Control Law and other relevant regulations and agreements. The water from our Toyohru, Kanto, Shokoku, Yamaguchi, and Fukuoka factories meets Sekisui House’s factory standards, which are stricter than the legal requirements.
FY2019 Accolades and Achievements

Environment

- **Climate change initiatives and information disclosure**
  - Included in CDP 2019 Climate Change A List

Community building and landscape

- **Egata-no-mori Project**
  - The Townscape Award, Urban Space Division, Excellence Award
  - The Green City Awards, Green Business Activities, Ministry of the Environment's Prize

- **Shin-Sotayama and the Wall of Hope**
  - Osaka Landscape Award, Landscape Management Category
  - Osaka Prefecture and Osaka City

- **Grande Maison Shin Umeda Tower**
  - Osaka Eco-Friendly Architecture Award Housing Category Award
  - Osaka Prefecture and Osaka City

- **Kids Design Awards**
  - September 2019: Ngo Kids Design Association
  - October 2019: JNPI Kids Design Award
  - September 2019: Kumaen Leave

- **Egata-no-mori Project**
  - October 2019: The Expo ‘90 Foundation (Commemorative Foundation for the International Garden and Gourmet Exposition)
  - Osaka, Japan, 1990

- **Good Design Award**
  - February 2020: Sekisui House, Limited

ESG Management

- **Sekisui House, Limited**
  - April 2019: Osaka City Women's Leading Company, Mayor's Award Grand Prize

- **Disaster Response Kids’ Education Support Project**
  - March 2020: Corporate Award for Promoting Youth Experience Activities

- **Sustainability Report 2019**
  - 23rd Environmental Communication Awards
  - Selected Hall of Fame Enterprise in the 23rd Environmental Communication Awards
  - Certified under “This is MECENAT 2019”
A third party was engaged to provide assurance on Sekisui House, Ltd.’s Sustainability Report 2020 and to verify that the report provides reliable information on the company’s energy consumption; waste and greenhouse gas emissions volumes; water used in factory production; and social reporting (occupational illnesses and frequency of accidents resulting in lost worktime). The J-SUS symbol indicates that a report has undergone an accreditation review under methodology adopted by the Japanese Association of Assurance Organizations for Sustainability Information.