

Organizational Management toward a Sustainable Society

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

Corporate Philosophy, Vision, and CSR Policy of Sekisui House

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

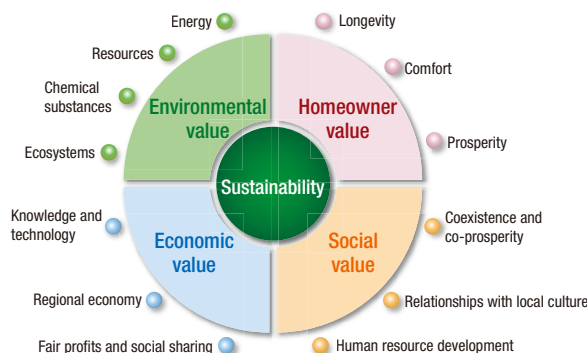
Corporate philosophy (established in January 1989)



CSR Management Based on 4 Values and 13 Guidelines

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

4 values and 13 guidelines



Matching ISO 26000 with 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 four values and 13 guidelines—the principles of action introduced to achieve our Sustainability

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 four 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
	Ecosystems	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 value	Community participation and development	<ul style="list-style-type: none"> • Development of and access to technologies • Job creation and skills development
	Regional economy	Revitalization of local economies	Community participation and development	<ul style="list-style-type: none"> • Community participation • Education and culture • Job creation and skills development
	Fair profits and social sharing	Pursuit of fair corporate profits and sharing the profits with society	<ul style="list-style-type: none"> • Organizational governance • Fair business practice • Community participation and development 	<ul style="list-style-type: none"> • Fair competition • Wealth and income creation • Social investment
Social Value	Coexistence and co-prosperity	Establishment of relationships of coexistence and co-prosperity based on trust and empathy with various stakeholders in society	<ul style="list-style-type: none"> • Fair business practice • Community participation and development 	<ul style="list-style-type: none"> • Promotion of social responsibility within value chain • Respect for property rights • Community participation
	Relationships with local culture	Preservation and enhancement of local culture and community development	<ul style="list-style-type: none"> • Consumer issues • Community participation and development 	<ul style="list-style-type: none"> • Protection of safety and health of consumers • Community participation • Education and raising awareness
	Human resource development	Human resource development to create sustainable value	<ul style="list-style-type: none"> • Human rights • Labor practice 	<ul style="list-style-type: none"> • Complaint resolution • Discrimination and socially vulnerable groups • Labor safety and health
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"> • Consumer issues • Community participation and development 	<ul style="list-style-type: none"> • Sustainable consumption • Protection of consumer data and privacy • Access to essential services • Health, etc.
	Comfort	Offering a pleasant, healthy, and comfortable living environment		
	Prosperity	Offering long-lasting prosperity		

CSR Committee and Organizational Management

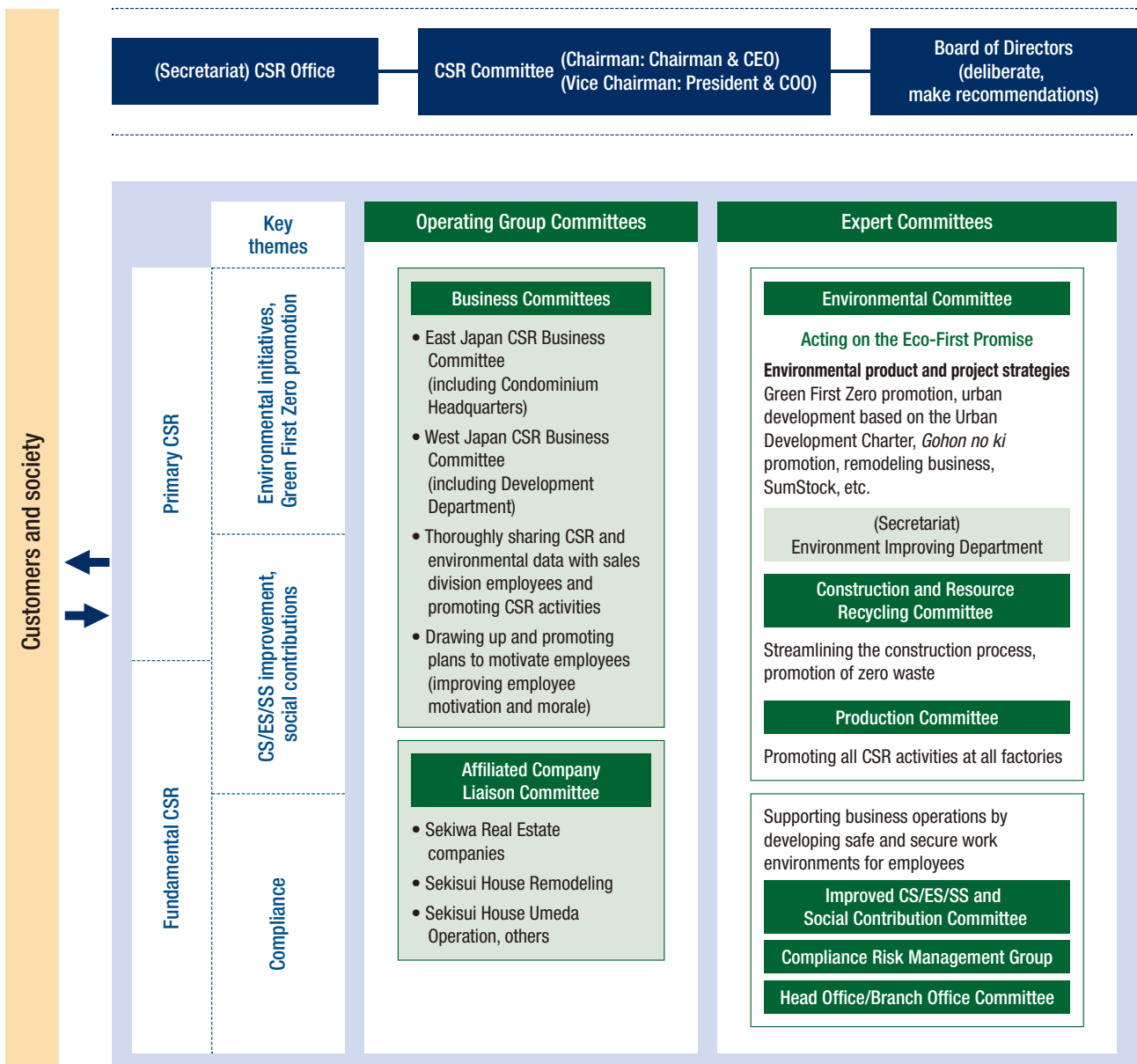
Incorporating the viewpoints of external stakeholders, the Sekisui House CSR Committee develops CSR policies and verifies whether current CSR activities are consistent with social norms and expectations, so that group-wide CSR initiatives are relevant and effective. Led by our chairman and CEO, the CSR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

Under the supervision of the CSR Committee, two Operating Group Committees and six Expert Committees are working to promote and further strengthen our CSR efforts. Specifically, the Business Committees, under the Operating Group Committees, are positioned as the focal point of the

CSR activities that we undertake as part of our core business. These committees are responsible for overseeing our CSR process, from formulating specific CSR plans to reviewing the outcomes of our activities. They are supported by the Expert Committees that are tasked with separate responsibilities based on their respective CSR themes. In addition, CSR promotion representatives are assigned to each of our business departments.

In FY2014, we accelerated our CSR activities, actively promoting Green First Zero net-zero-energy housing—an upgraded version of our eco-friendly Green First houses. We also took steps to ensure thorough compliance and to boost employee motivation and morale.

■ CSR promotion structure



Corporate Governance and Internal Control System

• Management structure

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

• Board of directors

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

There were a total of 11 such meetings in FY2015 (through January 31, 2015). The average attendance was 97.2% (90.9% for external directors and 97.0% for external corporate auditors).

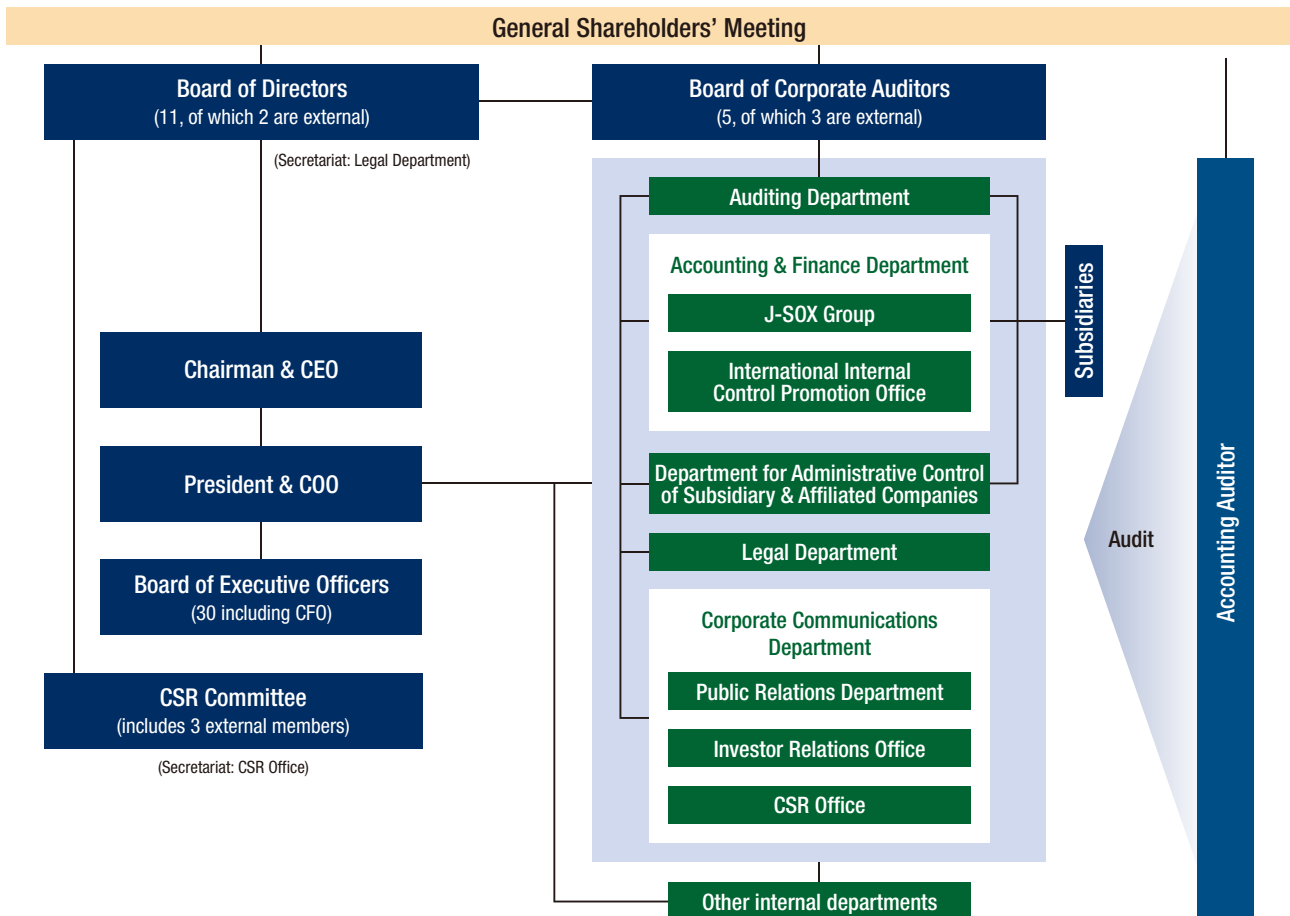
• Board of corporate auditors

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

• Internal control systems

The Basic Policy Concerning the Development of an Internal Control System serves as a platform for our efforts to implement and ensure our internal control system operates properly. To ensure full compliance with the Japanese Financial Instruments and Exchange Law, strict internal controls (J-SOX) have been implemented on a group-wide basis, led by the J-SOX Group established within the Accounting & Finance Department. The International Internal Control Promotion Office, established February 1, 2015 within the Accounting & Finance Department, is in charge of building internal control systems at overseas subsidiaries.

■ Corporate governance structure (as of April 1, 2015)



■ Governance membership (non-consolidated)

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

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

Compliance and Risk Management

• Compliance Risk Management Group

Sekisui House believes compliance is an ongoing management concern that includes not only an adherence to laws and regulations but also the promotion of CSR initiatives. The Compliance Risk Management Group, established under the CSR Committee and headed by the vice president, identifies and manages risks that may undermine our credibility in society and takes appropriate measures to deal with such risks. Members include staff from relevant divisions, such as the Personnel Department and Legal Department, and meetings are held once every three months to discuss CSR initiatives.

In FY2014, the main issues taken up at the group meetings were: (1) identifying and categorizing possible risks; (2) ensuring proper business operations; and (3) reviewing BCP (business continuity plans) and building overseas risk management structures.

• Promoting compliance

We provide various training programs both for employees and management to ensure that compliance-related issues are properly addressed across the company. For training on laws and regulations, which all employees must take every year, the topics in FY2014 included fair advertising, accountability in signing deals, and accountability in real estate transactions.

Training on laws and regulations is held in conjunction with human relations training* held by a total of 325 organizations: 204 organizations in Sekisui House, Ltd. (25 at the head office, 6 in production, and 173 under the operating groups) and 121 organizations at group companies.

*Annual human relations training is mandatory for all employees. The aim is for the Sekisui House Group to build a corporate culture in which every employee understands and practices compliance and corporate ethics and in which human rights violations are absolutely not tolerated.

Major Compliance Activities

Organizing position-specific training programs (board members, managers, etc.)

Providing e-learning programs

- CSR and compliance (for newly recruited employees)
- CS and protection of personal information (for all employees)

Conducting training on relevant laws and regulations (for all employees)

Discussing corporate ethics based on the information provided in in-house publications

Checking compliance with corporate ethics every October

- Discussing countermeasures against problems identified during internal audits
- Exchanging ideas through discussion of case studies
- Distributing cards summarizing the company's code of conduct to employees
- Having employees make a written oath on compliance with corporate ethics

Having employees make a written oath that they will not drive under the influence of alcohol

Using surveys to check the compliance awareness of employees at each business office

• Internal reporting system and whistleblower protection

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

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

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

■ Sekisui House Group internal reporting system

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

Note: We also provide a consultation service by outside experts for Group company employees and family members of employees.

During this reporting period, there were no cases of the Sekisui House Group facing any legal action, being charged with a substantial fine, or receiving any other punitive measure in violation of laws and regulations related to competition and monopolistic practices.