

# Organizational Management toward a Sustainable Society

Sekisui House considers CSR to be an important management principle and is committed to actively engaging in CSR in its daily business operations, based on the 4 values and 13 guidelines, established to achieve the Sustainable Vision. By inviting external stakeholders as members, the Sekisui House CSR Committee incorporates external viewpoints in designing specific policies for corporate activities to enhance CSR efforts.

## Corporate philosophy, vision and CSR policy of Sekisui House

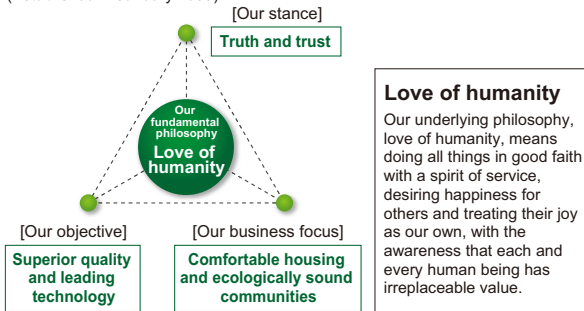
The corporate philosophy of Sekisui House Group has “love of humanity” at its core. Simply put, by “love of humanity” we mean “desiring happiness for others and treating their joy as our own.”

Specifically, we desire happiness for our stakeholders; namely, customers, employees and shareholders, and under the corporate philosophy, we pursue our CSR policy focusing on maximizing customer satisfaction (CS), employee satisfaction (ES) and shareholder satisfaction (SS).

As the principles that guide us to achieve this purpose, we defined four values—environmental value, economic value, social value and homeowner value—under our corporate vision, and sublimated these values into our Sustainable Vision.

### ■ Corporate philosophy

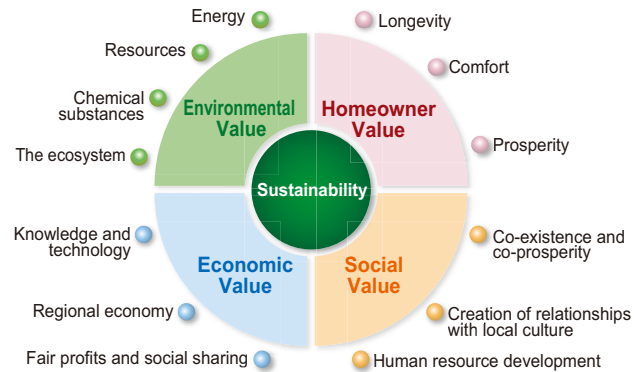
(Established in January 1989)



## CSR management based on 4 values and 13 guidelines

At Sekisui House, we determine the direction of our CSR activities based on 4 values and 13 guidelines—the principles of action we introduced to achieve our Sustainable Vision. In order to implement the PDCA cycle without fail, we review our corporate activities each year by assessing the extent we have achieved our social and environmental targets.

### ■ 4 values and 13 guidelines



## Matching ISO 26000 and Sekisui House’s 4 values and 13 guidelines

In 2010, the International Organization for Standardization launched ISO 26000, an international standard providing guidance applicable to all corporate organizations to fulfill their responsibilities to society.

The following table shows how Sekisui House’s 4 values and 13 guidelines, or principles of action introduced to achieve our Sustainable Vision, match the seven main themes of the ISO 26000 international standard. From this table, it is clear that there is a near-perfect correspondence between them. We will remain committed to our CSR activities based on these 4 values and 13 guidelines.

Value	4 values and 13 guidelines of Sekisui House		Corresponding main themes and goals of ISO 26000	
	Guideline	Description	Main theme	Goal
Environmental Value	Energy	Use of energy without depending on fossil fuels	Environment	Climate change mitigation and adaptation
	Resources	Use of resources within the regenerative capacity of natural ecosystems	Environment	Sustainable use of resources
	Chemical substances	Prevention of heterogeneous and hard-to-degrade substances from concentrating in the natural environment	Environment	Pollution prevention
	The ecosystem	Protection of natural cycle and biodiversity	Environment	Environmental protection, recovery of biodiversity and natural habitats
Economic Value	Knowledge and technology	Accumulation of wisdom and technologies to create sustainable values	Community participation and development	<ul style="list-style-type: none"> <li>Development of and access to technologies</li> <li>Job creation and skills development</li> </ul>
	Regional economy	Revitalization of local economies	Community participation and development	<ul style="list-style-type: none"> <li>Community participation</li> <li>Education and culture</li> <li>Job creation and skills development</li> </ul>
	Fair profits and social sharing	Pursuit of fair corporate profits and sharing the profits with society	<ul style="list-style-type: none"> <li>Organizational governance</li> <li>Fair business practice</li> <li>Community participation and development</li> </ul>	<ul style="list-style-type: none"> <li>Fair competition</li> <li>Wealth and income creation</li> <li>Social investment</li> </ul>
Social Value	Co-existence and co-prosperity	Establishment of relationships of co-existence and co-prosperity based on trust and empathy with various stakeholders in society	<ul style="list-style-type: none"> <li>Fair business practice</li> <li>Community participation and development</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of social responsibility within value chain</li> <li>Respect for property rights</li> <li>Community participation</li> </ul>
	Creation of relationships with local culture	Preservation and enhancement of local culture and community development	<ul style="list-style-type: none"> <li>Consumer issues</li> <li>Community participation and development</li> </ul>	<ul style="list-style-type: none"> <li>Protection of safety and health of consumers</li> <li>Community participation</li> <li>Education and raising awareness</li> </ul>
	Human resource development	Human resource development to create sustainable values	<ul style="list-style-type: none"> <li>Human rights</li> <li>Labor practice</li> </ul>	<ul style="list-style-type: none"> <li>Complaint resolution</li> <li>Discrimination and socially vulnerable groups</li> <li>Labor safety and health</li> </ul>
Homeowner Value	Longevity	Construction of homes that are long beloved by residents and that grow more valuable over time	<ul style="list-style-type: none"> <li>Consumer issues</li> <li>Community participation and development</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable consumption</li> <li>Protection of consumer data and privacy</li> <li>Access to essential services</li> <li>Health, etc.</li> </ul>
	Comfort	Offering a pleasant, healthy and comfortable living environment		
	Prosperity	Offering long-lasting prosperity		

## CSR Committee and CSR promotion structure

Incorporating the viewpoints of external stakeholders, the Sekisui House CSR Committee acts as an organ to develop CSR policy and verify whether current CSR activities are consistent with social norms and expectations so that company-wide CSR initiatives are relevant and effective.

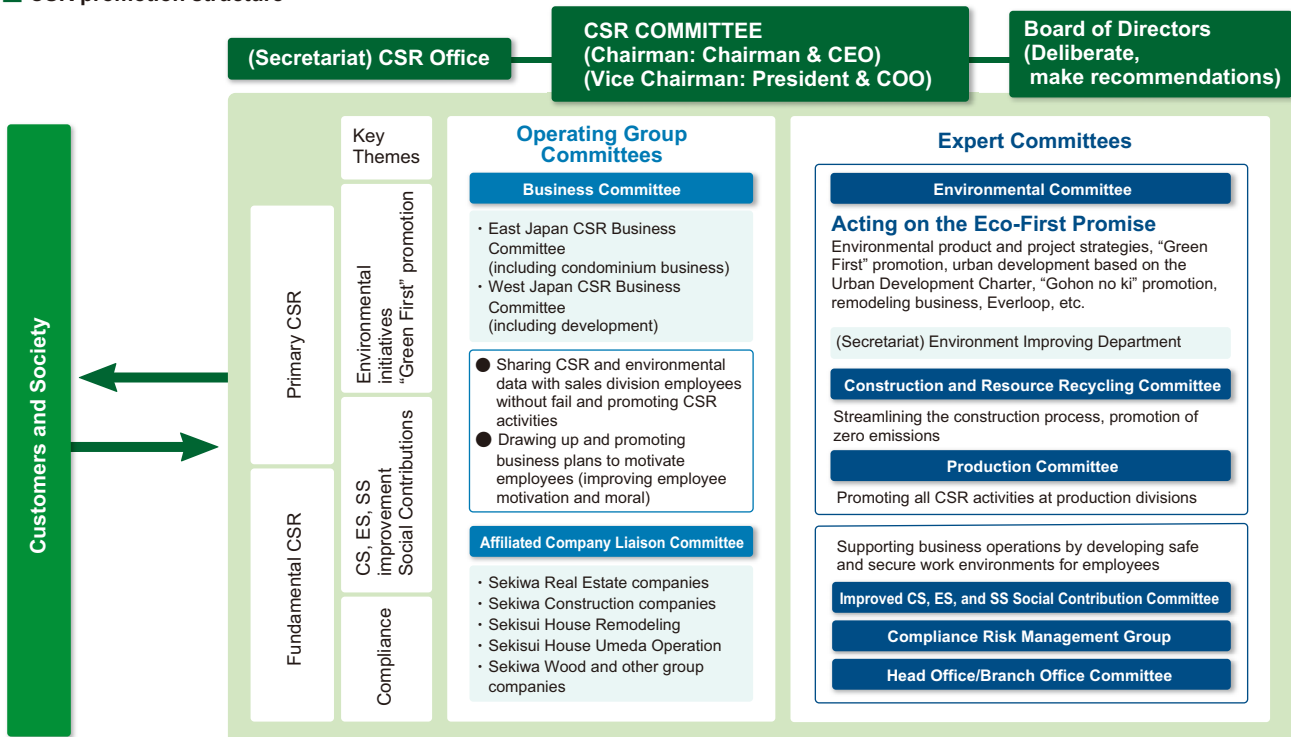
Led by our Chairman & CEO, the CSR Committee, which consists of board members, a selection of executive officers and three external stakeholders (a manager of an environmentally advanced company, a corporate management expert, and a compliance expert), meets once every three months. CSR Committee members are appointed by the board of directors.

Under the supervision of the CSR Committee, several committees are working to promote and further strengthen our CSR efforts.

Specifically, the Business Committee, one of the Operating Group Committees, is positioned as the focal point of the CSR activities which we undertake as part of our core business. This committee is responsible for our CSR process from formulating specific CSR plans to reviewing the outcomes of our activities, and is supported by six Expert Committees which are tasked with separate responsibilities based on their respective CSR themes. In addition, CSR promotion representatives are assigned to each of our business departments.

In fiscal year 2012, we accelerated our primary CSR efforts, especially by promoting the "Green First" initiative to contribute to resolving energy and other social challenges. At the same time, we strived to fulfill our fundamental CSR, which places emphasis on compliance.

### CSR promotion structure



## CSR management tool

We conduct a Governance Awareness Survey to find out whether the operations of each of our business sites comply with our Sustainable Vision and to clarify attitudes toward CSR and any problems by business site. The survey conducted in fiscal year 2012 showed improvement in scores in all the five indicators on a company-wide average basis, proving its effectiveness as a management tool.

This survey is conducted by means of a questionnaire involving all employees. Survey results are indexed and analyzed in terms of five indicators and used to shed light on the strengths and weaknesses of each business site and then to develop and implement sustainable management policies. In doing so, we aim to create an environment of open communication at each workplace that motivates employees to strive for higher performance. The resulting data is also put to practical

use as a key tool in training programs for employees in managerial positions and as a topic for group discussions at each business site.

### Five indicators covered by the Governance Awareness Survey

1. Corporate philosophy

4. Workplace culture

2. Vision/strategy

5. Compliance

3. Employee autonomy

## Main stakeholders and Sekisui House Group's responsibility to them

As a company striving to contribute to society through homebuilding and community development, we, at the Sekisui House Group, are committed to fulfilling our duties to customers and all of our stakeholders with honesty and integrity to achieve mutual prosperity, in line with the following guidelines.

Main stakeholders	Our responsibilities	Some of the actions to meet the responsibilities	Page(s)
Customers	Promote communications with customers under the "customer first" policy to ensure their valuable assets (homes) have prolonged life spans and are long-beloved; and serve customers with sincerity and integrity to enhance customer satisfaction	<ul style="list-style-type: none"> <li>Conduct customer survey</li> <li>Publish regular information magazines, <i>Kizuna</i>, <i>Maisowner</i>, and <i>gm</i></li> <li>Host a website: Net Owners Club Kizuna</li> </ul>	5-8
Consumers	Facilitate disclosure of information, while remaining sensitive to the needs of society; and foster relationships of trust as part of our efforts to create a comfortable society and lifestyles	Offer venues for dialogue with consumers through the following: <ul style="list-style-type: none"> <li>Zero Emission Center</li> <li>Comprehensive Housing R&amp;D Institute</li> <li>Large-scale Experience-based Facilities</li> <li>Sustainable Design Laboratory</li> <li>Kankan kyo</li> <li>Housing seminars, and</li> <li><i>Life Literacy Book</i></li> </ul>	5-8
Business partners	Strive to conduct transactions on a fair and equal basis and foster amicable partnerships which grow together by achieving customer satisfaction	<ul style="list-style-type: none"> <li>Organize the network of the Sekisui House Association and the Sekisui House Partners' Association</li> <li>Convene policy meeting</li> <li>Conduct supplier evaluation</li> </ul>	65-66
Employees	Respect the diverse individuality of employees to ensure that they can fully demonstrate their competence and achieve creative growth through meaningful work, and develop a workplace environment and programs that motivate employees at work and ensure fair treatment, thereby enhancing ES	<ul style="list-style-type: none"> <li>Employee management in line with the Declaration for Human Resources Sustainability</li> <li>Internal open recruitment</li> <li>Internal qualifications</li> <li>Human relations training</li> <li>Governance Awareness Survey</li> <li>Occupational Health and Safety Management System</li> <li>Mental health management</li> <li>The Sekisui House Group's internal magazine: <i>Sekisui House</i></li> </ul>	67-69
Shareholders and investors	Ensure fair and transparent corporate management to maintain our value in society, with a view to further enhancing our corporate value through healthy growth and returning fair profits to our shareholders	<ul style="list-style-type: none"> <li>Convene general shareholders' meeting</li> <li>Publish Business Report and Annual Report</li> <li>Issue IR news mail</li> <li>Offer preferential treatment for shareholders</li> </ul>	70
Communities	Endeavor to foster local culture and enhance living standards to ensure all people enjoy happy, satisfying lives, while contributing to preservation of the global environment; strive to share fair profits with society; and cooperate with and participate in social activities by leveraging our strength as a homebuilder active in the field of housing culture	<ul style="list-style-type: none"> <li>Cooperate with an NPO: Uzo Nishiyama Memorial Library</li> <li>Support independence of people with disabilities</li> <li>Cooperate with an NPO: the Kids Design Association</li> <li>Sekisui House Matching Program</li> <li>"Kobe Machizukuri Rokko Island Fund" charitable trust</li> </ul>	71-73
All stakeholders	Ensure full compliance and eco-friendly practices and fulfill our accountability		35-38

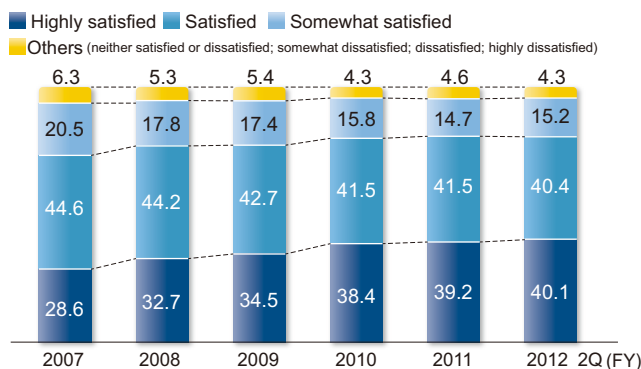
## Challenges faced by our CSR management and measures to be taken

Upon review of our CSR activities in fiscal year 2012, we have placed special focus on the following three objectives during fiscal year 2013.

### 1 Ensure a higher level of customer satisfaction

We will work to further enhance customer satisfaction, which is a matter of vital importance for the Sekisui House Group. An example of one of the measures to achieve this purpose is to analyze the results of our customer surveys.

#### Results of past customer surveys on satisfaction (a seven-point scale evaluation)



### 2 Strengthen the supply chain

We will have closer communications with our partner building contractors and business partners to ensure we fulfill our responsibility to society in the supply chain.

### 3 Reinforce our CSR management overseas

Against the backdrop of the expansion of our overseas business, we will reinforce our CSR management efforts overseas to be a company needed by each local society.

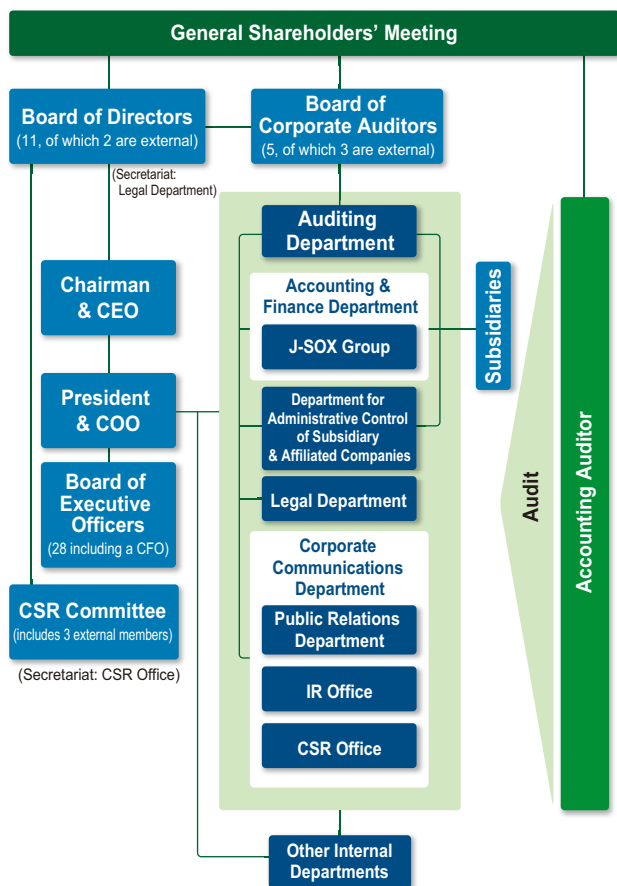
## Corporate governance and internal control system

To ensure solid stakeholder support, Sekisui House has increased management transparency; provided for timely, appropriate checks on management decisions; and enabled thorough monitoring. External board members and corporate auditors are in place, and our corporate governance system assures management responsibilities are well-defined and executed accordingly.

As part of our internal control system, in May 2006 our board of directors passed a resolution on the establishment of ten basic policies relating to the Basic Policy Concerning the Development of an Internal Control System, including one policy calling for systems to ensure that board members' execution of business responsibilities is in compliance with laws, and our articles of incorporation. These basic policies have come to serve as a platform for our efforts to implement and ensure our internal control system operates properly.

In addition, to ensure full compliance with the Financial Instruments and Exchange Law, strict internal controls (J-SOX) have been implemented on a group-wide basis, led by the J-SOX Group established within the Accounting & Finance Department.

## ■ Corporate governance structure (as of April 2013)



## Compliance promotion

### ■ Vision of compliance

Sekisui House believes compliance is an ongoing management concern that includes not only adhering to laws and regulations but also the promotion of CSR initiatives. As a result, the Compliance Risk Management Group has been established under the CSR Committee to act as a platform for various ongoing compliance-related awareness initiatives and employee training programs.

Under our CSR Committee-based structure, steps are also being taken by relevant managers at all of our business offices to address various challenges posed by the company-wide promotion of compliance best practices.

### ■ Compliance promotion activities

We set up the Corporate Ethics Guidelines as a common platform for establishing a set of corporate ethics for the group companies, executive officers and employees to adhere to in all business activities.

Compliance best practices are only achievable with the consistent and combined efforts of both executive officers and employees. With this understanding, we have developed exhaustive compliance education and training programs and conduct e-learning sessions to educate all employees on the protection of personal information and newly hired employees on CSR and compliance best practices.

At Sekisui House Group, all executive officers and employees are required to submit a Corporate Ethics Compliance Pledge annually in October, which is designated as a "corporate ethics month." In fiscal year 2012, we provided venues for employees to have discussions on case studies at each workplace.

## ■ Internal reporting system and whistleblower protection

Sekisui House has established an internal reporting system, or the SCS System (Sekisui House Group Corporate Ethics Helpline), to support compliance best practices among its employees.

The system and accompanying guidelines ensure that an employee who witnesses an unlawful act or an act that violates the corporate ethics policy can report this in confidence, while maintaining their privacy, to the Compliance Secretariat by phone, email or in writing by restricted delivery mail service.

The Labor Management Help Line has also been set up for personnel-related counseling as well as the Sexual Harassment Hotline.

## ■ Protection of personal information

Sekisui House collects and manages the personal information of customers at its various business locations, including model homes, sales offices, and other locations.

We have developed an information management structure compliant with the Personal Information Protection Law by appointing the Director of CS Promoting Department to take charge of the protection of personal information and establishing the Customer Personal Information Management Office. We also conduct regular employee training programs to ensure strict controls are maintained over the management of customer information. If customer information is disclosed by accident, we will give an account of the incident on our website together with the measures we will take to cope with the situation.

## Risk management structure

Our group-wide risk management efforts are handled by the Compliance Risk Management Group, established under the CSR Committee with a view to identifying and managing risk that may undermine our credibility in society and taking appropriate measures to deal with such risk.

We also involve our group companies in our risk management efforts, mainly through the Affiliated Company Liaison Committee, to increase risk awareness and strengthen our risk management capacity on a group-wide basis.

We have made constant efforts to improve the disaster resistance of our housing products. Also, our own Business Continuity Management (BCM) system enables us to promptly respond to unexpected business disruptions that may take place when a disaster hits and immediately launch restoration and support activities.

## Main tasks undertaken by the Compliance Risk Management Group during fiscal year 2012

- Identify and sort possible risks
- Discuss the plan to reinforce monitoring by head office
- Ensure corporate practices in compliance with the Architect Act and the Construction Business Act
- Take measures to prevent leakage of confidential information

# Meeting our Commitments as an Eco-First Company without Fail

We were certified as an Eco-First Company by the Ministry of the Environment of Japan in June 2008 and we have since been steadily promoting our environmental initiatives.

While remaining committed to achieving our ultimate goals of global warming prevention, ecosystem preservation and resource recycling, we renewed our Eco-First Promise in part, in March 2012, in consideration of the changes in the social environment and the progress of our ongoing efforts.

During fiscal year 2012, we made the following progress in our Eco-First activities.



## Eco-First Promise

### Commitment to global environmental protection as an environmentally advanced company

We, Sekisui House, Ltd., along with the Sekisui House Group companies, are well aware of our obligations to society as a company with a track record of having delivered significantly more housing than any other housing manufacturer. We will ensure full compliance with all applicable laws and regulations and promote, through our environmental initiatives, the following activities in our sincere efforts to bring greater benefits to society.

### Progress in major activities achieved in fiscal year 2012

#### 1 We will take positive measures to achieve a reduction of CO<sub>2</sub> emissions from residential and industrial sources.



Promoting the "Green-First" initiative



Carrying out the "Smart Common City" development project nationwide



Promoting remodeling to retrofit photovoltaic power generation systems

#### 2 We will continue to make concerted efforts toward restoration of ecosystem networks.



Promoting the "Gohon no ki" landscaping concept



Implementing a biodiversity survey



Implementing the Wood Procurement Guidelines

#### 3 We will promote resource recycling to the fullest extent.



Utilizing the next-generation zero-emission systems



Encouraging acquisition of the Long-term Quality Housing Certification



Promoting the "Everloop" program to repurchase and renovate homes for subsequent sale

### Playing a leading role as a member of the Eco-First Promotion Council

#### New environmental proverb competition

The 2012 competition invited elementary pupils and junior high school students all over Japan to submit new environmental proverbs concerning "earth and human friendly natural energy, such as sunlight, river currents, and wind power." A total of 681 entries were received and after strict screening, we selected the winner of the Sekisui House Prize, one of the prizes offered by member companies.

#### Environmental Message EXPO 2012

On October 18, 2012, Environmental Message EXPO 2012 was held, in which Mr. Kenichi Ishida, Executive Officer and Chief Manager of the Environment Improving Department of Sekisui House, made a presentation titled "Homebuilding with zero CO<sub>2</sub> emissions and zero waste generation."



Winner of the Sekisui House Prize in the Environmental Proverb Competition  
"We have the gift from the sun saved on the roof of our house"

**Miss Ayuko Sugihara**  
Second-grade pupil at Takasago Municipal Yoneda-nishi Elementary School, Hyogo Prefecture

# Achievements in Key Indicators of our CSR and Environmental Management Efforts

The following table shows the achievements in the main target areas of Sekisui House Group's CSR and environmental management efforts covered in the Sustainability Report 2013.

Category	Indicator	Unit	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Definition and remarks
Global warming prevention	Total energy input	TJ	3,201	2,875	2,872	2,851	2,830	Amount of energy input at the development and design, production at factory, transportation, construction and demolition stages
	CO <sub>2</sub> emissions at the development and design, production at factory, construction and demolition stages	t-CO <sub>2</sub>	142,610	127,324	123,125	119,969	114,780	Amount of CO <sub>2</sub> emitted at these stages per year
	CO <sub>2</sub> emissions at the transportation stage	t-CO <sub>2</sub>	35,896	33,867	37,886	39,967	38,959	Amount of CO <sub>2</sub> emitted at the transportation stage per year
	Reduction of CO <sub>2</sub> emissions from the 1990 level (amount)	t-CO <sub>2</sub>	—	28,179	37,468	39,372	42,074	Reduction of residential CO <sub>2</sub> emissions from new detached homes in comparison with the 1990 level (amount and %)
	Reduction of CO <sub>2</sub> emissions from the 1990 level (%)	%	—	43.7	49.4	51.3	55.7	
	Ratio of the "Green First" home to all Sekisui House detached homes	%	13.0	51.7	70.7	77.9	83.8	Ratio of the "Green First" home to all newly built Sekisui House detached homes
	Ratio of the "Green First" home to all Sekisui House low-rise apartments for leasing	%	—	—	19.0	27.1	44.6	Ratio of the "Green First" home to all newly built "Sha-Maison" low-rise apartments for leasing
No. of houses retrofitted with a photovoltaic power generation system	house	68	718	1,634	2,569	7,249	No. of existing houses, built by Sekisui House and by other builders, that have been retrofitted with a photovoltaic power generation system under our remodeling project	
Biodiversity preservation	No. of trees planted per year	10,000 trees	85	71	91	96	101	No. of trees planted per year under our gardening and greening plan
	Ratio of S-rank and A-rank wood products as defined by the Wood Procurement Guidelines	%	58	72	87	85	89	Based on the results of our survey with about 60 suppliers of wood products
Resource recycling	Total resource input	100 t	11,635	9,863	10,827	10,960	11,120	Refer to the "Material Balance" section
	Volume of waste generated	100 t	326	255	296	310	326	Including waste at the demolition stage
	Volume of waste generated at new build construction sites	kg	1,463	1,323	1,308	1,396	1,441	Amount per house (per 145 m <sup>2</sup> )
	Ratio of houses with Long-term Quality Housing Certification	%	—	76.8	88.7	90.9	92.1	
Control of chemical substances	Ratio of houses furnished with the "Airkis" high-quality indoor air system	%	—	—	—	67.4	76.3	
Customers	Customer survey on satisfaction	%	94.7	94.6	95.7	95.4	95.7	Ratio of responders who answered "highly satisfied," "satisfied," or "somewhat satisfied" on a seven-point scale evaluation
	Ratio of houses furnished with the original "SHEQAS" seismic vibration absorption system	%	—	—	—	58.5	75.0	
Employees	Employment rate of persons with disabilities	%	1.77	1.80	1.66	1.75	1.90	Based on the Act for Employment Promotion etc. of Persons with Disabilities
	Ratio of female employees in managerial positions	%	0.56	0.74	0.89	1.02	1.21	
	No. of employees who took parental leave		125	114	117	143	150	
	Ratio of female employees who returned to work after parental leave	%	92.3	95.2	92.3	93.3	94.1	
	No. of employees who used the shortened work hour program		72	106	165	173	223	
Shareholders	Dividend payment ratio	%	140.8	—	46.6	46.6	40.5	Dividend paid ÷ net income x 100
	Annual dividend	yen	24	10	21	20	28	Dividend per share
Social contribution	No. of employees participating in the Sekisui House Matching Program		1,725	1,698	1,695	2,245	2,614	