Post-Disaster Restoration and Reconstruction

As a housing manufacturer dedicated to protecting the lives and property of residents, the Sekisui House Group is responsible for restoration and reconstruction after a natural disaster.

Japan’s topography and climate make it susceptible to natural disasters such as typhoons, torrential rain, blizzards, flooding, landslides, earthquakes, tsunamis, and volcano eruptions. In 2014 the country was hit by a number of such disasters. Disaster preparedness and damage mitigation constitute major focuses of the Sekisui House Group, which specializes in protecting the lives, property, and lifestyles of people living in its homes. At the same time, we firmly believe that housing manufacturers should be able to respond quickly to residents’ needs following a natural disaster by having in place systems to determine people’s safety and the extent of damage, as well as provide the necessary support.

Post-Earthquake Reconstruction

It’s been four years since the Great East Japan Earthquake. Immediately after the earthquake, the Sekisui House Group embarked on customer support activities in the stricken areas while also assisting in restoration and reconstruction work and in the construction of temporary houses and public housing for those displaced by the disaster. As of October 2014, approximately 90,000 people* were still living in hardship in temporary housing. We will continue group-wide reconstruction efforts to help those in the stricken areas by building and getting residents back into their homes—the foundation of their lives.

Reconstruction work

Tohoku Reconstruction Department leads construction of public housing for displaced residents

Although local governments have extended the period that people can stay in temporary housing to five years, many of these people are having trouble finding permanent places to live. The entire Sekisui House Group is thus dedicating all its resources to speeding up the pace at which we build rental public housing in the disaster-stricken areas.

Although we faced numerous problems, including the high cost of materials and labor and a shortage of skilled workers, we were able to proceed with construction thanks to a support system providing the services of 300 people per day.

Besides the slow pace of reconstruction in the stricken areas, there were other problems such as diminishing awareness of the Great East Japan Earthquake and discrepancies in progress among administrative organs. To realistically proceed with reconstruction plans, rather than a nationally uniform reconstruction model, what’s needed is one geared to the situation in each individual region. In order to provide public housing that is truly comfortable and pleasant for residents, Sekisui House is incorporating its concepts for neighborhood planning, such as security and community spirit, in addition to its regular focus on stable supply, short construction periods, and high quality.

<table>
<thead>
<tr>
<th>Projects bid on</th>
<th>Projects completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>4 buildings (26 units)</td>
</tr>
<tr>
<td>FY2013</td>
<td>84 buildings (284 units)</td>
</tr>
<tr>
<td>FY2014</td>
<td>124 buildings (201 units)</td>
</tr>
<tr>
<td>Total</td>
<td>212 buildings (511 units)</td>
</tr>
</tbody>
</table>

VOICE

Impressed with Sekisui House’s high standard

In Shinchi Town, Fukushima Prefecture, the high cost of materials and a shortage of workers for public housing made of wooden-frame construction or steel-reinforced concrete were major reasons why early on lightweight steel-frame construction was also an option in the bidding process.

I have visited model buildings at the Tohoku Factory three times and am impressed with the high standards of Sekisui House. Tenants in these buildings say that the superior insulation makes these homes comfortable to live in.

We in the local government are doing everything we can to ensure that people in the stricken areas can move into safe and comfortable housing at the earliest date.

Shuichi Chiba
Shinchi Municipal Government, Fukushima Prefecture
New career-track employees take part in restoration-assistance activities

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

In the stricken areas, employees worked with NPOs to hear what assistance locals needed, and then got to work in groups after deciding just how they could help. In 2014, they cleaned up elementary schools, beaches, and ditches around a neighborhood of houses. They also enjoyed cleaning up a temporary housing complex and its commons hall together with the residents living there. We plan to have new employees joining Sekisui House in April 2015 participate as part of our continuing assistance in reconstruction efforts in Tohoku.

Promoting employee trips to Tohoku

Sekisui House is partially subsidizing group employee trips to the three prefectures of Tohoku (Iwate, Miyagi, and Fukushima) with the idea that spending money in Tohoku will help boost the local economies of the disaster-stricken areas. Such trips also reinforce among employees the mission of a housing manufacturer to protect life and property. As of January 31, 2015, a total of 4,482 employees at 76 Sekisui House sites had taken advantage of these subsidies.

Company Market at Umeda Sky Building (head office) in Osaka

The Sekisui House Group plays an active part in Yui no ba, a resource-matching program implemented by Japan’s Reconstruction Agency. Under this program, companies affected by the earthquake can find solutions thanks to the help of management resources provided by leading companies. As part of this program, in November 2014 at the Sekisui House head office, a Corporate Market was held where visitors could buy products made by companies in the stricken areas. As well, we sponsored a sales promotional event at which Tohoku companies set up an exhibit of their products to give the general public an opportunity to buy these products.

Restoration and Reconstruction in Hiroshima Following Landslide

In August 2014, short, locally concentrated torrential rain in Hiroshima City resulted in landslides that either partially or totally destroyed more than 250 houses. We took action by quickly setting up an initial response system in the affected areas.

VOICE

“Customer first” is in the genes of all Sekisui House employees

On the morning of the landslides, all employees who could make it to work gathered in our office to form a task force. With train lines and roads severed, we could not approach the affected areas. However, we made phone calls to the homeowners to confirm their safety and learn the extent of damage to their houses. Because we have a well-managed customer database in place, on the following day we were able to begin inspecting the houses firsthand.

Two days after the landslides, we moved the task force to the Hiroshima Customer Service Center, which is within walking distance of the stricken areas, and from there we could dispatch employees from across the Sekisui House Group to survey on-site damage. Homeowners were also happy to receive assistance in jobs such as cleaning away mud, cleaning up, and transporting household items. The “customer first” genes of all employees and the spirit of group cooperation that is deeply ingrained in our company were part of the reason we were able to smoothly confirm homeowners’ safety and carry out restoration and reconstruction work. We will continue our work here in Hiroshima with the goal of rebuilding the community and getting people’s lives back to normal at the earliest possible date.

Koji Miura, Chief Manager, Technical Department, Chugoku Sales Administration Headquarters
Disaster Risk Reduction Factory of the Future

Strengthening public and private coordination—selection for United Nations World Conference on Disaster Risk Reduction study tours

In May 2014, Sekisui House announced its Disaster Risk Reduction Factory of the Future plan, an initiative to prepare all its factories in Japan for possible future natural disasters.

As the first activity under this plan, in October 2014 the Tohoku Factory hosted disaster drills with participation by both local citizens and the local government in Shikama Town, Miyagi Prefecture. The drills provided an opportunity to boost local preparedness for disasters and raise the profile of Sekisui House activities in the community.

At the 3rd United Nations World Conference on Disaster Risk Reduction, held March 14 to 18, 2015, the Sekisui House Tohoku Factory was selected as one of the stops on the study tour conducted as a related project to this UN conference. About 200 people from 30 countries and regions, local governments, and media organizations visited the Tohoku Factory, making it the most visited spot of 26 study tour locations chosen.

Living green, but ready for disasters. Supporting the lives of homeowners and community residents

In September 2013, the Tohoku Factory and its home municipality of Shikama Town concluded an agreement related to the use of evacuation centers and other facilities during times of disaster. Under this agreement, the factory will provide refuge in case of a disaster and the Sumai no yume kojo hands-on learning facility will be an evacuation center, while emergency supplies that the factory owns or can procure will be distributed to the people of Shikama. The Tohoku Plant is also securing disaster stockpiles and taking part in disaster-related discussions by organizations in Shikama, and it is calling on other members and organizations in the community to help make the factory a base for supporting those stricken by a disaster throughout the region. In addition to its PV system, the Tohoku Factory has built a smart energy system consisting of storage cells, gas engine generators, plug-in hybrid vehicles, and a FEMS (factory energy management system). During regular times the system helps cut peak power consumption, and in times of disaster it provides the Sumai no yume kojo evacuation center with power from three energy sources (storage cells, gas engine generator, and PV system), thus acting as a quick and effective initial response in support of homeowners and other local residents.

The disaster drills held in October 2014 assumed a major earthquake centered just offshore of Miyagi Prefecture with a seismic intensity of 6 in Shikama. The drills were observed by 2,037 people representing 19 organizations, including Sekisui House, throughout Shikama, and were conducted by 433 employees of the Tohoku Factory. The large-scale drills at the Tohoku Factory included the setting up of the evacuation center and a Shikama Town emergency task force, a demonstration of a wireless communication system covering the entire town, fire extinguishing practice, helicopter air-lift drills, and practice rescuing people from collapsed buildings.
Publicizing the power of public-private coordination in disaster preparedness

As the only company in the housing industry to be selected as a stop on the study tours related to the UN World Conference on Disaster Risk Reduction, Sekisui House welcomed about 200 people to the Tohoku Factory. The visits have provided a chance to show the world the high level of disaster preparedness we have achieved in cooperation with Shikama Town. Making a particularly strong impression on visitors was our ability to construct houses and develop communities that are highly resilient in the face of natural disasters. This point was demonstrated in numerous ways; for example, by how important Sekisui House’s homes are in protecting people’s lives, largely thanks to technologies we built up following the 1995 Great Hanshin-Awaji Earthquake; and by initiatives begun following the 2011 Great East Japan Earthquake, such as our Green First strategy and Smart Common Cities.

It is extremely important to involve citizens, governments, and private companies in disaster preparedness. The Tohoku Factory in Shikama has been operating for 18 years. It recently embarked on the disaster preparedness agreement, as well as started operation of a line to produce Bellburn ceramic exterior wall tiles, which created 100 new jobs locally. Besides continuing to step up public-private cooperation, we will strive to be a company that dedicates its expertise in housing construction to contribute to people in disaster-stricken areas.

Government, NPOs, media, and Sekisui House employees discuss features of a disaster support base

On March 16, 2015 a roundtable discussion was held titled “Features of a disaster support base: Dialogue towards a community well prepared for disasters.” The meeting saw a lively exchange of opinions among Sekisui House employees, media members, Shikama Town officials, and NPOs involved in running evacuation centers in disaster-stricken areas. Leading the discussion were Mitsuaki Aoyagi, chief manager of the Disaster Relief Team of the Nippon Foundation, and Junko Murano, a specialist in the Oita Prefecture Social Welfare Council, who spoke about how their experience volunteering after the Great East Japan Earthquake taught them that besides providing disaster victims with the necessary supplies and equipment, there is the serious challenge of meeting the particular needs of women and the socially vulnerable in evacuation centers. The event provided us with an opportunity to reflect on how we can respond to the public’s expectations as a place of evacuation in times of disaster.

Public-private cooperation helps put residents at ease

Following the Great East Japan Earthquake of 2011, in response to growing awareness by citizens of the need for disaster preparedness, our town introduced the disaster-tough information-sharing system, which uses the regional WIMAX high-speed wireless communication technology, a first in Japan. If normal lines of communication are cut off during a disaster, the system allows Shikama Town to gather disaster-preparedness and scale-of-damage information from the national and prefectural governments and provide this information to citizens and public facilities.

At disaster drills joined by both the public and private sectors, residents present commented that the Sekisui House Tohoku Factory, which is designated as an evacuation center, made them feel at ease since they now know that there is a place of refuge with sufficient energy and food in case of a disaster. Disaster preparedness and damage mitigation requires not only tangible goods such as relief supplies but also intangibles such as a sense of community and cooperation. We will continue to work with governments, companies, and citizens in building a town that is well prepared for disasters.

Takuya Ito, Mayor of Shikama Town
Comments from External Members of the CSR Committee

At Sekisui House, a CSR Committee meeting is convened every three months (four times a year) to develop and promote important CSR policies and verify the relevancy and effectiveness of current CSR activities (refer to p. 54). During the meeting, three external members are asked to present their opinions, which provide the basis for discussion among Committee members (a group that includes board members). The following are comments given by the external members in the light of discussions held during FY2014.

A Company That Shows Awareness and Compassion

Sekisui House has been promoting a project designed to help minimize the impact of natural disasters on its customers. Its efforts include the provision of net-zero-energy housing—which sustains daily life through solar power generation—and the development of technologies that prevent houses from collapsing and safeguard them from seismic impacts. As well as offering houses that can protect residents and their property in the event of disaster, the company has been proactively involved in fostering disaster-prepared communities. For instance, it has made arrangements with local governments so that Sekisui House factories located near disaster zones can serve as makeshift evacuation and disaster-response centers, where food and other emergency supplies are stored and distributed. These activities illustrate the company’s determination to protect its customers and the communities they live in.

Sekisui House also plays its part in strengthening community bonds. In cooperation with local residents and governments, the company strives to change society for the better through housing. Providing quality housing is not the only thing the company does. It also seeks to bring about a more sustainable society, by offering solutions to social issues through housing. Such efforts embody an awareness of—and compassion for—what is happening in society. As I see it, implementing its corporate philosophy of “changing society through housing” will propel Sekisui House to the next level.

Servitization and Customer Value

Around the world, many manufacturers of durable goods and production materials follow a marketing strategy that involves selling maintenance services and consumable goods along with their core products. This approach, dubbed “servitization,” effectively offsets the inherent vulnerability of manufacturers to the effects of economic fluctuations and changing market trends for durable goods. Being more resilient to such factors, companies adopting a servitization approach are able to yield more stable day-to-day revenues.

Servitization also delivers value to customers. Customers don’t buy durable goods merely to possess them; they buy them so they can work more effectively or improve their living environments. The added value of service is therefore in how it helps customers work more effectively or live more comfortably. Through servitization, Sekisui House can add value and achieve higher levels of customer satisfaction. With this in mind, company personnel must always consider what their customers’ needs are and how they can best fulfill them.

Understanding and Communicating True Value

Television in Japan abounds with programs extolling aspects of traditional Japanese culture and customs that overseas viewers find impressive. These programs sometimes reveal an ignorance among Japanese people of our own history and culture, but they also offer a source of pride when we appreciate the true value of what we have in this country.

Sekisui House is renowned not only for its high-quality products, which set the standard for environmental protection, energy saving, and energy generation, but also for its truly customer-friendly services. Harnessing these advantages, the company aims to further expand its business operations. To this end, everyone at Sekisui House must understand the true value of the company—the superb quality of its products and services—and communicate this sincerely to customers.

Employees should also take pride in the tireless efforts of their forerunners and the technological innovations they achieved, which together have made Sekisui House what it is today, 55 years after its founding. Now it is the turn of the current generation to further develop and pass on the company’s valuable assets to those who follow.
Comments from External Members of the CSR Committee

Servitization and Customer Value

propel Sekisui House to the next level.

A Company That Shows Awareness and Compassion

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Prevention of House Collapses and Seismic Impacts

Sekisui House has been promoting a project designed to help minimize the impact of natural disasters on its customers. Its efforts include the provision of net-zero-energy housing—which sustains daily life through solar power generation—and the development of technologi es that

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Employees should also take pride in the tireless efforts of their forerunners and the technological innovations they achieved, which

and pass on the company's valuable assets to those who follow.

Excerpt of comments

The Company's Responsibility

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

Our Responsibility

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

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

Conclusion

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

Our Independence and Quality Control

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

KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
May 7, 2015

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

Achievements that deserve special mention

- Sekisui House’s executives have shown leadership in recognizing and taking action on housing industry issues that are of the highest concern to customers and society in general. The company’s efforts have included reducing its environmental impact by boosting energy efficiency and maintaining the long-term value of housing capital (pp. 5–8), while also announcing relevant financial results in year-to-year comparisons (pp. 11–12). I strongly urge the company to take further measures that will allow it to visualize, quantify, and report on the extent to which its efforts benefit customers and society in terms of added value and output.
- The company strives to reduce its environmental impact throughout the entire product life cycle. One example is Green First Zero net-zero-energy houses, which have accounted for almost 60% of Sekisui House sales in the two years since they were introduced (p. 23). As well as being highly insulated and airtight, these houses incorporate solar cells and fuel cells. Another example is using IC tags to help measure and manage waste from manufacturing and construction.
- In the area of ecosystems and biodiversity, Sekisui House is carrying out some of the world’s most groundbreaking initiatives. Together with customers, it has planted more than 11 million trees in the Gohon no ki project (p. 31). In close partnership with NGOs and NPOs, the company has created wood procurement guidelines that specify quantitative measurements intended to prevent illegal logging and ensure an environmentally friendly wood-growing industry (p. 31). I suggest that the company conduct research on wildlife in areas covered by the Gohon no ki project, ascertain the project’s efficacy, and share the results in a report.

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

- In the area of CSR in corporate governance and management (pp. 15–16, 19–20, 53–56), Sekisui House is to be lauded for formulating its four values and 13 guidelines for the realization of a sustainable society. I propose that the company use measurable criteria to clarify the significance of adhering to its values and guidelines, while explaining in simpler terms how these notions are incorporated into its medium-term management plan. The company would also do well to provide more opportunity for group company employees in Japan and overseas to appreciate the significance of implementing these values and guidelines. As I stated in last year’s report, I urge the company to establish human rights and other items as key performance indicators (KPIs).
- As for creating better working conditions and expanding the diversity of the workforce (pp. 45–48), I admire Sekisui House for its steady efforts—which have resulted in 4.12% of its employees taking advantage of the special leave and reduced-work-hour program for child care, nursing care, and elderly care—as well as raising the percentage of disabled employees to 2.14% (Note: These figures are valid as of April 10, 2015). Of particular note is an increase in the number of male employees taking parental leave. I think the company should encourage more employees (and their families) to participate in this program, especially after hearing from other employees who have already taken leave or used the reduced-work-hour program. The program will help meet the needs of a society where the population is aging and birth rates are falling. Sekisui House should also enhance consultation services for employees to address a wider range of concerns that go beyond work-related issues. As the retirement age in Japan is gradually being raised to 65, I believe the company should encourage its employees to be more involved in community activities.
- The basic business transaction agreement signed by Sekisui House and its partner companies stipulates that both parties should work to improve their corporate value by thoroughly implementing crisis management, compliance, and governance. The agreement also states that both parties should, as a matter of basic corporate policy, always consider the economic, environmental, and social dimensions of their activities. This illustrates a commendable commitment to corporate social responsibility. Sekisui House has done well to improve the performance of its business partners in fulfilling their social responsibilities by including environmental criteria in its evaluations of them. One example is a reduction in the amount of packing materials they use. Nevertheless, I hope the company continues to improve its evaluations by including a wider range of more-detailed criteria covering social aspects such as human rights and occupational health and safety. I would also like to suggest that the company should actively report on the results they have achieved in this regard.
- Three aspects of the Sekisui House training program (p. 35) impress me: (1) the number of trainees who study construction work in the company’s training facilities has been rising steadily since 2013; (2) five years after finishing the course, around 90% of trainees are still with the company; and (3) the number of trainees from Vietnam, China, and Thailand has reached 81 in the two years since 2013. I hope the company will continue to enhance its support system to ensure ongoing skills development for foreign trainees.
- In the area of social contribution, I admire Sekisui House for activities such as procuring promotional merchandise made by disabled people. I hope the company will continue to provide more opportunities and inspiration for its employees to get involved in community service activities such as the Matching Program. It could do this, for example, by having management personnel follow—or even volunteer to participate in—the activities of organizations that Sekisui House supports.
Remarks by Sekisui House Executives in View of Third-Party Comments

Environmental Activities

Nowadays, society faces a variety of challenges. At Sekisui House, we believe that housing is a cornerstone of society and that by changing housing we can change society for the better. With this in mind, we strive to address societal issues by pursuing activities that “create shared value” (CSV).

One example is our Gohon no ki landscaping project, which involves cultivating home gardens that help to preserve biodiversity in urban areas. Based on this concept, we have been cooperating with our customers in planting (mainly indigenous) trees in their home gardens. Since 2001, we have planted around one million trees every year (810,000 in FY2014), and the accumulated total has now surpassed 11 million. Expert research has confirmed that areas covered by our landscaping project are visited by more birds and butterflies than before.

In April 2013, we launched Green First Zero, a housing design that incorporates our latest technologies to provide customers with comfortable and energy-neutral living environments while drastically reducing occupants’ CO2 emissions. Green First Zero houses now account for about 60% of our sales. Not only do they present customers with agreeable living environments, they also offer solutions to global warming and energy problems.

Social Activities

Since the company’s founding, customer satisfaction has remained our first priority. Sekisui House’s underlying corporate philosophy of creating shared value is now widely shared by employees. However, when it comes to reviewing results based on KPIs such as the sales percentage of Green First Zero housing, there is still noticeable variation among sales offices. With the head office and sales division working in tandem, we will continue striving to deliver shared value to customers and other stakeholders, while making sure that such efforts are shared companywide.

In FY2014, with the objective of meeting GRI Guidelines (G4), we identified the material aspects of our activities and came up with several action plans, which we then developed into six CSV strategies. From a CSR perspective, we will remain focused on a number of issues that still demand our attention.

A company is no more or less than the people in it. It is therefore essential that a company develop personnel who can create value. While promoting diversity in the workplace—one of our ongoing CSV strategies—we have been actively engaged in fostering our personnel. For example, we have assigned newly recruited employees to support those affected by the Great East Japan Earthquake, we have trained young technicians in schools, we have implemented supply chain management, and we have strengthened ties in the Sekisui House Association (a group including our building contractor partners).

Recently, there has been growing interest in Japanese versions of the United Kingdom’s Stewardship Code and Corporate Governance Code. Delivering clear and accurate information to providers of financial capital and maintaining an open dialogue with them are integral aspects of our social obligations. This report contains an “Integrated Reporting” section in which we explain how our environmental and social activities are enhancing our corporate value. By utilizing this report—and by maintaining an active dialogue with shareholders and investors—we will keep working to improve our methods of information disclosure and reporting.

Kenichi Ishida
Executive Officer
Chief Manager of Environment Improvement Department,
Chief Manager of Global Warming Prevention R&D Institute

Hitoshi Kuroyanagi
Chief Manager of Corporate Communications Department,
Chief Manager of Investor Relations Office
Honors from Third Parties during FY2014

Environment
- Grand Front Osaka
  - March 2014
  - Commercial Complex and Others category, CASBEE Osaka of the Year
  - Organizer: Osaka City
- Shin-satoyama and Wall of Hope, Shin-Umeda City
  - October 2014
  - Prime Minister’s Prize, Green City Awards
  - Organizer: Organization for Landscape and Urban Green Infrastructure
- 3R (reduce, reuse, and recycle) and zero-waste activities at large-scale condominium construction site, RIC West Court
  - October 2014
  - Minister of Land, Infrastructure, Transport, and Tourism Prize; 3R Promotion Merit Awards
  - Organizer: 3Rs Promotion Council
- The Ritz-Carlton, Kyoto
  - December 2014
  - Prize for Excellence, General New Construction category, Miyako Environment-Friendly Buildings, Kyoto City Environment-Friendly Buildings Commendations
  - Organizer: Kyoto City
- Green First Zero
  - January 2015
  - Special Jury Award, Product and Business Model category, Energy Conservation Grand Prize
  - Organizer: Energy Conservation Center, Japan

Community Building, Landscape
- One Central Park, Central Park redevelopment project in Sydney, Australia
  - May 2014
  - Emporis Skyscraper Award
  - Organizer: Emporis
  - August 2014
  - Design and Innovation category, High-Density Housing category: UIDA Awards for Excellence
  - Organizer: UIDA (Urban Design Institute of Australia)
- Umeda Sky Building (Shin-Umeda City)
  - February 2014
  - Osaka Selection, Living Architecture Museum
  - Organizer: Osaka City
- Grande Maison Haginomiyama
  - August 2014
  - Flowers and Greenery Town Planning Award
  - Organizer: Fukuoka City Greener Association
- The Ritz-Carlton, Kyoto
  - October 2014
  - Reggie Shiu Development of the Year Award
  - Organizer: Hotel Investment Conference Asia Pacific
- Maison Mast Suwacho
  - November 2014
  - Kitakami City Landscape Award
  - Organizer: Kitakami City
- Grand Front Osaka
  - December 2014
  - Osaka Governor’s Prize, Osaka Urban Landscape Architecture Awards (Osaka Machimaru Award)
  - Organizer: Osaka Prefecture, Osaka City, Osaka Association of Architects & Building Engineers, Osaka Association of Architectural Firms, Japan Institute of Architects Kinki Chapter, Architectural Association of Japan
  - November 2014
  - Osaka City Housing Design Awards
  - Organizer: Osaka City

Products, Technology, etc.
- Safe, soundproof house with piano room
  - February 2014
  - Grand Prize (Aichi Governor’s Prize), Crime-Proof Housing Contest
  - Organizer: Aichi Prefectural Police, Aichi Prefecture
- Corporate serial advertisement: “Sekisui House—Always there for you”
  - October 2014
  - Bronze Prize, Serial Advertisement category, Business Advertising Awards
  - Organizer: Fuji Sanki Business Co., Ltd.
- House of Dialogue, Sumufumub
  - November 2014
  - Housing and Architecture category, IAUW Awards 2014
  - Organizer: International Association for Universal Design
  - Note: Joint award with Dialogue in the Dark Japan

Kids Design Award
- July 2014
  - Prize for Excellence (Ministry of Consumer Affairs Prize), Future-Oriented Consumer Design category
- Nikke Garden Court Hanamizuki: A community that fosters children’s healthy growth
  - Organizer: Ministry of Health, Labor, and Welfare Prize commending organizations contributing to blood donations
  - Note: Joint award with Dialogue in the Dark Japan
  - Note: Joint award with Nomura Real Estate Development, Mitsui Fudosan Residential, and Hankyu Realty
- Kodomo idokoro housing design to foster children’s healthy growth
  - Organizer: Kids Design Association
- Arikis high-quality indoor air system to enable healthy living
  - Organizer: Kids Design Association
- Lifestyle options for Grande Maison condominiums to ensure safe, secure, and enjoyable child rearing
  - Organizer: Kids Design Association

Good Design Award
- October 2014
  - Design for the Future Award
  - House planning through public discussion for Tomihisa Cross redevelopment project
  - Note: Joint award with Noma’s Real Estate Development, Mitu’s Fukuoka Residential, and Hankyu Realty
- Gotenyama Project: Landscape design in urban redevelopment
  - Note: Joint award with Sekisui House Ltd. and Taisei Corporation
  - Organizer: Japan Institute of Design Promotion

CSR Activities
- Blood drives by Sekisui House Group at Umeda Sky Building
  - July 2014
  - Minister of Health, Labor, and Welfare Prize commending organizations contributing to blood donations
- Sustainability Report 2014
  - February 2015
  - Special Jury Prize (Jury Chairman’s Prize), Environmental Report category, 16th Environmental Communication Awards
  - Organizer: Ministry of the Environment, Global Environmental Forum
- Sekisui House, Ltd.
  - March 2015
  - Selected by Tokyo Stock Exchange and Ministry of Economy, Trade, and Industry for Inclusion on Nadeshiko list of companies that empower women and their careers Grand Prize, Osaka City Mayor’s Commendations for Leading Companies in Female Career Development
### Material Aspects and Stakeholders Affected

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<th>Identified Material Aspects</th>
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<td>Biodiversity</td>
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<td>Emissions</td>
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<td>Sekisui House Group, shareholders and investors, business partners</td>
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<td>Labor Practices and Decent Work</td>
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<td>Occupational Health and Safety</td>
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<td>Training and Education</td>
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<td>Diversity and Equal Opportunity</td>
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<td><strong>Human Rights</strong></td>
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<td>Investment</td>
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<td>Assessment</td>
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<tr>
<td>Human Rights Grievance Mechanisms</td>
<td>Sekisui House Group, employees, business partners, local communities</td>
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<td>Local Communities</td>
<td>Sekisui House Group, customers, local communities</td>
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<td>Sekisui House Group, employees, shareholders and investors, business partners</td>
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<td>Anti-Competitive Behavior</td>
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<tr>
<td>Compliance</td>
<td>Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities</td>
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</tbody>
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## GRI Content Index for “In Accordance” Items

The Sekisui House Sustainability Report 2015 has been prepared in accordance with the Core options of the Global Reporting Initiative’s (GRI) G4 Sustainability Reporting Guidelines (G4).

### General Standard Disclosures

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<thead>
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<th>Indicator</th>
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<td>Strategy and Analysis</td>
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<td>G4-1</td>
<td>Statement from the most senior decision-maker of the organization (such as CEO), chair, or equivalent senior position about the relevance of sustainability to the organization and the organization’s strategy for addressing sustainability</td>
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### Organizational Profile

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| G4-4 | Location of the organization’s headquarters | p.4 |
| G4-5 | Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report | pp.48–52 / 5 countries |
| G4-6 | Nature of ownership and legal form | pp.3–4 |
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| G4-8 | Scale of the organization | pp.3–4, 48–52 |
| G4-9 | Total number of employees by employment contract and gender | [WEB] Corporate Profile |
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| G4-12 | Significant changes during the reporting period regarding the organization’s size, structure, ownership, or its supply chain | p.4 / Financial Results Summary |
| G4-13 | Whether and how the precautionary approach or principle is addressed by the organization | [WEB] Chemicals Management |
| G4-14 | Externally developed economic, environmental and social strategies, principles, or other initiatives to which the organization subscribes or on which it endorses | [WEB] Eco-Find Promise |
| G4-15 | Memberships of associations and national or international advocacy organizations | [WEB] Industry Proposals |

### Organization’s Impact and Performance

| G4-16 | All entities included in the organization’s consolidated financial statements or equivalent documents; whether any entity included in the organization’s consolidated financial statements or equivalent documents is not covered by the report | p.7 / Securities Report / Financial Results Summary |
| G4-17 | Process for defining the report content and the Aspect Boundaries; how the organization has implemented the Reporting Principles for Defining Report Content | pp.1, 19–20 |
| G4-18 | Whether all the material Aspects identified in the process for defining report content | pp.26–28 |
| G4-19 | For each material Aspect, report the Aspect Boundary within the organization | p.19 |
| G4-20 | For each material Aspect, report the Aspect Boundary outside the organization | p.19 |
| G4-21 | Effect of any restatements of information provided in previous reports, and the reasons for such restatements | N/A |
| G4-22 | Significant changes from previous reporting periods in the Scope and Aspect Boundaries | pp.57–58 |

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| G4-23 | List of stakeholder groups engaged by the organization | p.16 |
| G4-24 | Basis for identification and selection of stakeholders with whom to engage | [WEB] Stakeholder Communication Guidelines |
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### Report Format

| G4-27 | Reporting period (such as fiscal or calendar year) for information provided | |
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| G4-30 | Contact point for questions regarding the report or its contents | p.2 |
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### Governance

| G4-33 | Governance structure of the organization, including committees of the highest governance body, any committees responsible for decision-making on economic, environmental, and social impacts | pp.54–55 |
| G4-34 | Ethics and Integrity | p.50 |

### Specific Standard Disclosures

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<tr>
<td>DMA</td>
<td>Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach</td>
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</table>

### Environmental

| DMA | Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach | pp.53–55, 59–61 / [WEB] Environmental Management |

### Materials

| DMA | Materials used by weight or volume | pp.14, 29–32, 57–58 |
| DMA | Energy consumption within the organization | pp.57–58 |
| DMA | Energy intensity ratio | [WEB] Material Balance |

### Water

| DMA | Total water withdrawn by source | pp.57–58 |

### Economic Performance

| DMA | Direct economic value generated and distributed | pp.11–13, 17, 60–61 / Securities Report / Financial Results Summary |
| DMA | Financial implications and other risks and opportunities for the organization’s activities due to climate change | pp.21–24, 27–28 / [WEB] Environmental Accounting |

### Aspect-specific DMA: Procurement Practices—Actions taken to identify and adjust the organization’s procurement practices that cause or contribute to negative impacts in the supply chain

| DMA | Properties of spending on local suppliers at significant locations of operation | [WEB] Communicating with Business Partners |

### Aspect-specific DMA: Biodiversity—Strategy for achieving the organization’s policy on biodiversity management

| DMA | Operational sites owned, leased, managed in, or adjacent to, protected areas of high biodiversity value outside protected areas | N/A |

### Aspect-specific DMA: Emissions—Whether the organization is subject to any country, regional, or industry regulations and policies for emissions; examples of such regulations and policies

| DMA | Direct greenhouse gas (GHG) emissions (Scope 1) | pp.57–58 |
| DMA | Indirect greenhouse gas (GHG) emissions (Scope 2) | pp.57–58 |
| DMA | Other indirect greenhouse gas (GHG) emissions (Scope 3) | pp.57–58 |
### Glossary

#### A

**Assisted-living complex for senior citizens**
An assisted-living complex for senior citizens is housing that employs various safety designs including barrier-free structures to ensure comfort for the elderly, while offering support services in partnership with external nursing care and medical facilities.

#### B

**Basic Act for Housing**
The Basic Act for Housing is a law enacted in Japan in 2006 to provide guidelines for housing policy, which has largely shifted its focus to the improvement of housing quality in terms of disaster preparedness, safety, security, social welfare, and global environmental protection to cater to the emerging needs of an aging society with fewer children.

**BCP**
BCP stands for business continuity planning and is a strategic preparation process that ensures critical business operations are not disrupted in times of emergency.

**Biodiversity**
Biodiversity is the rich variety of natural life forms on Earth and their linkages. We depend on biodiversity for our daily necessities, including food.

**Biomass**
Biomass is any renewable organic material made from animals and plants, excluding fossils. As a new energy source, biomass is expected to replace fossil fuels and contribute to reducing CO₂ emissions.

#### C

**Chain-of-custody (CoC) certification**
Chain-of-custody (CoC) certification is a third-party verification mechanism that certifies appropriate and sustainable forest management practices as well as management bodies engaged in such practices according to certain set criteria, with a view to promoting sound forest management. CoC certification is a component of the forest certification.

**Compliance**
Compliance is about the observation of basic rules such as applicable laws and bylaws by companies to meet the expectations of society.

**Corporate governance**
Corporate governance is a mechanism for corporate decision making. Due to an increase in corporate scandals, corporate governance plays a key role in preventing organization-wide violation of corporate ethics.

**CSR**
CSR stands for corporate social responsibility and refers to the responsibility of companies to contribute to the good of society focusing on relationships with all stakeholders as part of their corporate activities, in addition to pursuing profits.

**CSR procurement**
CSR procurement is a procurement practice that takes into consideration the CSR aspects of suppliers, such as compliance and fairness, as well as their attitudes toward human rights and labor issues.

**CSV**
CSV stands for creating shared value. CSV is a concept that encourages companies to improve the economic conditions and social status of the community in which they operate, while also enhancing their own competitiveness. A major proponent of the CSV concept is Harvard Business School Professor Michael Porter.

#### D

**Diversity**
Diversity is about respecting individual differences—whether they be in terms of gender, age, race, origin, nationality, language, culture, sexual orientation, values, or presence of a disability—and taking advantage of such differences to enhance business performance.

#### E

**Eco-First Company**
Eco-First Company is a designation given to companies that are recognized by the Minister of the Environment as leading the industry in environmental initiatives, including efforts to prevent global warming, reduce waste, and promote recycling, under the Eco-First program implemented by the Ministry of the Environment in Japan.

**Engagement**
The word “engagement” used in this report refers to a relationship in which an organization (company) and individuals (employees, staff members) work together and contribute to one another’s mutual growth.

**Environmental accounting**
Environmental accounting is a mechanism to quantitatively measure the costs incurred in environmental preservation efforts undertaken as part of corporate activities, with a view to achieving corporate development in a sustainable manner while promoting environmental efforts.

#### F

**FairWood**
FairWood refers to woods and wood products sourced in a manner that takes into account the conditions of the forest environment and local communities where logging takes place.

**Fuel cell**
A fuel cell is a device that converts chemical energy into electricity through an electrochemical reaction between oxygen and hydrogen (oxidation of fuel). In Japan, it is commonly known by the name Ena-Farm.

#### G

**Greenhouse gas**
Greenhouse gas includes carbon dioxide and methane, and it exerts a huge impact on natural ecosystems and human society and is the main cause of global warming.

**Green Purchasing Law**
Green Purchasing Law—or the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities—was enacted in Japan in 2000 to create a recycling-oriented society from a supply-demand balance perspective.

**GRI Guidelines**
The GRI Guidelines are international CSR guidelines issued by the Global Reporting Initiative (GRI), an NGO headquartered in the Netherlands. The guidelines provide a framework for corporate reporting focusing on economic, environmental, and social performance, known as the “triple bottom line.”

#### H

**Heat pump**
A heat pump is a device that effectively takes in heat from air or other sources by using a small amount of energy and utilizes the heat as a huge energy source. This technology is employed in air conditioning and Eco-Cute water heating systems.

**HEMS**
HEMS stands for home energy management system.

#### I

**Industrial waste**
Industrial waste refers to solid or liquid materials that are generated by certain corporate activities—20 classifications for which have been stipulated by law in Japan—and that are no longer usable or appropriate for sale to any third parties. A business entity that generates such waste is responsible for processing it.

**Internal control system**
An internal control system is designed to build a control and audit process to prevent an organization from engaging in illegal acts or violating rules and to ensure fairness of corporate activities.

**IR**
IR stands for investor relations and refers to corporate activities to disclose a company’s data such as financial, business, and performance information to investors.
ISO 14001
ISO 14001 is an international standard for environmental management, which was introduced to minimize the impacts of corporate activities on the environment.

ISO 26000
ISO 26000 is guidance on social responsibility issued in November 2010. Unlike other ISO standards that are certifiable, ISO 26000 is intended to provide guidelines only.

Kyoto Protocol
The Kyoto Protocol was adopted under the United Nations Framework Convention on Climate Change (UNFCCC) in the third session of the Conference of the Parties to UNFCCC convened in Kyoto in 1997.

Low-carbon society
A low-carbon society is a society with low greenhouse gas emissions.

Material balance
Material balance is the sum of resources and energy input in the process of corporate activities, from procuring materials and sales to collecting and recycling waste, and the total impact the process has on the environment.

Mental health
Mental health is also referred to as a sound mind, psychological well-being, and mental hygiene. This term is also used to indicate reducing and easing mental fatigue, stress, and trouble and offering support in order to do so.

Net-zero-energy house (ZEH)
A net-zero-energy house (ZEH) is a house that consumes almost no primary energy on a net basis. The Japanese government is promoting ZEH so that this housing design will be adopted widely by 2020.

NGO
NGO stands for non-governmental organization and is an organization founded by citizens or private groups.

NPO
NPO stands for non-profit organization and is an organization engaged in activities for the good of society, not for distributing profits among its members.

Power harassment
Power harassment is any behavior by a person in a superior position at the workplace or in a personal relationship who takes advantage of their position to hurt an individual, whether mentally or physically, or makes the work environment hostile to the individual, beyond the normally permissible level at the workplace.

Recycling-oriented society
A recycling-oriented society is a society with a system in place to control waste generation or properly recycle and dispose of used products, thereby minimizing the consumption of natural resources and impact on the environment.

Renewable energy
Renewable energy includes sunlight, solar heat, hydraulic power, wind power, biomass, and geothermal power. It can be renewed in a short period of time after use and does not deplete.

Risk management
Risk management is a process for identifying and controlling risks in corporate activities to avoid or disperse them and prevent or minimize possible damage or loss.

Sexual harassment
Sexual harassment is unwelcome verbal or physical conduct of a sexual nature that causes an individual to feel unpleasant or uneasy.

Sick building syndrome
Sick building syndrome is a general term for a variety of physical disorders caused by indoor air pollution, such as fatigue, dizziness, headache, asthma, sore throat, and respiratory disorders.

Smart house
A smart house is a type of house that can ensure optimal control of energy consumption at home through centralized management of energy devices such as a photovoltaic power system, storage cells, and fuel cells, as well as home appliances, residential equipment, and electric vehicles.

SRI
SRI stands for socially responsible investment. Socially responsible investing encourages management to fulfill the company’s responsibility to society by exercising the power and rights of shareholders.

Stakeholders
Stakeholders are individuals and groups associated with corporate activities, including customers (consumers), employees, shareholders, business partners, local communities, and governmental agencies.

Storage cell
A storage cell is a cell that can be recharged repeatedly. It thus can supply stored electricity when necessary. It is also called a secondary cell.

Supply chain management
Supply chain management is about building an integrated system involving business partners to control the entire process of a supply chain from source to consumer, through the stages of materials procurement, production, distribution, and sale.

Sustainability
Sustainability is about continuing efforts into the future to balance economic development, environmental preservation, and social progress.

Trigeneration
An energy supply system that generates heat and electricity from heat sources and that also makes efficient use of the CO2 generated during that process.

Universal design
Universal design is the design of facilities, products, or information that is usable by all people, without regard to differences in age, gender, physical condition, nationality, language, knowledge, or experience.

Zero emissions
Zero emissions is a concept advocated by the United Nations University in 1994 to reuse all waste materials and byproducts generating from industrial activities as resources, and to emit no waste on a society-wide basis.