

For the year ended January 31, 2014

Sustainability Report 2014

Focused on Creating Shared Value



Features of the Sustainability Report 2014

- The content of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration social conditions and survey responses to the Sustainability Report 2013 received from 2,047 internal and external stakeholders.
- The report explains our CSV strategy, which is based around five selected themes for incorporating CSR into our business activities and thus raising the quality of our CSR efforts.
- This report is designed so as to lead readers to topics of their interest by inserting a section that provides an overall description of the CSR efforts of the Sekisui House Group.
- As an annual report, this brochure also contains a summary of our corporate activities during FY2013 in the section titled "Activity Report." This report also includes self-evaluation of performance towards our goal.
- This report also shows the change in key performance indicators (KPI) on important areas such as the progress of our Eco-First Promise.
- The report also includes comments from stakeholders in various sectors including our customers and external experts to provide objective third-party views of our corporate activities.

Scope of This Report

Areas of Business

This report covers a total of 42 companies: Sekisui House, Ltd. and its consolidated subsidiaries that are principal actors in CSR and environmental management, including Sekiwa Real Estate, Ltd. (7 companies), Sekisui House Remodeling, Ltd., Sekiwa Construction, Ltd. (20 companies), and 13 other companies including Sekiwa Wood, Ltd. (Refer to pp. 3–4 for the overview of the Sekisui House Group.) In total, this report covers 98.2% of the entire Sekisui House Group in terms of number of employees.

Areas of Business Activity

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

●Period Covered

FY2013 (February 1, 2013 to January 31, 2014)

Note: Some activities undertaken in FY2014 are covered in this report.

●Date of Publication

This report is published annually in Japanese in May.

Note: English and Chinese versions are published annually in July.

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About the Cover

Promoting community development projects worldwide leveraging our excellence in housing quality and cutting-edge environmental technology

(Top photo)
An urban rental apartment development project in Los Angeles, U.S.
(artist's rendering)

(Bottom photo)
A condominium development project incorporating the latest eco technologies, such as wall greening and a trigeneration system, in Sydney, Australia

Editorial Policy

The purpose of this report is to educate a broad audience of readers about initiatives the Sekisui House Group is engaging in to help build a sustainable society as well as encourage reader feedback as a means to improve these initiatives going forward. In selecting topics to be reported and drawing up an editing policy, we referred to the 2012 Environmental Reporting Guidelines of the Ministry of the Environment of Japan and the Sustainability Reporting Guidelines (Version 3.1) of the Global Reporting Initiative. The selected topics are reported in accordance with ISO 26000, an international standard on social responsibility.

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Providing Comfortable and Eco-Friendly Living Environments and Creating New Value to Meet Contemporary Needs

Since the founding of the Sekisui House Group, we have put customer satisfaction at the core of our corporate activities, and we have remained committed to contributing to the creation of comfortable housing and ecologically sound communities.

Sekisui House's commitment to addressing various social issues is well demonstrated in our efforts to provide safe and comfortable living environments for our customers. These efforts include promoting disaster prevention measures, ensuring a stable energy supply, conserving ecosystems, combating global warming, promoting a recycling-oriented society, offering solutions to the problems of a rapidly aging population, fostering the next generation of citizens, and revitalizing local communities.

Through our efforts, we aim to propose a new sense of value that meets the needs of the times. During FY2013, Sekisui House built a total of 49,752 houses. This brought the cumulative total of houses we have built to 2,185,189.

Detached Housing Business

Design, construction, and contracting of detached houses



Be mode+gent two-story steel-frame detached house



Biena three-story steel-frame detached house



The Gravis SHAWOOD wooden-frame detached house

Main Affiliates | • 20 Sekiwa Construction companies (housing construction, etc.)

Rental Housing Business

Design, construction, and contracting of rental housing and medical and nursing care facilities



CELEBLIO assisted living complex for senior citizens

Main Affiliates |
• 20 Sekiwa Construction companies (housing construction, etc.)

Remodeling Business

Expansion and renovation of houses, etc.



Remodeling the exterior-adjacent sections of houses to improve heat insulation and security



Changing room layouts and installing the latest equipment to create more comfortable living spaces

Main Affiliates |
• Sekisui House Remodeling, Ltd. (housing remodeling and extension, etc.)
• 20 Sekiwa Construction companies (housing remodeling and extension, etc.)
• 7 Sekiwa Real Estate companies (remodeling and extension of rental housing, etc.)

Corporate Profile (as of January 31, 2014)

Corporation name: Sekisui House, Ltd.
Head office: 1-1-88 Oyodonaka, Kita-ku, Osaka 531-0076, Japan
Date of establishment: August 1, 1960
Capital stock issued: ¥191,559,190,000
Number of shares outstanding: 686,895,078
Employees: 22,379 (consolidated); 13,417 (non-consolidated)

Sales and Service Offices (as of January 31, 2014)

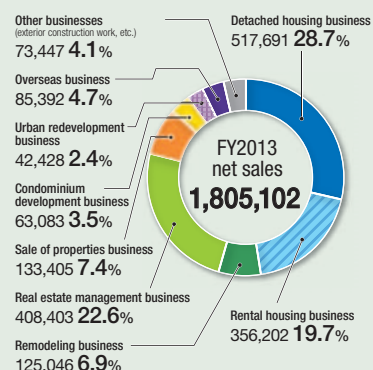
Branch and sales offices: 125	R&D institute: 1
Customer service centers: 30	Consolidated subsidiaries: 174
Model homes: 428	Companies accounted for under the equity method: 19
Factories: 5	

Business Performance Review

Under our medium-term management plan, we focused our efforts in FY2013 on housing as it pertains to three business models—the contract type, the stock type, and the development type. As a result, we were able to achieve record results in both sales and profits. Committed to our SLOW & SMART brand vision, we intend to bring more comfort to living spaces by actively incorporating the latest technologies.

In April 2013, we launched the Green First ZERO home, which is designed to enable energy-neutral living. In so doing, we are pursuing the Japanese government's proposal of creating a sizable market for net zero energy buildings by 2020. While promoting sales of Green First ZERO as a new driving force for the company, we have also been working to boost sales of three- and four-story detached homes and apartment houses, mainly in urban areas. This has resulted in a large increase in the number of orders placed. We intend to continue our progress towards achieving sustainable growth through the concerted efforts of all the Sekisui House Group companies.

Consolidated Sales by Segment (million yen)



Real Estate Management Business

Subleasing, management, operation, and brokerage of real estate



BEREO PLUS multi-purpose condominium

Main Affiliates |

- 7 Sekiwa Real Estate companies (purchase/sale, brokerage, leasing, and management of real estate, etc.)

Subleasing Activities

Sekiwa Real Estate, Ltd., a member of the Sekisui House Group, engages in building sublease activities where fixed monthly lease payments are made to the building owner regardless of occupancy rate. As the building lessee, Sekiwa Real Estate acts as the direct lessor for individual tenants, reducing workload and improving operating efficiencies for the building owner.

Sale of Properties Business

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



Smart Common City Akaishidai, a smart town

Main Affiliates |

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

Condominium Development Business

Sale of condominiums



Grande Maison Ikeshita The Tower, a condominium project

Main Affiliates |

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

Urban Redevelopment Business

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



Grand Front Osaka, a large-scale project in Osaka

Overseas Business

Contracting of custom-built detached houses; sale of ready-built detached houses and residential land; development and sale of condominiums and commercial facilities in overseas markets



Cinco Ranch in Texas, USA



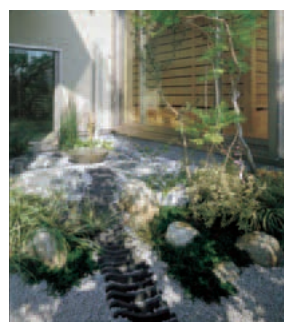
Central Park in Sydney, Australia

Main Affiliates |

- Sekisui House Australia Holdings Pty Ltd. and 128 other companies

Other Businesses

Exterior construction work, etc.

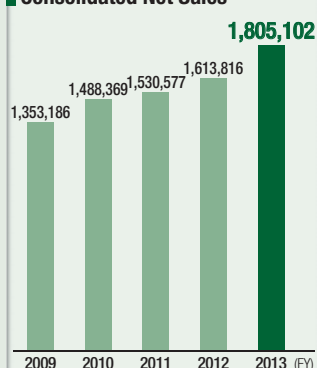


Example of exterior construction and landscaping

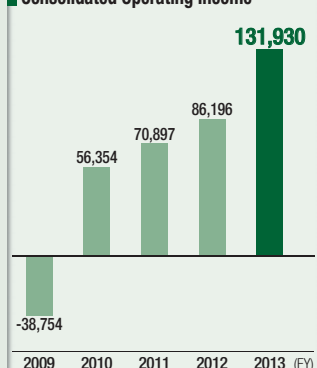
Main Affiliates |

- 20 Sekiwa Construction companies (exterior construction, landscaping, etc.)

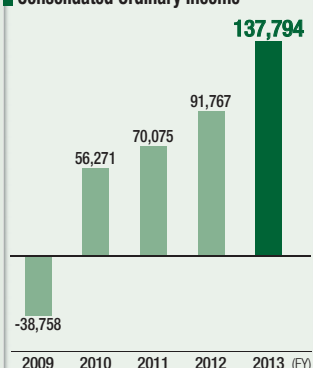
Consolidated Net Sales (million yen)



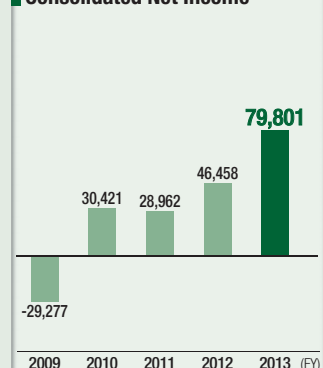
Consolidated Operating Income (million yen)



Consolidated Ordinary Income (million yen)



Consolidated Net Income (million yen)



Creating Homes from the Homeowner's Perspective

1

Before embarking on a homebuilding project

Maintaining Contact Points with Customers Nationwide

Attaching importance to being a community-based company, we believe that homebuilding sites should be as open to society as possible. Accordingly, we strive to offer information on housing and living and to make our sites as open to the public as possible. These activities are mainly undertaken at our housing construction sites across Japan, at our model homes, and at our hands-on learning centers, such as *Sumai no yume kojo*. All of these are important venues where we can connect with customers.

Through our activities, we ensure that visitors will be convinced of the superior quality of Sekisui House homes built under our “customer-specific design flexibility” concept. Before starting a homebuilding project, we communicate our ability to cater to customer needs with a wide range of attractive proposals and technical excellence.

All workers involved in a homebuilding project act from the customer's perspective

Construction sites

Making Homebuilding Sites Open to the Public through Cooperation from Homeowners

Our construction sites are the clear embodiment of our homebuilding policy. With the cooperation of homeowners, we offer our construction sites and completed homes for public viewing as ideal contact points for new customers. Under our accountability system, we take full responsibility for the entire homebuilding process from start to completion. We carry out each homebuilding project as a team, in cooperation with our wholly owned group company, Sekiwa Construction, and other partner building contractors. By strengthening our on-site competencies, we assure improved quality, maximize the effectiveness of our safety measures, ensure thorough site cleanup, and minimize impacts on neighborhoods.



We have been holding nationwide Sekisui House Visiting Day events for 25 years since 1989, with the cooperation of homeowners. In 2013, events at 1,261 locations drew 57,815 groups of visitors.

Model homes

Offering Concrete Images of Lifestyles and Ideal Solutions while Hosting Community Events

Model homes embody the ideals of housing suited to individual regional characteristics and geographical conditions, while showcasing future lifestyles. We have a wide variety of model homes throughout Japan. They offer solutions to meet specific site conditions and other requirements, thus providing visitors with useful ideas for their homebuilding projects. We also use our model homes as venues for community events to deepen personal bonds with our customers and local residents.



We have a total of 428 model homes in various parts of Japan (as of January 31, 2014)



The double-height balcony and fashionable dining room add to the sense of spaciousness

Hands-on learning centers

Housing Theme Parks Facilitate a More Detailed Understanding than Model Homes



Sumai no yume kojo received 93,116 visitors in FY2013



Visitors can experience firsthand the effectiveness of our SHEQAS seismic control system

When people decide to have a house built, they naturally have many questions and concerns. This is why we operate six hands-on learning centers across the country called *Sumai no yume kojo* (“dream house factories”). Here, prospective customers can experience firsthand what their finished home will look like. Unlike conventional model homes, these facilities include exhibits where some parts of the structural frames are shown at full scale, so that visitors can—with the help of experimental equipment—actually feel the robustness and comfort of the



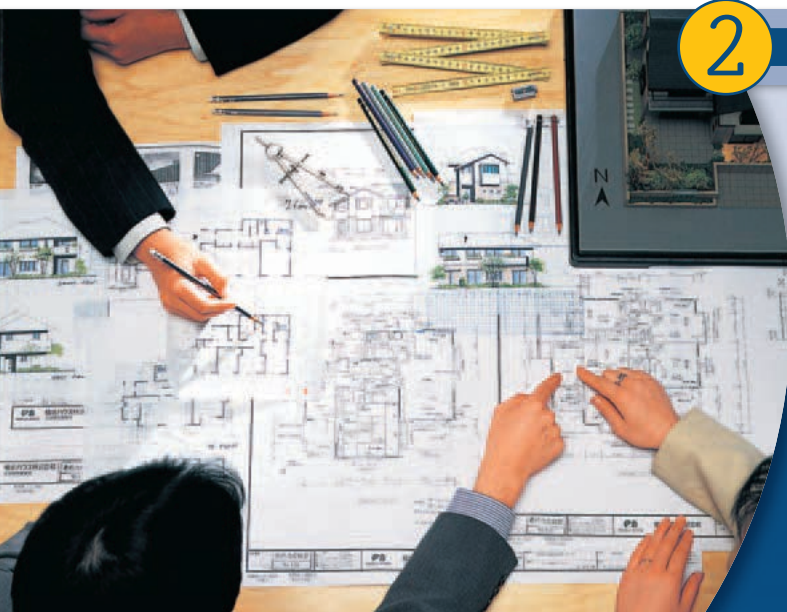
These facilities allow visitors to verify disaster-prevention features incorporated into our houses

houses. These facilities effectively serve as “housing theme parks” where visitors can enjoy learning about the houses we build.

Essentially, homes should be built one by one in a manner specifically tailored to local conditions such as climate, geographical features, and site conditions, as well as to the customer's family structure, lifestyle, and life stage.

Since the founding of Sekisui House, we have remained true to our policy of "customer-specific design flexibility." We strive to maximize customer satisfaction by addressing the different conditions and needs of our customers, by using our proprietary construction methods and production systems, and by offering the best solutions in terms of both physical structure and comfortable living environments.

At Sekisui House, customers are never asked to choose from among a limited number of pre-designed housing plans. Instead, we take time to discuss housing plans with customers face-to-face through our housing consultation service. We then consider the customer's perspective throughout the entire homebuilding process, from initial contact, design, production, and construction to after-sales support.



2

Up to completion of a home

Creating Personalized Homes Supported by Our People and Technology

Our ongoing research pursues perfection in both physical housing structures and comfortable living standards, as we seek to ensure higher quality at each step of the homebuilding process. We have developed proprietary construction methods and production and construction systems, and we have brought them to a higher level of sophistication. In so doing, we increase the degree of freedom in design to better meet diversified customer requirements, while ensuring the safety of housing structures by leveraging the advantages of industrialized housing.

Sekisui House adheres to a concept of customer-specific design flexibility through its housing consultation approach

Customer-specific design

Design Flexibility to Meet Different Customer Needs

When discussing housing plans with customers, our salespersons serve as direct contacts with customers, carefully listening to their specific needs. This includes issues such as personal taste and preferences, lifestyle, and the life stage of respective family members.

When conducting site surveys, we make it a rule to closely inspect the surrounding environs as well. This is an important step for us, because by doing so we can offer meaningful proposals to customers to ensure they will continue to live pleasant lives into the future.

In the process of developing housing plans, we use originally developed systems, such as an environmental simulation tool to determine which environmental technologies are best suited for the specific conditions of customers and a structural planning system to ensure the safety of housing structures.



Our sales personnel listen carefully to customers' needs to have a full understanding of their lifestyles and preferences

R&D

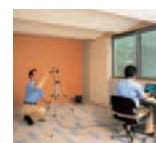
Conducting R&D on Proprietary Construction Methods, New Technologies, and New Lifestyles

Consistent R&D efforts have been underway at our Comprehensive Housing R&D Institute—located in Kizugawa City, Kyoto Prefecture—to enhance both the physical value and the comfort of our housing products. Vibration tests of building structures and durability tests of building components are conducted to ensure high levels of earthquake resistance and a comfortable standard of living.

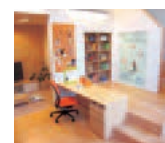
Internal testing of housing performance conducted at the R&D Institute allows us to quickly identify problems and take corrective measures. This has given rise to a number of our proprietary innovations. Our R&D efforts are also focused on universal design, new environmental technologies, and new lifestyles based on human engineering.



Full-sized exterior walls are tested for anti-seismic performance



A full-sized building is used for testing acoustic properties



Research is being conducted to develop housing environments ideally suited to bringing up children

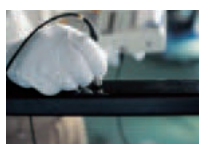
Production

Building a Variety of Customer-Specific Houses Using High-Quality, High-Precision Components

Building houses that can cater to the individual needs of each customer is one of our basic policies, and this means we need to use a wide array of housing components. By utilizing industrial robots and our highly computerized production system, we ensure efficient production and a stable supply of high-quality components. In addition, our factories have in place a strict quality control system whereby raw materials are inspected upon delivery, products on the line are randomly checked for defects, and every product undergoes a thorough quality check. Further, factory engineers are required to take proficiency tests at regular intervals.



Automated production line



Inspecting the thickness of anti-rust coating on steel frames

Construction

High Quality and Precision through an Integrated Production System and Proprietary Technologies

Under our project accountability system, we have an in-house manual that stipulates the precise rules and procedures for construction. All of the houses we build must undergo meticulous inspection at each construction stage in accordance with this manual. Furthermore, we take advantage of our proprietary technologies to ensure consistently high quality and precision for each construction job. We also operate a school at which we train prospective technicians and provide training seminars and certification tests for technicians, in order to improve their proficiency.



Use of a Metal Form steel frame enables the construction of foundation work with uniform quality and precision, regardless of the workers' skill level



Technician training is an important area of focus

3

Ensuring comfortable living over the long term

Supporting Homeowners Even after They Have Moved into Their New Homes

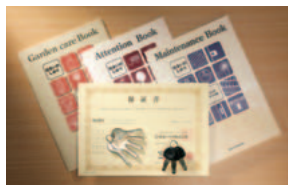
To ensure our homes last for generations, Sekisui House offers comprehensive warranty programs, such as a proprietary 20-year manufacturer warranty program and the U-trus system. We also offer reliable after-sales support to homeowners through our customer service centers, which have personnel specifically assigned to this service. Furthermore, we have implemented an efficient system to address the remodeling, rebuilding, and relocation needs of homeowners. In this way, the entire Sekisui House Group is committed to ensuring our housing provides safety, peace of mind, health, and comfort for as long as possible.

Customer service center personnel provide reliable maintenance services to ensure the prolonged lifespan of houses

Long-term warranty

Longer than Legally Required— a Manufacturer's Warranty That Assures the Longevity of Our Homes

Once construction is complete and the house is handed over to the owner, we provide a 20-year warranty applicable to the structural frame*¹, along with other warranties that apply to each housing component for a specified period of time. After the initial 20 years, our U-trus system provides extended warranty at 10-year intervals, on the condition that required inspections are conducted and maintenance and repairs are completed at the homeowner's expense. This system helps maintain the asset value of the house, keeping it attractive to potential buyers in case the homeowner decides to sell it in the future.



Upon delivery of the home, a maintenance handbook is handed over to the homeowner along with a warranty of the home

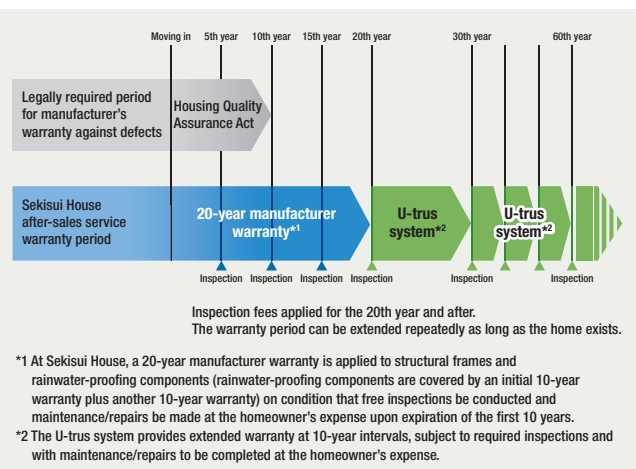
Regular inspection and maintenance

10% of Employees Devoted to Providing Prompt and Reliable After-Sales Support

We provide after-sales support through our customer service centers in 100 locations (operated by 30 offices) all over Japan. As many as about 10%, or 1,400, of our employees work as dedicated service personnel who conduct regular basic inspections and offer advice regarding the various housing needs of homeowners. In case of an earthquake or other natural disaster, we will work under our emergency response program to offer support to homeowners as needed and embark on restoration and reconstruction activities on a group-wide basis.



On non-business days for our customer service centers, homeowners can call our telephone center



Remodeling

Achieving Long-Term Comfortable Living through Customized Remodeling Solutions

Remodeling projects are undertaken by Sekisui House Remodeling, a company that shares our consistent homebuilding principles. We serve remodeling needs by offering various solutions, such as renovating interior and exterior designs, upgrading equipment, optimizing room layouts following changes in family structures and lifestyles, and improving heat insulation efficiency. Based on a detailed record of a house's history, we implement remodeling to exacting Sekisui House standards.



We provide remodeling solutions to accommodate changes in family structure and lifestyle



SH Metarof PV, our proprietary roofing material, integrates with a photovoltaic power system

Housing revitalization

Revitalizing Homes as Social Assets under the Everloop Home Repurchase Program

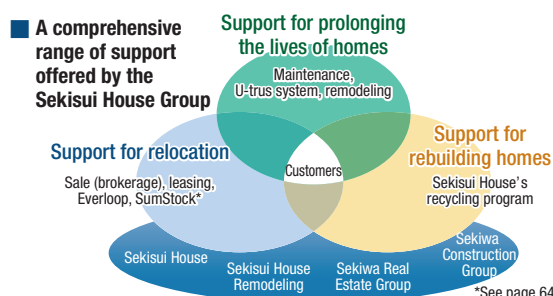
We repurchase used Sekisui House homes at a fair price and completely renovate them to the latest standards, with a view to reselling them. Against a backdrop of increasing longevity for modern homes, we aim to accelerate the shift from disposal to recycling of homes as social assets.



Support for relocation

A Nationwide Network Providing a Comprehensive Range of Services to Meet Homeowners' Needs

Sekiwa Real Estate, a member of the Sekisui House Group, offers full support to homeowners considering selling their homes due to a desire to relocate or for some other reason. Sekiwa Real Estate's services include assisting homeowners in selling or leasing their homes and in finding a temporary home or relocating to a new home. The extensive nationwide network allows the company to offer optimal solutions to meet a wide range of needs quickly and reliably.



*See page 64 for details.

Conducting research and tests on the future of safe, durable, healthy, and comfortable living from a long-term perspective



SUMUFUMULAB



The number of visitors reached the annual target of 150,000 in just 7 months of opening

SUMUFUMULAB is the industry's first information and R&D base designed to involve visitors in developing new lifestyles and creating desirable, life-enhancing housing environments. The venue provides visitors with opportunities for hands-on experiences of comfortable living in a full-sized living space, so that they can discover optimal lifestyles through a two-way exchange of information.

In April 2013, we opened SUMUFUMULAB in the Knowledge Capital area of Grand Front Osaka, a new shopping and business complex in Osaka. Operating under the motto that "quality housing is the key to a happy life,"



Exploring the potential of robotics in housing, in collaboration with Honda Motor Co., Ltd.

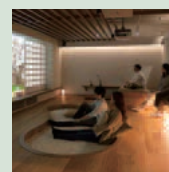
At SUMUFUMULAB we also offer the House of Dialogue. This is a highly popular program that forms part of our co-creation effort with Dialogue in the Dark (DID)—a widely known project that gives visitors a unique chance to discover how sharp their five senses are in complete darkness. If visitors become SUMUFUMULAB members, they can take part in our research project to explore future styles of housing.



We offer a variety of workshops and seminars, some of which are held exclusively for SUMUFUMULAB members



Family Structure zone



Comfort Home zone



Quality of Life zone



Nattoku kobo (Home Amenities Experience Studio)

Nattoku kobo located on the premises of the Comprehensive Housing R&D Institute (in Kizugawa City, Kyoto Prefecture) allows visitors to check, compare, and better understand important homebuilding factors firsthand.

Based on the concept that direct experience is the best form of persuasion, this facility provides an opportunity for homebuilders and future homeowners to

get together and explore optimal housing styles. The experiences that visitors share with us through questionnaires are stored in our database so they can be used in research and development as well as in planning solutions.

We also offer six-month seminar programs designed to help participants discover the housing and living styles that optimally suit them, along with open seminars where participants can learn useful housing-related tips that will enrich their everyday lives.



Questionnaire responses are shown in this booklet, which is made publicly available to help create more pleasant living environments



Experiences of visitors to this studio are used as valuable data



A child-minding service is available inside the studio for the convenience of family visitors



Various specialists, from both inside and outside the company, are invited to speak at open seminars

These research results connect us to future customers and additional housing projects.

Change Society by Changing Housing

Transforming Society and Creating Shared Value through Housing

Isami Wada Chairman & CEO



Housing Can Help Solve Society's Problems

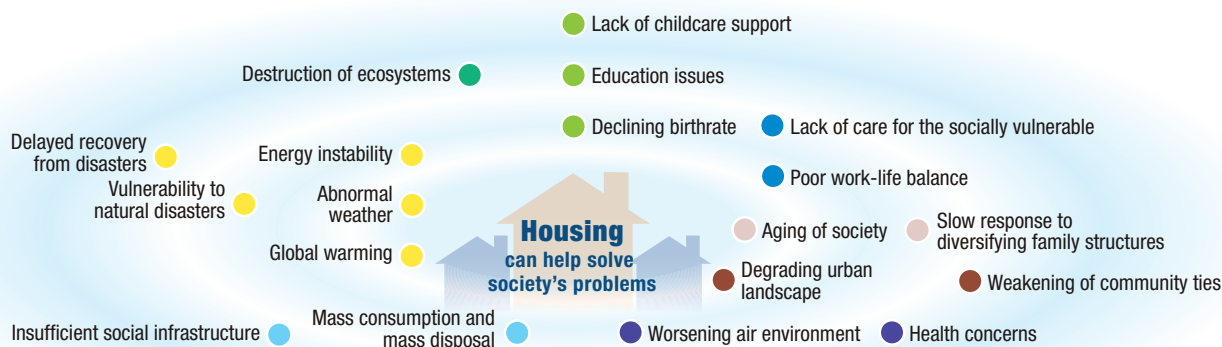
Japan appears to be finally breaking out of its long-term deflationary spiral and people are starting to feel that the economy is buoyant. The outlook brightened after Tokyo was awarded the 2020 Summer Olympics. The prospects are for an acceleration of growth strategies as attention focuses on the economic benefits that will come from infrastructure development and tourism in the run-up to the Olympics. We at Sekisui House must take advantage of these opportune conditions by using our world-class-quality housing to contribute to the advancement of society. Housing exerts a major impact on numerous aspects of Japan's society and economy, and it holds great promise for helping solve many of the problems society faces today.

The main role of housing is as a shelter for families and their possessions. But it is also crucial as a place for families to enjoy peace and comfort, live in good health, and properly educate their children. And communities of houses become places for exchanges among residents, resulting in safer neighborhoods and new culture. It has been three years since the Great East Japan Earthquake of March 11, 2011, yet still many people live uncertain lives in temporary housing. This has highlighted the importance of housing as a family's heart and soul and as a key factor in forging ties within communities.

If we look at how closely housing and the state of neighborhoods are related to social problems in recent years—environmental and energy issues, the deterioration of communities as neighbors become more distant from each other, and less inter-generational exchange as the population ages and birthrates decline—it becomes evident that housing can contribute to the betterment of society. Sekisui House provides about 50,000 new homes each year and since our foundation we have built a cumulative total of 2.18 million units. This puts us in a unique position to take the lead in solving these problems.

Leading the Housing Industry in Taking on Environmental Problems

With the 1999 launch of our Environmental Future Plan, we embarked on company-wide environmental activities. Environmental awareness was on the rise following the adoption of the Kyoto Protocol in 1997, and Sekisui House took the early lead in the industry in putting the environment high on the company management's priority list. In 2001, we began our *Gohon no ki* ("five trees")



landscaping concept to preserve biodiversity, and in 2005 we issued our Declaration of Sustainability, our vision for a sustainable society.

These and other environmental efforts were rewarded in 2008 as the Japanese government certified Sekisui House as an Eco-First Company. This designation recognizes our role as the leader in making environmental activities a key focus for the housing industry. I recently was named Chairman of the Eco-First Promotion Council, and I encourage cooperation across industries in order to advance environmental action among Japanese companies.

Protecting Japan's Important Social Capital

I think that one problem the housing industry in Japan must solve is the fact that homes lose their value in a short period of time. Since the end of World War II, Japan has invested ¥850 trillion in housing, but only ¥350 trillion worth of this remains. This means that ¥500 trillion in national wealth has disappeared through “scrap-and-build.” In Europe and North America, homes gradually increase in value with each passing year, but in Japan the value of a house is nearly zero in about 20 years. Reasons for this include the lack of maintenance to sustain a home's value, and the absence of official housing maintenance records, which are records of a home's maintenance history. To protect housing, important social capital of Japan, we must conduct major home renovations, have clear official housing maintenance records, and take other measures to keep homes from devaluing over the years.

In order to put such measures in place, Sekisui House and nine other housing manufacturers formed the Provision of Quality Housing Stock Association (SumStock). The goal is to have each member company take responsibility for managing, renovating, and buying and selling the homes it has built, thus creating new business opportunities. People will be able to buy existing homes that have been properly maintained and eventually sell them at a price that has not gone down.

Problems in Japan like a shrinking population are causing the housing market to continue contracting, and housing starts are no longer likely to increase. Sekisui House has numerous initiatives underway to expand the market. For example, we are actively calling for measures such as increasing a tax exemption on advancements that people receive from their parents when they purchase a home. We are also offering high-value-added products like Green First ZERO, an industry-first way to meet changing needs, and we are focusing on stock-type business areas such as home renovations and distribution networks for

existing homes. These are part of the continuing effort to create value for society.

Bringing Japanese Quality Worldwide

Housing in Japan is called a domestic industry—but things are changing. The superb quality of Japan's industrialized housing and Sekisui House's advanced environmental technology have been attracting worldwide attention. We currently have projects in countries like Australia, Singapore, China, and the United States building detached homes, collective housing, and commercial complexes. With the market demanding extremely high levels of environmental friendliness, we can meet this need with the expertise we have built up in green technologies and community planning. In China, air and water pollution are serious problems, so we are improving insulation performance so that a home's heating system can lessen the effects of air pollution, and we are providing residential equipment that gives homeowners clean, safe water. Doing business is not easy in countries with different cultures and ways of thinking, but we will continue to share our belief that “high-quality housing brings safety, security, and health to residents” as we contribute to solving social problems around the world through our housing business.

Building a Sustainable Future by Adapting to a Changing Society

When we first began our environmental activities, our efforts did not immediately translate into profits. But we continued these activities because we believed that they were the right things to do and that society needed them, and as a result they gave us huge momentum. This is much like a phrase we hear often recently: Creating Shared Value, or CSV. Sekisui House will continue to stick to this belief.

A house is a long-term-use product, something that customers are going to live in for decades. That is why it is our mission to provide customers with many years of satisfaction and peace of mind. Today's society changes at lightning-fast speed: what used to last 10 years now may last just one. We would like to be a company that is sensitive in quickly responding to today's needs, a company that continues to grow by looking to the future and steering a course for long-term growth.

The road to a sustainable society is a long one, and there is still much to do along the way. We have set our targets and are proceeding towards such a society with steady resolve.

Ethics to Promote a Sustainable Society

Developing Strategic CSR Activities by Identifying High-Priority Issues

Toshinori Abe President & COO

Economics and Ethics—Like a Pair of Wheels on a Cart

According to Sontoku Ninomiya, a 19th century Japanese philosopher and agrarian reformer, “economics without morals is criminal, and morals without economics is nonsense.” Economics and ethics are inseparable; they go together like a pair of wheels on a cart. Neglecting one or the other puts business continuity at risk. Sekisui House should never forget its stance of fulfilling its social responsibility. Rather than merely pursuing profit, we should also work to raise customer satisfaction and build better relationships with business partners, employees, and local communities.

Based on this thinking, Sekisui House has taken the lead in the housing industry in pursuing CSR activities. In order to integrate CSR and business activities at an even deeper level and boost our activities as a whole, we have designated five high-priority issues for which we have established strategic management indicators.

Five Key Issues

1. Net Zero Energy Housing

Of all the electricity used in Japan, 30% is consumed by the residential sector. A number of approaches are needed to reduce consumption—for example, building more zero energy housing, optimizing electricity demand and supply with a particular focus on smart homes, and developing infrastructure for a hydrogen-powered society. As a housing manufacturer, Sekisui House must contribute to the spread of net zero energy houses (ZEH) and take on the challenge of promoting new lifestyles that use renewable energy sources. In April 2013, Sekisui House launched the Green First ZERO model, a forward-looking approach to zero energy housing. In FY2013, we were able to raise the proportion of Green First ZERO home sales to 48% of all new Sekisui House homes—a major achievement. We aim to raise that figure to 60% in FY2014.

We also developed a new interactive HEMS (home energy management system) that lets users have fun while saving energy. The new HEMS features on-screen characters with whom users can interact. The system also manages customer information on a centralized basis, so that it can provide information and services to suit each customer.

2. Biodiversity Preservation

Biodiversity, with all its benefits, provides a foundation for people's lives and for corporate activities. Mindful of this



fact, Sekisui House long ago prioritized the preservation of biodiversity. Our efforts include using resources in a way that preserves the ecosystem's regenerative capability, while also taking measures to protect nature's diversity and cycles of life. The cornerstone of our efforts is what we call the *Gohon no ki* landscaping concept, which involves procuring wooden building materials in a sustainable manner and paying careful consideration to local ecosystems during landscaping activities. Since 2001, when this concept was introduced, we have enjoyed the understanding and participation of many of our customers. And in FY2013, the total number of trees planted under this concept surpassed the 10 million milestone.

In 2007, Sekisui House formulated its original Wood Procurement Guidelines. These guidelines clarify the company's wood procurement policies, based on sustainable forest management methods that include giving consideration to biodiversity, protecting the rights of workers, and ensuring good labor practices. Wood materials go through a long and complex supply chain. To fully grasp the situation in the supply chain requires the understanding and cooperation of suppliers. Sekisui House gives meticulous support to our suppliers in order to procure wood in a sustainable manner.

3. Boosting Production and Construction Quality

Delivering high-quality housing requires high quality not only in the building components, but also in the expertise of the construction workers. Regarding the latter, there has recently been an unwelcome trend in Japan involving a shortage of skilled workers and difficulties in securing and training new workers. Sekisui House is striving to provide high-quality housing on a stable basis by training skilled workers and expanding in-house production of building components.

Sekisui House has been able to maintain a high level of construction quality because of the strong ties we have nurtured over the years with our partner building contractors. Even during off seasons, Sekisui House places orders for construction work on a stable, long-term basis to help secure the livelihood of construction workers. This helps to foster the building contractors' confidence in Sekisui House, and in turn they provide us with high-quality construction. When we began pursuing zero waste at our construction sites, the construction workers were actively cooperative in sorting waste; and when we built temporary housing in Tohoku, a large number of workers joined in to help.

Sekisui House has been involved in a company-wide reconstruction effort in areas affected by the Great East Japan Earthquake. In September 2013, a new production line for Bellburn ceramic exterior wall tiles—which are used on SHAWOOD wooden-frame houses—was added to the Tohoku Factory, generating employment for 100 people.

4. Longer Life for Housing and Enhanced After-Sales Support

The average lifespan of houses in Japan is said to be about 30 years, which is considerably shorter than houses in Europe and North America. In Japan, the asset value of houses is not assessed fairly, and the value of a house declines virtually to zero in about 20 years. The conventional approach in Japan of repeatedly scrapping houses and building new ones is a huge waste of resources

and energy. In situations like this, it is hard to nurture local culture and create attractive townscapes that people will cherish. With their housing expenditures a heavy burden, residents find it harder to lead rich, fulfilling lifestyles.

Sekisui House is tackling this problem by providing highly durable, high-quality housing that adapts flexibly to changes in family structure and lifestyles and that is filled with features designed to help owners feel a greater degree of pride in their homes. We are also expanding and improving after-sales support in an effort to create invaluable social capital over the long term.

5. Promoting Diversity

Given Japan's aging population, falling birthrate, and shrinking workforce, it is imperative that the nation exploit the capabilities of a diverse range of people in order to maintain its vitality. Our society must become one in which a diverse range of people can play an active role, regardless of their gender, age, nationality, and physical ability. A society such as this will be a rich and varied one, able to respond flexibly to changes.

Recognizing that diversity in human resources is integral to our company, Sekisui House established the Diversity and Inclusion Promoting Office in February 2014. Our aim is to create an organization in which a wide variety of human resources can exercise creativity and innovation; one where every employee can lead a fulfilling, active life. Furthermore, by having a diversity of employees join forces to realize a common goal, Sekisui House strives to achieve innovations in its business operations.

The housing industry is intimately connected with everyday life. There are therefore many areas where we can gain invaluable insights from those who have experienced housework and child rearing or who have learned to live with physical challenges. Sekisui House is fully aware of the significant role played by diversity in business. As such, we will be pursuing even more comprehensive diversity measures.

Aiming for Further Growth while Adhering to High Ethical Standards

The Japanese economy is on the upswing and Sekisui House is showing healthy business results. But it is at times like these when companies must pay extra attention to corporate ethics and compliance. There may also be occasions when changes in the social environment require us to change our way of thinking. I hope to drive home the importance of compliance among employees through measures such as compliance training.

People are what make up a corporation. To develop human resources that customers and society can trust, workplace leaders must treat each employee with respect and strive to create a healthy, vibrant work environment.

There are numerous obstacles to overcome in solving the various issues related to achieving a sustainable society. But at Sekisui House, we consider taking on these challenges as our responsibility and, at the same time, as an opportunity for sustainable growth. Every employee at Sekisui House is committed to fulfilling our social responsibility while upholding high ethical standards.

Committed to Realizing a Sustainable Society

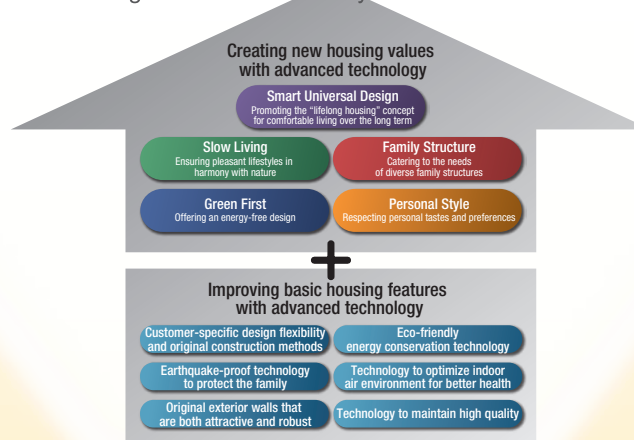
Proposing New Value through Sustainability

In 1989, we established a corporate philosophy that embodies our commitment to providing the highest-quality housing, offering customer-first services, and fostering cooperative relationships with our business partners. Then in 2005, bearing in mind the scale of the impact that the housing industry has on society and the global environment both now and in the future, we defined our vision for a sustainable society and declared our determination to carry

out corporate management in a manner that balances four key values: economy, the environment, society, and homeowner needs. In 2012, we formulated our SLOW & SMART brand vision. This represents our determination to deliver the optimum in housing comfort ("slow"), using the latest technology ("smart"), in order to address evolving social needs.

SLOW & SMART

Housing innovation to make your heart feel at home



2012»

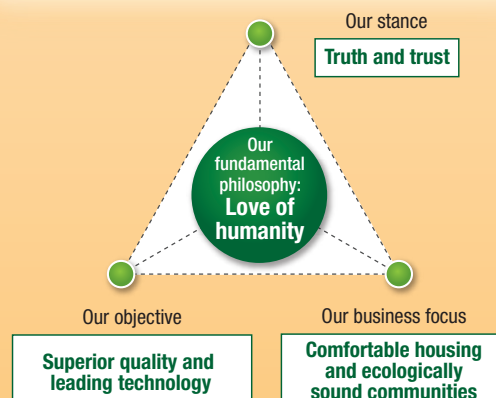
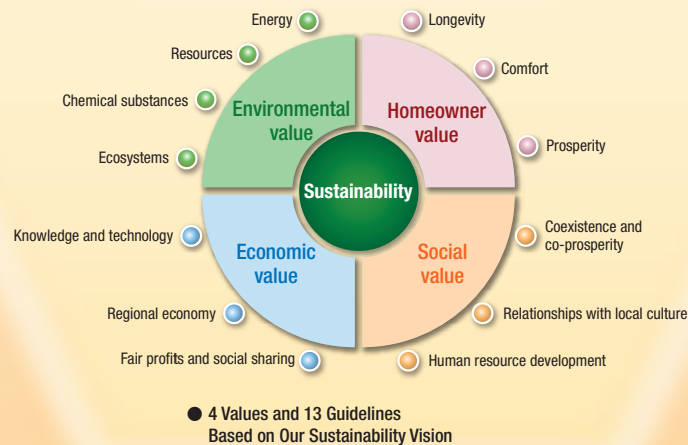
SLOW & SMART

The SLOW & SMART brand vision represents our determination to offer the optimum in housing comfort ("slow") using the latest technology ("smart") to achieve "comfortable living — now and always".

2005»

Sustainability Vision

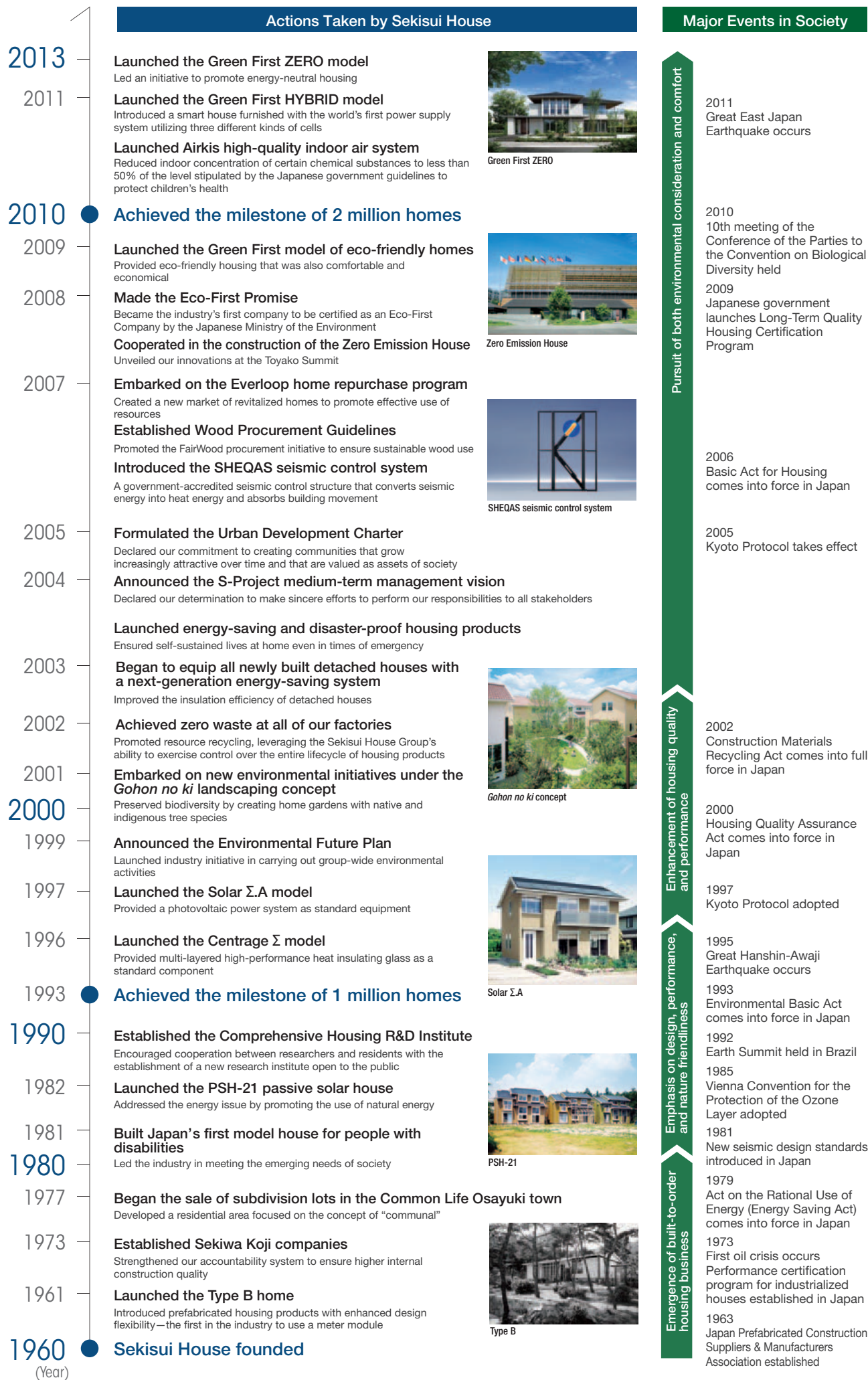
We defined our vision for a sustainable society. To move closer to this vision and ensure our progress, we declared our determination to carry out corporate management in a manner that balances four key values: economy, the environment, society, and homeowner needs. In 2006, we introduced 13 guidelines by further exploring each of these values to determine the direction of our corporate activities and decision-making.



1989»

Corporate Philosophy

We believe that a company is a group of individuals; that the mindset of each employee and the relationships between them constitute the very basis of corporate activities and management; and that our employees are the source of our commitment to contributing to society.



Pursuit of both environmental consideration and comfort

Enhancement of housing quality and performance

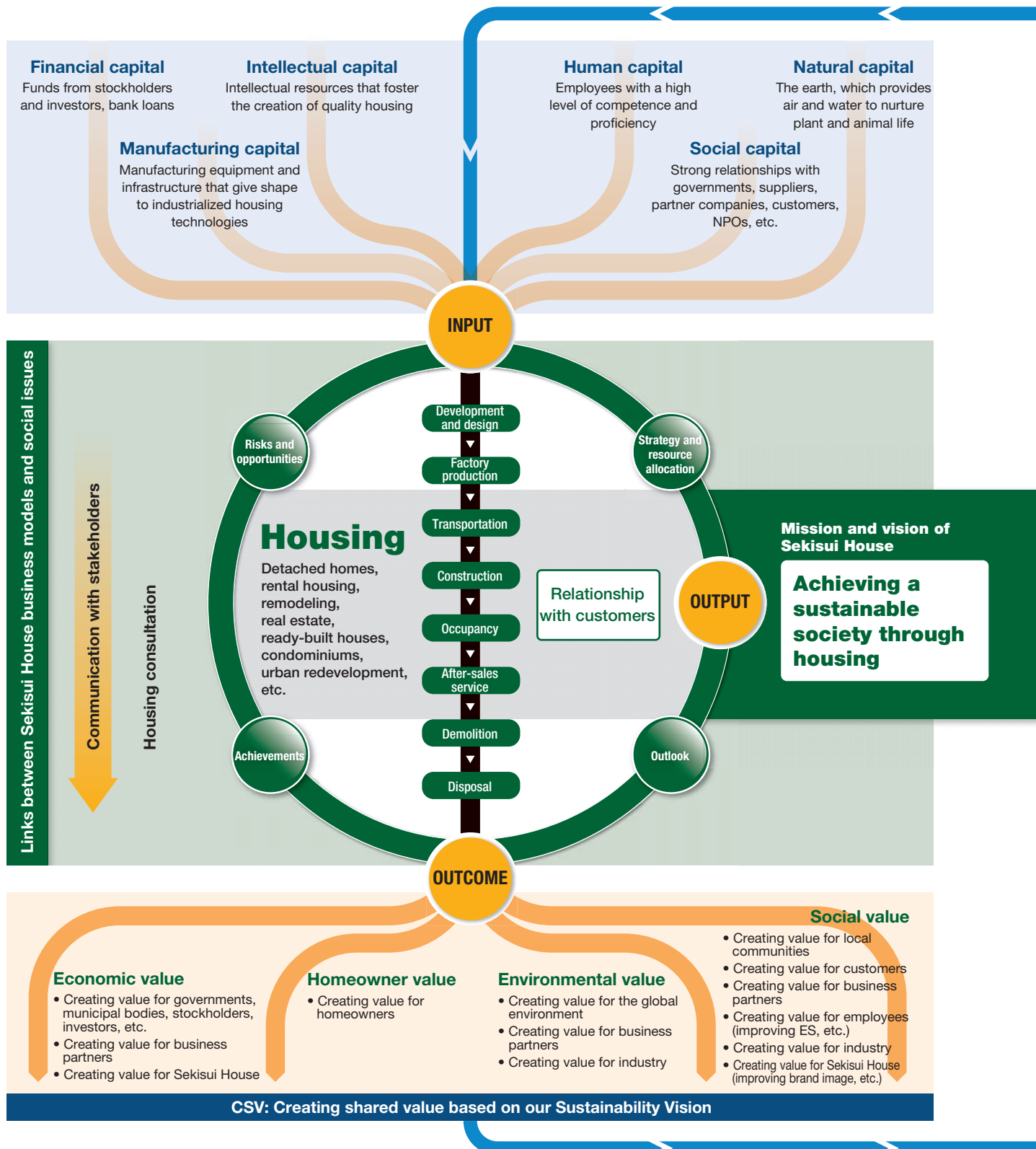
Emphasis on design, performance, and nature friendliness

Emergence of built-to-order housing business

CSV Strategy of the Sekisui House Group

Addressing Social Problems through Housing and CSV (Creating Shared Value) Strategy

We believe that the housing industry can play a major role in providing solutions to various social problems. With sustainability standing at the heart of our corporate vision, we have been working to address social issues through a process of creating and sharing values with our stakeholders. To further advance these activities, we have recently formulated a CSV strategy based around five selected themes. The following chart shows the process by which we intend to carry out our CSV strategy.



Social problems

- Global warming
- Energy instability
- Abnormal weather
- Vulnerability to natural disasters
- Delayed recovery from disasters
- Destruction of ecosystems
- Lack of childcare support
- Education issues
- Declining birthrate
- Insufficient social infrastructure
- Mass consumption and mass disposal
- Lack of care for the socially vulnerable
- Poor work-life balance
- Aging of society
- Slow response to diversifying family structures
- Degrading urban landscape
- Weakening of community ties
- Worsening air environment
- Health concerns

Five Pillars of Our CSV Strategy

1 Promoting net zero energy housing

P.17

We promote energy-neutral housing through energy-saving and energy-creating measures.

2 Preserving biodiversity

P.21

We work to conserve sound ecosystems through our *Gohon no ki* landscaping project and also in accordance with our Wood Procurement Guidelines.

3 Improving production and construction quality

P.25

We reinforce our production and construction systems to ensure a stable supply of quality housing.

4 Extending the lifespan of a house and enhancing after-sales service

P.29

We improve the durability of our housing, promote the use of universal design, and provide enhanced maintenance and remodeling services.

5 Promoting diversity

P.33

We formulate a system in which people of various talents and specialties can fully exercise their creativity to achieve business innovation.

VOICE

Creating Value through CSR

One important aspect of CSR activities is determining how they can be linked to a company's management strategy. In order to do that, it is necessary to identify relevant items through a materiality analysis and to clarify how these items are related to the company's business activities. Reviewing and reinforcing the entire value chain* is another important issue related to CSR.

In my interview with two top managers at Sekisui House, I could sense the company's commitment to making a social contribution and their strong desire to carry out these activities with an appropriate degree of transparency.

Considering all of the above, Sekisui House reviewed its business models and proposed four key values, which I understand constitute their CSV (Creating Shared Value) concept. I suggest the company should set quantitative targets for these values and use them as KPIs (key performance indicators). I believe this would help them identify new forms of value creation in a more tangible way.



Katsuhiko Kokubu
Dean, Graduate School of
Business Administration,
Kobe University

*A value chain is a concept wherein the sequence of activities performed by a company—from material procurement, development, and production to sales and service—is considered to add value (and cost) to products and services before they are delivered to end users.

Promoting Net Zero Energy Housing

In addition to the Green First series of homes—which we launched in 2009 by combining our energy-saving and energy-creating technologies—Sekisui House has been taking the initiative in promoting net zero energy houses since 2013, with a view to providing high-quality, eco-friendly housing as a solution to energy problems.

Backdrop

We are addressing two important issues through our CSV (Creating Shared Value) strategy: one is combating global warming; the other is finding solutions to the energy supply problem that arose in the wake of the Great East Japan Earthquake.

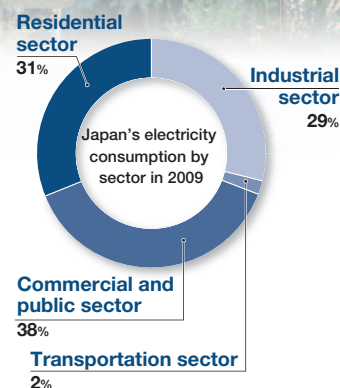
Along with our efforts to prevent global warming by reducing CO₂ emissions, we are now being required to provide solutions to Japan's energy problem in order to minimize its impact on households. In Japan, energy consumption in the residential sector has doubled over the last 40 years. Furthermore, the fact that we now depend on thermal power for 90% of our electricity has led to an increase in CO₂ emissions.

While energy-saving efforts are being made in the residential sector—which accounts for about one third of the nation's electricity consumption—these efforts alone are not enough to solve our energy problem. As a housing manufacturer, Sekisui

House has been studying how we can cope with these issues and how we can translate them into sustainable business models.

One solution we devised is the Green First strategy, which orients us towards developing our core business in a sustainable manner.

This strategy is expected to help us provide housing that can simultaneously provide comfortable living and low energy costs for homeowners, while also contributing to a reduction in CO₂ emissions.



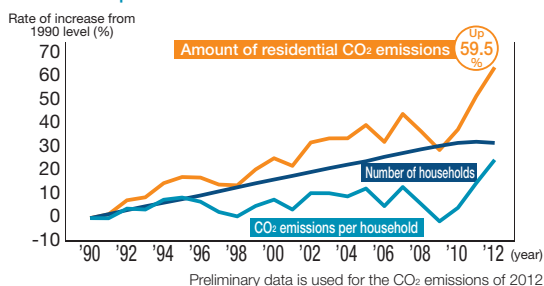
Source: IEA/OECD Electricity Statistics

Our goal

We aim to expand the market for energy-saving houses and promote energy self-sufficiency while providing comfortable living spaces.

Contract house construction, which accounts for 48% of our total sales, is a core segment we believe can contribute to the reduction of residential CO₂ emissions in an effective and sustainable

Residential CO₂ emissions have increased by about 60% from the 1990 level, as the proportion of electricity that Japan derives from thermal power has increased to 90%



This chart was prepared using data provided by the National GHGs Inventory Report of Japan and the basic registry of residents.

manner. With Action Plan 20, which was launched in 2005, we targeted a 6% reduction in CO₂ emissions from 1990 levels (equivalent to a 20% reduction in CO₂ emissions from the projected residential energy consumption rate in 2010).

In 2009, Action Plan 20 was subsumed under our Green First initiative, which also incorporated the concept of generating alternative energy through houses equipped with solar and fuel cells. With the launch of our Green First ZERO initiative in 2013, we were able to achieve a 62% reduction in CO₂ emissions (equivalent to 50,000 tons of CO₂) compared to 1990 levels. For 2014, we are targeting a CO₂ reduction of 65% by expanding the market for net zero energy housing.

The Green First ZERO initiative is designed to ensure quality living and provide a solution to the energy problem, without placing any extra energy-saving burden on occupants. Through this initiative, we envisage that an increase in houses built by Sekisui House will contribute to a significant reduction in CO₂ emissions, thereby aiding in the prevention of global warming.

>> Action policies

The Japanese government is promoting the adoption by 2020 of net zero energy housing (ZEH) design as standard for newly built homes. We aim to lead this initiative by actively promoting our Green First ZERO model.

The Japanese government formulated a basic energy plan—approved by the Cabinet in April 2014—that advocates the adoption by 2020 of net zero energy house (ZEH) design as standard for newly built homes.

Main stakeholders

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

Improvements made

Instigated Green First ZERO, an upgraded version of Green First.

1 High insulation

Providing advanced heat insulation systems, including argon gas-filled multi-layered glass as standard

2 Introducing comprehensive energy-saving solutions

Providing—as standard—high-efficiency air conditioning systems, equipment that uses less hot water, LED lighting equipment, and HEMS (home energy management systems)

3 Utilizing natural energy effectively

Using different types of glass, depending on the direction the window faces, and adapting the design to control solar radiation and optimize ventilation

Measures being implemented

1 Developing and launching the Green First ZERO model, which provides energy-neutral housing environments in line with the Japanese government's ZEH initiative

2 Proposing the Green First ZERO model as standard to all customers through our sales offices

Target for FY2014



>> Risk management

Eco-friendly features tend to increase construction costs. We are therefore working to find ways to reduce the financial burden on homeowners. At the same time, we offer a consultation service for homeowners to help them achieve comfortable lifestyles.

Risk 1:

Adopting the ZEH model leads to an increase in construction costs

Our response 1:

In order to meet the ZEH standards stipulated by the Japanese government, a regular Japanese home must be fitted with additional energy-saving equipment—for example, advanced heat insulation equipment. In general, Sekisui House homes come standard-fitted with more energy-saving features than homes built by other manufacturers. They therefore require relatively lower additional costs to meet ZEH standards.

ZEH-compliant homes still require higher initial costs compared with conventional homes, and that is why we are working to establish a system to reduce the burden on homeowners. As part of this effort, we are seeking the understanding and cooperation of manufacturers of energy-saving and energy-creating equipment with regard to cost reductions. We have been outlining to them our plans to equip more than half of our newly built homes with Green First ZERO features, and we have proposed central purchasing of their products.

The main benefit of a Green First ZERO home is that it delivers very low utility costs, thanks to its energy-saving and energy-creating features. To further strengthen this benefit, we are cooperating with energy supply companies to find ways to reduce fuel costs borne by the homeowner.

Risk 2:

Changing social conditions leading to a reduction in government subsidies or a decline in the sell-back price of surplus electricity generated by installed solar panels

Our response 2:

We train our sales staff to effectively convey to customers the benefits of Green First ZERO homes—i.e., that they can provide an economic advantage and contribute to improving inhabitants' lifestyles. Furthermore, we are helping to reduce the financial burden on homeowners by using our designated environmental protection expenses to cover part of the initial costs.



System for achieving targets

- 1 Developing an in-house program for assessing the implementation rate of net zero energy homes
- 2 Providing information and establishing appropriate systems for sales offices; setting up showrooms across the country
- 3 Holding study sessions for the application of ZEH subsidies, preparing manuals, and reinforcing in-house review systems

Implementing action plans

Company-wide promotion of the Green First ZERO initiative

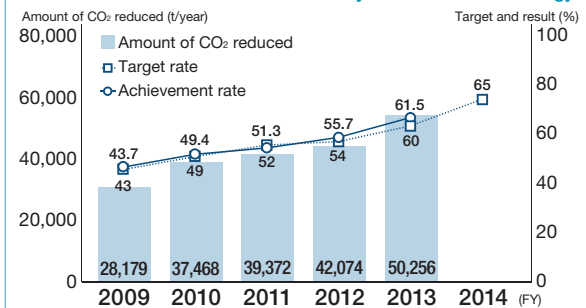
Sekisui House began promoting sales of Green First homes in 2009, as the focal point of its CSV strategy. We subsequently launched the Green First ZERO model in 2013, prior to the Japanese government's introduction of a net zero energy housing (ZEH) policy that aims to have all new homes built to the net zero energy house specification by 2020.

Sekisui House sales personnel across the country were instructed about the various features of Green First ZERO homes prior to the market launch in April 2013—the same month that the government-sponsored ZEH subsidy program was implemented. We have been promoting the Green First ZERO design to our customers by explaining that the Green First ZERO model, while requiring a higher initial outlay for construction, offers three clear benefits: (1) it can deliver a significant reduction in utility costs; (2) it enables the creation of comfortable living spaces; and (3) it embodies future trends in housing.

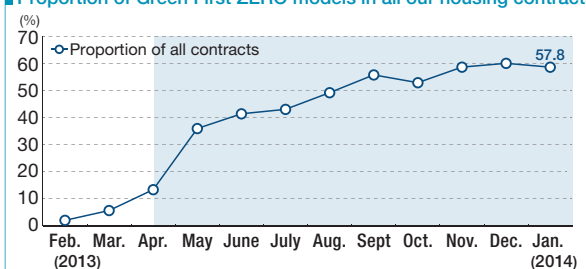
At the same time, we remodeled our showrooms across the country to make them better equipped to demonstrate the advantages of Green First ZERO, while also holding educational seminars for prospective customers at various locations. Among all of our housing contracts current as of January 2014, approximately 60% of them were Green First ZERO homes.

Note: See page 54 for details on remodeling.

Reduction in CO₂ emissions achieved by the Green First strategy



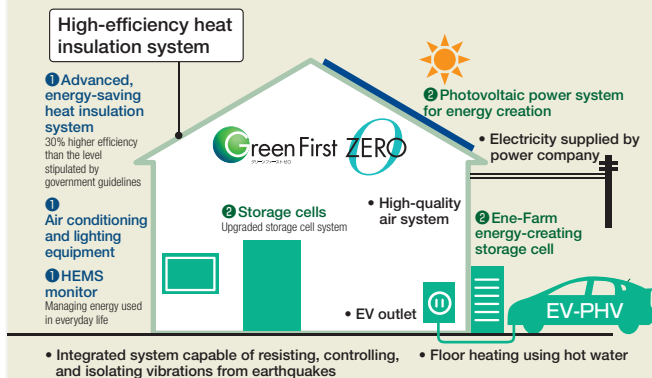
Proportion of Green First ZERO models in all our housing contracts



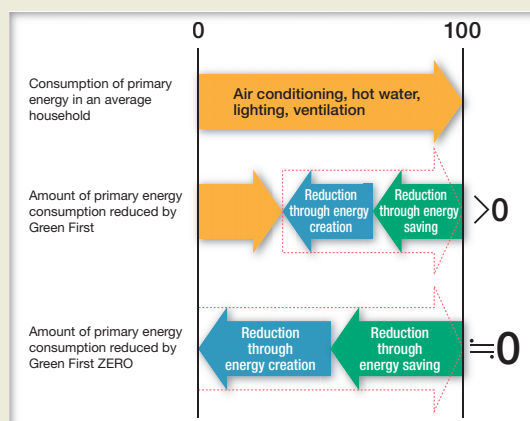
Advantages

Green First ZERO delivers comfort, economy, and environmental performance

Green First ZERO model



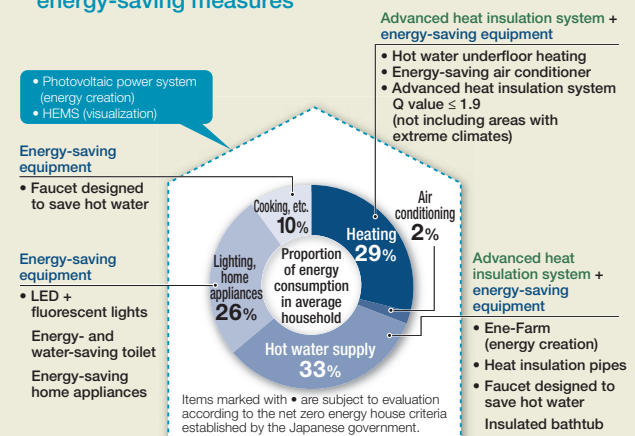
Net zero energy concept



The Green First ZERO model has been confirmed energy neutral based on the criteria set forth in 2013 by the Japanese Ministry of Economy, Trade, and Industry (in its "Guidelines for subsidizing housing and buildings that incorporate innovative energy-saving features").

Green First Zero aims for energy self-sufficiency without sacrificing the comfort of the living environment. It is designed to offset energy use, even to the point of achieving zero energy consumption. It does this by (1) reducing household energy use to 50% of conventional levels through measures such as heat insulation and high-efficiency equipment; and (2) using home generation to create the remaining 50% of electricity.

Proportion of residential energy consumption and energy-saving measures

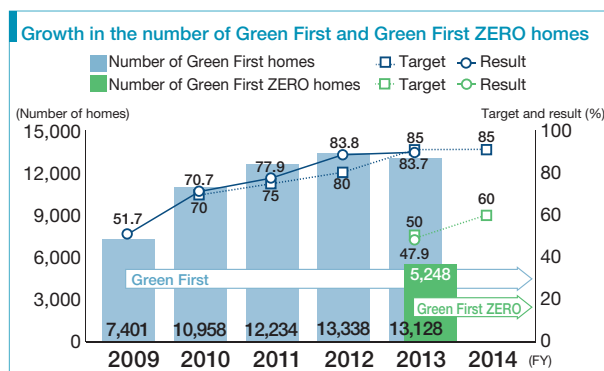


Energy saving should be achieved through effective energy-saving measures and technologies, rather than by relying solely on residents' efforts to lower their rate of energy consumption.

» Evaluation

Achieving FY2013 target of 50% for Green First ZERO, aiming for 60% in FY2014

The Green First initiative—the forerunner to Green First ZERO—was launched in 2009. In FY2012, we were able to achieve that year's target of 85% implementation of Green First designs in new homes. After launching the Green First ZERO initiative in April 2013, we achieved an initial adoption rate of 48% of new home builds in FY2013—fractionally short of our 50% target rate. Given that the implementation rate has been above 60% every month since November 2013, we are confident that we are now consistently surpassing our original target rate.



Action items for FY2014

While the average nationwide adoption rate of Green House ZERO has reached nearly 60% in recent months, there is significant variation in the rates recorded in different regions. As part of our sales promotion strategy, in March 2014 we launched a new Green House ZERO model that supports installation of higher-capacity solar panels. We have also expanded our

product lineup with a new solar panel designed for use in areas of heavy snowfall. In an effort to minimize the cost burden to customers, we are currently enhancing our application system for the ZEH subsidy that the Japan government will be providing in FY2014 and reviewing the specifications of Green House ZERO accordingly.

Taking on new challenges

1 Advanced heat insulation system for comfortable and healthy lifestyles

Our upgraded heat insulation system, which is installed as standard equipment, outperforms the level stipulated by the government guidelines by about 30%. Further, we have begun using aluminum-resin composite heat-insulating window sashes and argon gas-filled multi-layered heat-insulating glass in exterior-exposed areas. This is part of our “slow living” design concept, which aims to provide customers with more comfortable living environments.



2 Advanced IT: providing our original HEMS service



In collaboration with IBM Japan, Ltd., we have established a HEMS (home energy management system) platform that facilitates centralized data management, makes energy consumption more visible to residents, and provides easier access to useful information (such as gardening tips and security information). Our HEMS platform provides additional value that can improve inhabitants' quality of life.



3 Energy creation: promoting sales of Ene-Farm fuel cell systems

With the cooperation of a number of equipment manufacturers and gas suppliers, we conduct customer satisfaction surveys and incorporate the feedback into our operations. In response to customer needs identified through these surveys, we have been providing more thorough explanations of installed equipment and reviewing equipment and fuel costs to minimize the burden on homeowners.



4 Energy creation: improving capacity and reducing costs of solar cells

To promote the use of photovoltaic power generation, we have been working with suppliers to improve the performance and reduce the cost of solar cells. As part of our efforts, we have developed a new and economical method of mounting solar cells. We have also been holding seminars and training sessions to promote customers' understanding of photovoltaic power generation. As a result, the number of solar cells installed on each house has increased by 8% on average, contributing to a reduction in CO₂ emissions, a lowering of utility costs, and a higher rate of renewable energy use.



Preserving Biodiversity

Biodiversity, which provides materials and energy in the form of “ecosystem services,” plays a critical role in our business operations. The greenery of a biodiverse environment also provides a comfortable setting for people to live in. However, it takes many years for the benefits of the natural environment to become available to us, and many years for them to be replenished after being used. Being a company in the housing industry, Sekisui House relies heavily on biological resources. For this reason, we have been working to conserve biodiversity as part of a long-term project conducted in close cooperation with our suppliers.

» Backdrop

Our role in preserving the natural environment

The housing industry consumes a vast amount of wood for housing construction. But our industry can also affect the natural environment in a positive way, through tree planting, gardening, and landscaping in each community. The greenery of a well-kept garden not only adds value to an individual home; it also serves as a shared asset for the community.

With ecosystems being destroyed on a global scale, biological resources are in decline. Although Sekisui House consumes over 300,000 m³ of wood for housing construction every year, we are also one of Japan's largest “landscape gardeners,” planting about one million trees that provide greenery for the houses we build. We believe that biological resources—along with personnel, equipment, finances, and information—are an essential component of our management assets.

Based on this viewpoint, we conduct quantitative assessments of biological resources to ensure our business continuity over an extended period of time. At the same time, we strive to improve customer satisfaction levels and contribute to promoting the regenerative process of the natural environment. As part of our efforts, we are promoting strategic use of biological resources, with a focus on our procurement process.

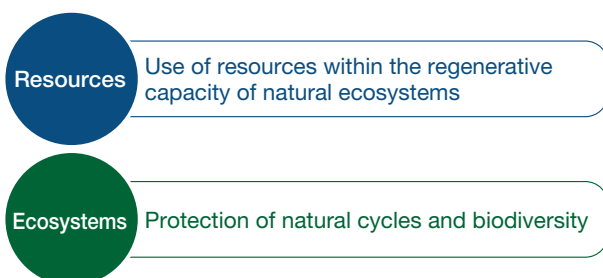
We are also bolstering our strategy by establishing relationships of mutual trust with suppliers involved in the procurement process and by proposing a new sense of value to our customers. We believe that the activities we are currently undertaking will have a significant impact on our business performance and on our corporate value over the long term. (See chart below.)

» Our goal

Delivering the comfort of eco-friendly living

Sharing the same goal from the start

At Sekisui House, we formulate our CSR activities in accordance with four values and 13 guidelines. These are the principles of action that we introduced in 2006 as the driving force of our Sustainability Vision.



Defining the role of procurement in creating corporate value

Equipment and infrastructure that can be used for manufacturing products and providing services

Air, water, land, forests, minerals, biodiversity

Manufacturing capital
(equipment)

Intellectual capital
(information)

Personnel capital
(personnel)

Financial capital
(finances)

Intangible assets such as patents and know-how

Employees' proficiency, experience, and willingness to seek innovation

Funds from stockholders and investors, loans from banks

Natural capital
(environment)

Procurement
Social capital and related sources of capital
(stakeholders)

Relationship of trust with stakeholders

» Action policies

Strengthening relationships with suppliers to secure quality materials and procure wood sustainably

Main stakeholders

- Residents, suppliers, environmental NGOs

System for achieving targets

- About 60 suppliers of wood materials: Sharing information with them through our Supplies Division (holding briefing sessions, making assessments, and providing education)
- About 50 tree growers and landscaping companies: Establishing a nationwide network encompassing all of these companies

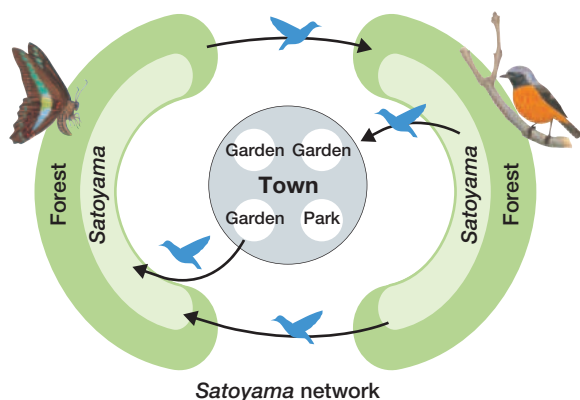
Measures being implemented

Gohon no ki landscaping concept

Planting tree species that are suited to local climates

The concept of the *Gohon no ki* project, which we launched in 2001, is to promote gardening and landscaping in a way that can support local ecosystems and foster living creatures. For this reason, we are planting mainly indigenous species as opposed to exotic or garden species.

When starting this project, we sought the cooperation of local tree growers and landscapers. We asked them to grow indigenous species, because at that time few such species were available on the market. Having secured a stable supply of indigenous species, we are now working to communicate to residents the joy and comfort of living in harmony with indigenous plants and wildlife.



With ever more gardens and streets incorporating the *Gohon no ki* concept, residents will come to enjoy the comfort of living in harmony with plants and wildlife. Under our project, small gardens in urban areas can also play an important role in maintaining local ecosystems.

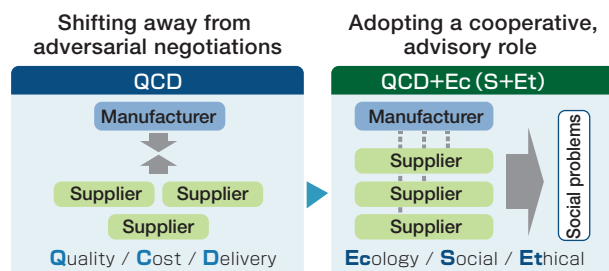
Implementing the Wood Procurement Guidelines

Promoting sustainable wood procurement

Since 2006, we have been implementing FairWood procurement practices to ensure that the lumber and wood products we use are not sourced from endangered species or logged in areas with sensitive ecosystems and also that they are logged with consideration to the sustainability of local biodiversity.

We started this project by inviting wood suppliers to join us in study meetings where we discussed the importance of FairWood practices. Through such activities, we reviewed and defined the meaning of “sustainable wood procurement.” And in cooperation with FoE Japan—an international environmental protection NGO—we formulated our own Wood Procurement Guidelines, which comprise 10 clauses.

In accordance with these guidelines, we numerically evaluate the wood delivered from each supplier and use the derived data to improve our PDCA (plan, do, check, act) cycle. Through this wood procurement process, we strive to reinforce relationships of mutual trust with our suppliers, as we believe that only by growing together with them can we increase our corporate value.



No manufacturer can truly establish relationships of trust with its suppliers if it only makes one-sided demands regarding quality, cost, and delivery time. Recognizing that the role of a manufacturer must change over time, we are promoting efforts to deepen the cooperative relationships we have with our suppliers so that, through our business activities, we can share a common sense of purpose and work together to address social problems such as the loss of biodiversity.

» Risk management

Wood procurement

Risk 1:

Tightening global regulations threaten our ability to ensure a stable wood supply

Our response 1:

In many cases, local environmental NGOs have the latest information regarding logging restrictions. Since we have ties with a network of globally operating environmental NGOs, we can promptly obtain such information and share it with wood suppliers so that they can make preferential supply arrangements for us as needed.

Gohon no ki project

Risk 2:

Gohon no ki may lose its distinctive advantage as competitors follow suit

Our response 2:

Taking advantage of the longstanding relationship we have maintained with a network of tree growers, we are striving to focus on species that meet market needs. We are also holding study meetings to improve the ability of our employees to persuade customers of the benefits of our recommended designs. Furthermore, we are reinforcing our landscaping construction system to provide a higher level of exterior design for our customers. Through these activities, we endeavor to differentiate ourselves from our competitors.

Expected benefits

Implementing Wood Procurement Guidelines

These guidelines allow us to be well prepared for any future tightening of regulations regarding the traceability of traded wood (for example, in the EU's Timber Regulations or in the United States' Lacey Act). By being informed of the status of each supplier ahead of our competitors, we can request them to make preferential supply arrangements for us. These guidelines also help us formulate rules when we begin doing business with new suppliers.

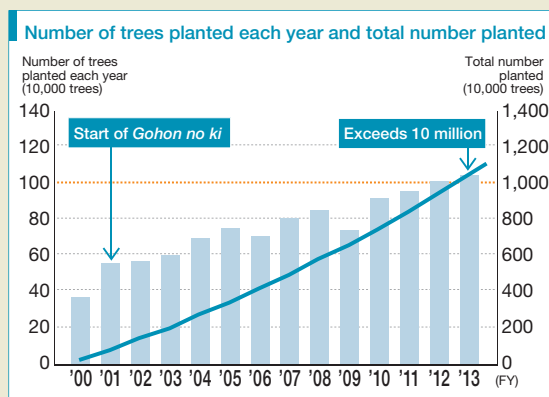
Value enhanced by *Gohon no ki* project

In accordance with our SLOW & SMART brand vision, which we launched in 2012, we have been striving to communicate to our customers the comfort of living close to greenery—a benefit made possible by our large sash frame doors. We define these lifestyles as “slow living,” and we have been actively promoting our *Gohon no ki* project as an essential part of such lifestyles. Doing so not only helps us differentiate our homes from those built by our competitors; it also adds value to homes.

Implementing action plans

Achievements

1 *Gohon no ki* project



Under the *Gohon no ki* project in FY2013, we planted 1.06 million trees, bringing the cumulative total of trees we have planted to more than 10 million.

By promoting tree planting in building lots for sale and by making efforts to increase green coverage around apartment buildings, we have seen the annual sales of our landscaping business—which includes tree planting—reach 50 billion yen. As one of Japan's largest landscapers, we strive to carry on this project and communicate to our customers the joy of living in harmony with nature.

2 Wood procurement

Wood Procurement Guidelines: 10 Principles (revised in FY2012)

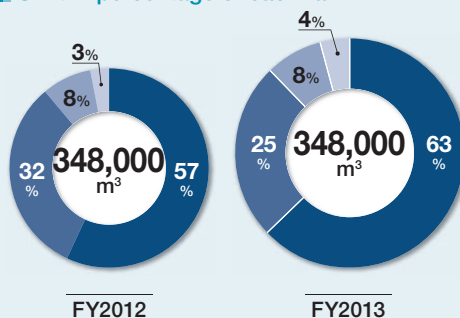
- 1 Source wood products from areas with relatively low risk of illegal logging.
- 2 Source wood products from areas without sensitive ecosystems.
- 3 Do not source wood products from areas where local ecosystems are seriously damaged due to large-scale logging of natural forests.
- 4 Do not use endangered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

Ranking wood products according to their level of compliance with the procurement guidelines

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

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

Shift in percentage of each rank



Our challenges

Making landscaping proposals as part of our CSV efforts

Enhancing the value of proposals we make to homeowners

When we launched our *Gohon no ki* project in 2001 and started communicating to customers the importance of designing landscapes so as to protect biodiversity, there were few indigenous species available on the market. People who wanted to have native plants in their gardens had to hunt for them in fields or mountains. However, starting with our suppliers, an increasing number of landscapers have begun to grow indigenous species.

Gardens featuring a mixture of native plants appeal to Japanese customers' sense of beauty, and consequently the market for these species has grown. Indigenous plants are nowadays planted not just in home gardens, but also alongside commercial facilities in urban areas. Thanks to our promotional efforts, we have managed to exceed the

10 million mark for the number of plants we have put in the ground.

Nevertheless, we still think there is more we can do to communicate to our customers the twin benefits of adding natural vegetation to urban homes: firstly, the pleasure of having greenery nearby; and secondly, the value that it adds to one's home.

We introduce our customers to the concept of "slow living," through which they can enjoy a slow and relaxed lifestyle in harmony with nature. Based on our *Gohon no ki* project, we strive to use the blessings of nature to improve homeowners' living comfort, so that they can enjoy lifestyles that are linked closely to nature.

Our response to challenges

Using augmented reality to experience the benefits of greenery in the home

To convey to homebuyers the comfort and joy of owning gardens designed according to our *Gohon no ki* concept, we hand out copies of our *Garden Tree Select Book*.

(Note: A video clip is provided below.)



How to watch the video clip

- ① Download Junaio (a free smartphone app) from either the Apple App store (for iPhone and iPad users) or from the Google Play store (for Android users).
- ② Start up Junaio and hold your smartphone's screen over the photograph with a camera icon. Once the reading is complete, you can watch the short movie.

Note: Any communication charges arising from the use of this app will be borne by the user. Some smartphone models may not support this app.

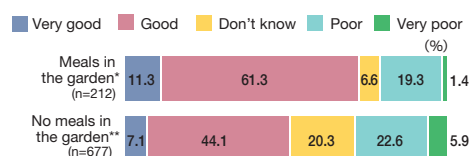
Proposing ideas for enjoying gardens in everyday life

We have conducted a survey to gauge homeowners' level of satisfaction with their gardens, and the resulting data informs our future designs and proposals.

The survey indicated that people who take meals in their gardens tend to be more satisfied with their gardens than those who do not. It also revealed some of the problems homeowners had with their gardens—for example, being seen by neighbors and passersby, or having to carry food and beverages to the garden. Based on the results of this survey, we are now proposing inner courtyards, which give homeowners a sense of being in an open-yet-private space that is easily accessible from inside the house.

Are you happy with your garden? Please rate your satisfaction level.

(Respondents were classified into two groups depending on the frequency with which they had meals in their gardens.)



*Those who sometimes/often have their meals in the garden

**Those who rarely/never have their meals in the garden

(Source: Sekisui House Net Homeowner Survey on Gardens 2011)



An inner courtyard that is easily accessible from living and dining areas

Improving Production and Construction Quality

The construction industry in Japan is now facing two challenges, both of which are occurring on a nationwide scale.

One is the decline in the number of people working in the industry. The other is the aging of the workforce.

As the Sekisui House Group's primary mission is to provide quality housing that can ensure safety, security, health, and comfort for successive generations of residents, we work closely with partner companies to secure skilled human resources and establish a system for ensuring a stable supply of quality housing into the future.

» Backdrop

Ensuring the same level of safety, security, and comfort for every house we build

Meeting customer needs with the highest level of quality and technology is the corporate philosophy of the Sekisui House Group. In line with that philosophy, we have been striving to win customer confidence and achieve customer satisfaction by providing the highest level of products and services in every step of our operation: from sales, design, and production to construction and after-sales services. And since we deal in industrialized housing—residential structures constructed from factory-made modular components—it is especially important that we maintain and improve the quality of our houses at both the production site and the construction site.

Before they are delivered to the construction site, our factory-made housing components repeatedly undergo a wide range of inspections according to our strict standards. And since most of the components used in our housing construction are factory-made, we can ensure the quality and precision required for achieving our houses' targeted functionality.

In the end, however, it is people who assemble these components into houses at a construction site, so we must make sure that the quality of each house is not affected by differences in their skill levels. To ensure that our houses will function as designed, according to specifications, we must secure skilled construction workers and must strictly inspect the quality of factory-made components and the quality of on-site construction work. Without an integrated system for ensuring high quality and precision throughout the entire housing process—from performance design and component production to construction—the advantages of industrialized housing cannot be fully utilized.

» Our goal

Establishing a system that allows us to secure skilled workers and ensure a stable supply of quality housing

As houses become more and more functional, the demand for higher-performance housing components is also increasing. At the same time, the workforce in the Japanese construction industry is aging rapidly, with one in three workers now aged 55 or above. As these older workers retire, the decline in the number of construction workers is expected to continue. In light of these trends, it is critically important to recruit and train new employees while also improving the workforce retention rate.

At Sekisui House, we are implementing various measures to secure a highly skilled workforce so that we can ensure a stable supply of quality housing into the future.

» Action policies

Improving housing quality and achieving higher customer satisfaction by leveraging our production and construction capacities

Main stakeholders

- Customers, employees, partner companies (for procurement, processing, distribution, construction), factories, and residents living in the neighborhood of our construction sites

Organization

Our factories and our Production Department are responsible for planning and coordination. Our Construction Department is in charge of construction-related issues ranging from quality control, R&D, and training to safety, hygienic control, and welfare programs at construction partner companies.

Our sales, technology development, construction, and system departments and factories join forces with group companies and partner companies to achieve higher levels of production and construction.

Measures being implemented

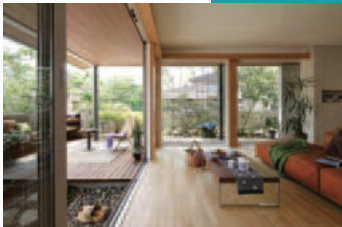
Unifying our construction methods for steel-framed two-story houses

In March 2014, we drastically reorganized our construction process by unifying construction methods for steel-framed two-story houses under the advanced Universal Frame System, which incorporates our NewB System. This not only allows us to build houses with a higher level of quake resistance and quake-control performance but also gives us greater freedom in design, including the use of large spaces and large windows and doors per our “slow living” concept. The advanced Universal Frame System also features exterior walls that require maintenance only every 30 years, superb heat insulation in windows and doors, and reduced use of chemical substances in the living space—all of which are provided as standard.

At the same time, we regrouped our product lineup from three series to two series and also reduced the number of housing components from 4 million to 2.5 million in order to achieve greater efficiency in design, production, and construction. As a result of all the changes we made, we are now able to provide customers with sturdier houses that are more open to natural light.

Sekisui House has always taken the initiative to lead market trends, and we were ahead of our competitors in incorporating quake-resistant and eco-friendly features with high-performance specifications. By unifying our construction methods, we strive to improve the Japanese housing industry standard.

The Universal Frame System simultaneously achieves greater design freedom and a higher level of safety



This comfortable living space reflects our “slow living” concept and includes high-performance features for quake resistance and quake control

Automating our production lines with computers

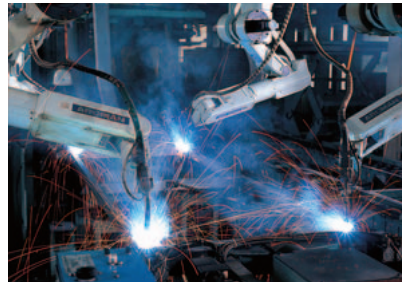
Construction of one detached house requires tens of thousands of components. Since we build detached houses to specifications tailored to each customer, the components we use also differ from one house to another. At our factories, we manufacture major housing components, including pillars, beams, and exterior walls. By upgrading and automating our production lines, we strive to ensure a stable supply of components that excel in performance, quality, and precision. That, in turn, enables us to fully utilize the benefits of industrialized housing to accommodate a wide variety of customer-specific design needs.

In 2010, we introduced 17 industrial robots at our Hyogo Factory (located in Kato City, Hyogo Prefecture) for the production of Dyne Panel exterior-wall material. That same year, we automated the production line for steel structural frames at our Shizuoka Factory (Kakegawa City, Shizuoka Prefecture) by introducing 127 industrial robots. As a result, the rate of automation has increased from 60% to 95%, allowing us to operate the production line



Industry-first automated production line produces a variety of frames to enable customer-specific design

around the clock and to establish a build-to-order system for accommodating customer-specific designs. Furthermore, as the new system enables component production to be optimally timed to match the construction schedule, it helps improve efficiency in both shipping and construction. In 2013, we introduced a similar robotized line at our Kanto Factory (Furukawa City, Ibaraki Prefecture) for mass production.

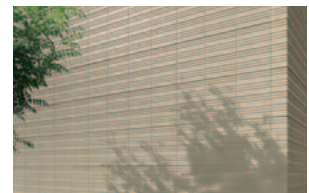


Equipped with a sensor camera, a welding robot operates with the precision of an expert line worker

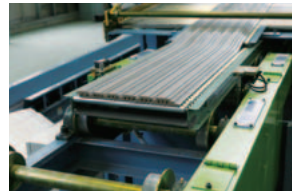
Expanding in-house production

We started producing Bellburn, a ceramic exterior-wall tile used in our SHAWOOD wooden-frame houses, at our Shizuoka Factory in 2012 and then at our Tohoku Factory

(Shikama Town, Kami District, Miyagi Prefecture) in 2013 by introducing dedicated production lines. Developed by Sekisui House, Bellburn tiles are extremely strong and boast superb resistance to weather, water, and fire. With the completion of new production lines, we can now produce 80,000 m² of Bellburn tiles per month, a quantity sufficient for furnishing 510 houses. Moreover, by introducing a new production line at the factory in Tohoku, an area affected by the Great East Japan Earthquake, we helped increase local employment and contributed to the “local production for local promotion” initiative.



Bellburn won the 2012 Good Design award



After being kneaded, Bellburn materials are shaped and patterned



A sensor camera is used to check the size, color tone, and gloss of Bellburn tiles, which are customized for each customer

Implementing a quality control system

On every production line, we assign dedicated personnel to conduct thorough quality checks at each stage of production. This includes checking materials upon delivery, sampling and checking components on the line, and requiring engineers to take a proficiency test at specified intervals. As a result of these efforts, in 1998 we became the first company in the industry to have all of its factories certified with the ISO 9001 international quality management standard.

At every one of our factories, we thoroughly implement eco-friendly measures, including 100% recycling of waste.



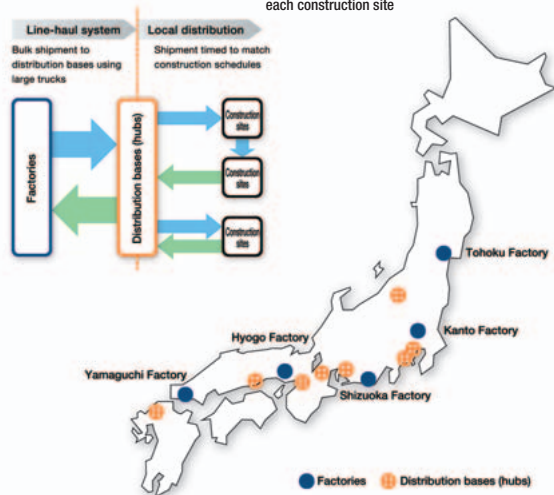
A SHAWOOD house beam is tested for flexural strength as part of strict quality control at our factories

Expanding distribution networks for achieving higher efficiency

Sekisui House operates distribution bases in eight locations across Japan: Tokyo, Kanagawa, Niigata, Aichi, Shiga, Osaka, Okayama, and Fukuoka. Housing components built at our factories are gathered at these distribution bases, where they are sorted and then shipped to the appropriate construction sites. We are implementing a just-in-time inventory system that allows us to adjust the schedule and quantity of component shipments on an on-demand basis to optimally match construction schedules. Furthermore, trucks dispatched from these distribution bases make rounds to collect waste materials and other items from each construction site and bring them back to the bases. To increase work efficiency at construction sites, the distribution bases are also used for assembling some of the housing components.



Housing components from our factories and suppliers are gathered at distribution bases for shipment to each construction site



Rationalizing the construction process

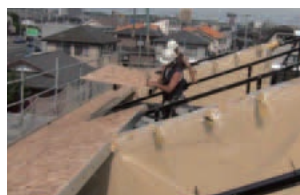
To fully utilize our human resources and enhance our construction capacity, it is essential to provide environments where personnel can work comfortably and efficiently. We are currently reviewing our operational processes to increase efficiency by incorporating feedback from each construction site.

As part of our efforts, we have significantly increased the rate of prefabrication—including precutting, presetting, and partial assembly of components—to minimize the need for on-site component processing. This not only helps us to save energy, it also serves to minimize the environmental impact on neighborhoods—for example, by reducing airborne dust. Through such initiatives, we are responding quickly to requests and suggestions from construction sites.

In addition, we are implementing improvement measures that include: reorganizing our split delivery system to enhance construction efficiency; promoting floor-specific and area-specific delivery to the construction sites of Sha Maison apartments; and using customer-specific and product-specific labels for easier identification of components.



Metal fittings are pre-attached to structural frames to reduce the workload at construction sites



Large components, such as sheathing panels used for the roofs of main buildings, are also assembled with other components before being shipped to construction sites

Maintaining a close relationship with the Sekisui House Association

Since our foundation, we have maintained close ties with the Sekisui House Association, a voluntary organization comprising Sekisui House Group companies involved with construction and our partner building contractors.

The 20 Sekisui House Group companies—including Sekiwa Construction companies and Landtech Sekiwa—together with around 7,000 partner building contractors, are all active in their respective regions (as of February 1, 2014). Sekisui House and the Sekisui House Association work together to promote various initiatives, such as enhancing construction quality, addressing the needs of customers, communicating with residents living in the neighborhoods of construction sites, implementing thorough safety measures, keeping construction sites clean and tidy, operating in accordance with the “zero waste” concept, developing human resources through training, and improving workplace environments. We provide opportunities to promote information exchange among those concerned, including our construction site staff and members of partner companies, so that we can share issues and find solutions together. At the same time, we also hold training programs and study sessions aimed at improving our business operations and skills.



Providing skills training for employees to ensure high standards of construction

Training young technicians at school and through seminars

To maintain quality and further improve our construction capabilities into the future, we run the East Japan Sekisui House Training School (which has been approved by the governor of Ibaraki Prefecture) and the West Japan Sekisui House Training School (which has been approved by the governor of Yamaguchi Prefecture). At these schools, we groom young construction workers.

New employees of Sekiwa Construction companies, Sekiwa Real Estate companies, and our partner building contractors are admitted to these schools on the condition that they will work at Sekisui House construction sites in the future. As well as receiving training on construction methods, they learn about business practices and etiquette.

What distinguishes our schools from others is the fact that students acquire not only the knowledge and skills required for housing construction, but also an insight into a corporate philosophy oriented towards delivering greater satisfaction to customers. Those who have completed the training course are promptly put to work around Japan as skilled construction workers and construction site managers.

In addition, ex-trainees are given ongoing training programs in line with their skill level and experience. The programs cover construction topics such as foundations, exteriors, interiors, and specific parts.



On-site training for installing plasterboard on ceilings



On-site training for slinging

Certifying Sekisui House Senior Technicians

The Sekisui House Senior Technician Test is a qualification exam conducted by Sekisui House Group companies and partner building contractors. Accredited by the Ministry of Health, Labor, and Welfare in Japan, the test aims to assess the proficiency of technicians in carrying out work on foundations, exteriors, and interiors. Those who have passed the test are certified to be construction site managers and are expected to contribute to improving the quality of construction. (During FY2013, 157 of our employees passed this test.)

According to the evaluation criteria, an individual should have the following: a personality befitting the role of Senior Technician; the ability to understand construction details provided in drawings and specification sheets and the ability to carry out construction accordingly; specialized construction knowledge and skills; and the ability to perform required duties smoothly and properly. Those who have passed both the written test and the practical test will be certified as Sekisui House Senior Technicians and presented with a blue helmet and a certificate. The next step for them is to be certified as a Construction Meister.



The blue helmet—a symbol of the Sekisui House Senior Technician

Construction Meister certification system

Among our Senior Technicians engaged in work on foundations, exteriors, and carpentry throughout Japan, we select those with outstanding competence and proficiency and certify them as Construction Meisters. This system was inaugurated in 2010 with the purpose of evaluating the proficiency of technicians while also providing a way for seasoned workers to pass on their expertise to the next generation of workers.

In addition to abundant experience in construction and excellence in professional skill, another criterion that influences Meister certification is competence displayed in training and mentoring junior technicians. Those certified as Meisters are given certificates and a special bonus. As role models for all construction workers, Construction Meisters are expected to contribute further to the improvement of construction quality and share their knowledge and experience with junior technicians.



Emblem given to a Construction Meister

» Risk management

Risk 1:

Sharp increase in cost of materials

Our response 1:

- Increasing yield
- Improving production efficiency
- Using new or alternative materials

Risk 2:

Shortage of workers

Our response 2:

- Automating production lines to accommodate a reduced workforce
- Reducing production lead times
- Increasing prefabrication to reduce the workload at construction sites
- Promoting a just-in-time distribution system to improve work efficiency at construction sites
- Rationalizing construction schedules and promoting effective use of the workforce through efficient allocation of human resources
- Training young technicians at schools to ensure a competent workforce
- Boosting the retention rate of employees by improving the workplace environment, enhancing welfare programs, and providing support for training and qualification tests
- Accepting foreign trainees

Risk 3:

Shortage of trucks and drivers

Our response 3:

- Establishing a line-haul system centered on distribution bases, along with a local distribution system
- Increasing the operating rate of existing trucks
- Optimizing the distribution system, including deliveries from component suppliers
- Centrally controlling delivery schedules
- Reducing the workload of drivers (implementing labor-saving measures, shortening driving distances)

Risk 4:

Natural disasters

Our response 4:

- Promoting our business continuity plan (BCP) in cooperation with partner companies
- Stocking emergency supplies and using factories as makeshift shelters

» Expected benefits

- Maintaining a competitive advantage over other housing companies through enhanced production capacity and improved quality
- Enhancing competitiveness in the market and reducing costs through advanced automation, reduced personnel, and improved production efficiency
- Retaining a competitive edge over other housing companies through improved quality and enhanced capacity of construction
- Improving construction quality by increasing the skills and boosting the morale of construction workers
- Improving customer satisfaction through enhanced precision and improved quality of products
- Enhancing our corporate image and brand image

Achievements

	FY2012	FY2013
Per-capita productivity (factory shipment value ÷ number of workers)	100.0	110.1
Number of construction workers (foundations, construction, carpentering)	10,249	10,899
Number of technicians who completed training course at school (cumulative total)	2,208	2,294
Number of certified Sekisui House Senior Technicians (cumulative total)	14,301	14,458
Number of certified Construction Meisters	205	314

Extending the Lifespan of a House and Enhancing After-Sales Service

Homes with a long lifecycle can help reduce the impact on the environment by preventing a large amount of waste from being generated during demolition and by saving energy and resources required for rebuilding. To help our customers enjoy ‘comfortable living—now and always’, we strive to provide comprehensive support that includes services such as remodeling.



» Backdrop

Houses that last for generations can serve as social assets

Compared with houses in North American and Europe, Japanese houses tend to be demolished after a relatively short period of time. This being the case, they are seen as having much less value as assets. However, by extending the lifecycle of a house, we can consequently enhance its asset value. Society also benefits from an increase in such highly durable houses, as they constitute social

assets that contribute to the cultural enrichment of each region.

For residents to live in the same house over a long period of time, the house must be designed in such a way that it can flexibly respond to changes in lifestyle and family structure. We are endeavoring to deliver comfortable living environments for our customers by supplying houses that fit this template.

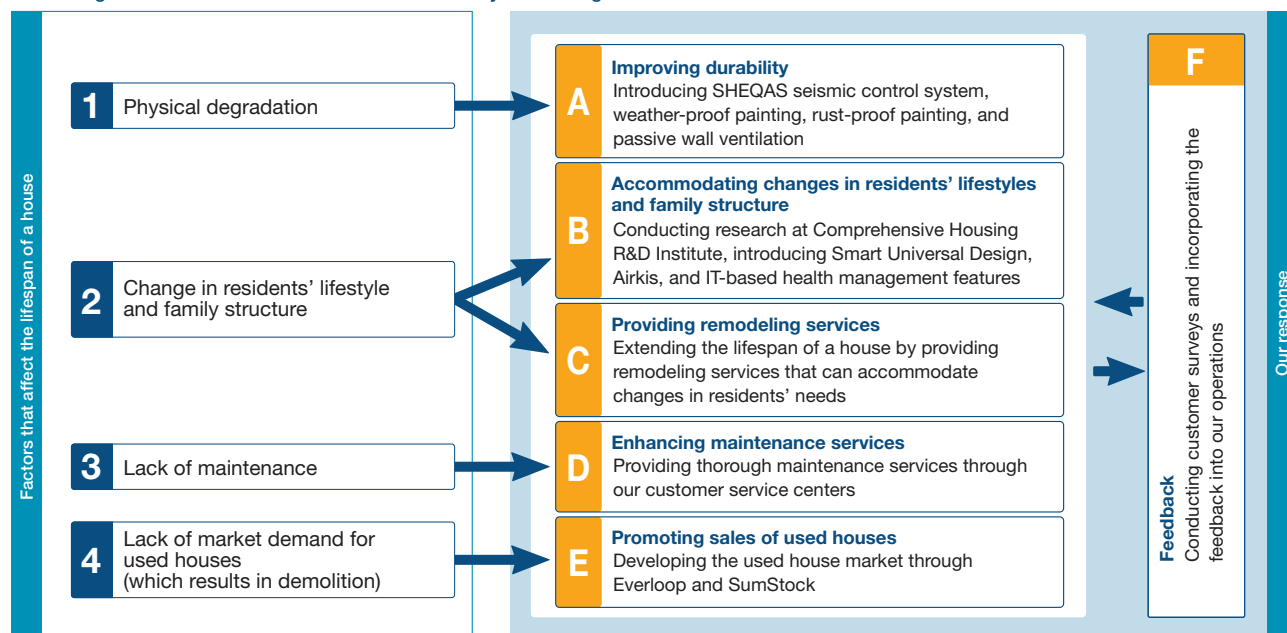
» Our goal

Accommodating diverse lifestyles by providing homes that are flexible and durable

We are striving to build houses that can serve as social assets over a long period of time. To this end, we are making our houses more resistant to wind and snow, degradation over time, and natural

disasters such as earthquakes. At the same time, we are making these houses flexible enough to readily respond to changes in residents' lifestyle and family structure.

■ Providing houses where residents can live comfortably over a long time



» Action policies

Making group-wide efforts to address housing needs and enhance the asset value of the houses we build

Main stakeholders

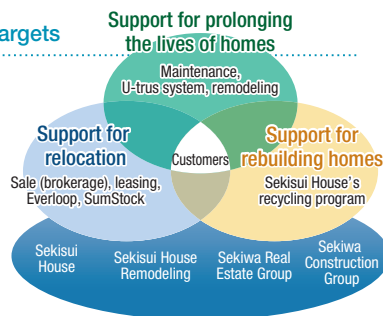
- Customers, residents, local communities, stockholders, investors

System for achieving targets

At our Comprehensive Housing R&D Institute—located in Kizugawa City, Kyoto Prefecture—we carry out various evaluation and verification activities to enhance the durability of our houses. At the same time, we keep the institute open to visitors, who, through hands-on experience, provide us with feedback regarding changes in residents' needs. In FY2013, the institute welcomed 32,854 visitors in total.

To further address the needs of Sekisui House homeowners, we provide various support services through our customer service centers, which are operated by 30 offices across the country. About 1,400 Sekisui House employees—roughly 10% of our entire workforce—are assigned to serve at these customers service centers.

We have also established Sekisui House Remodeling, a fully owned subsidiary, to provide solutions for homeowners' remodeling needs. The Sekiwa Real Estate Group, which comprises seven companies and a total of 1,922 employees, is responsible for managing Sha Maison rental apartments and promoting sales of used houses.



■ A comprehensive range of support offered by the Sekisui House Group



On non-business days at the customer service centers, homeowner enquiries are handled by our telephone center

Our solutions

A Enhancing home durability

All our steel-frame homes employ structural components with three layers of rust-proofing and walls that provide passive ventilation. Especially important is SHEQAS, our innovative seismic control system, which is capable of converting seismic waves into heat energy. SHEQAS can absorb building vibrations and reduce building deformation by approximately 50%.



SHEQAS seismic control system

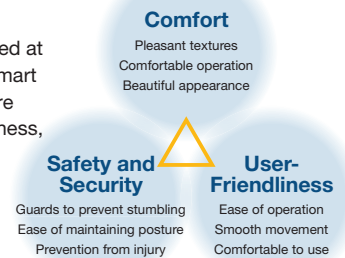
B Catering to diverse needs of homeowners

Providing solutions to different lifestyles and social needs

As part of our effort to cater to the needs of homeowners with changing lifestyles and family structures, we offer a variety of home design plans. Examples include *Kodomo idokoro*, which allows homeowners to adjust their home layout as their children grow; *Tomo ie*, which is designed to suit the lifestyles of double-income couples; and *Kazoku to kazoku*, which is tailored to the needs of multi-generational families.

We also apply universal design (UD) concepts to much of the equipment installed in the house. For instance, we use ergonomically designed handrails and knobs, as well as full-flat

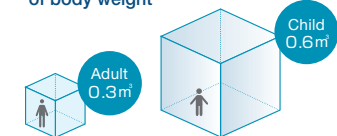
sash windows with rails positioned at floor level. We aim to achieve “smart UD” in our home design to ensure safety and security, user-friendliness, and comfort for our customers.



Developing products that enhance air quality

Our steel-frame detached homes come standard-equipped with Airkis, our high-quality indoor air system that is capable of reducing indoor concentrations of chemical substances to less than 50% of the guideline value set by the Ministry of Health, Labor, and Welfare. We also began fitting this system to our Sha Maison rental apartments. In 2013, we developed *Air kokochi*, a total heat exchanger with a full-building humidity conditioning function. This system enables the user to control indoor temperature and humidity levels, while also providing ventilation and air-purification functions. Through equipment such as this, we are providing clean and comfortable air environments for our customers.

- Compared to an adult, a child needs about twice as much air per kilogram of body weight



Source: Guidelines for Chemical Substances to Protect the Health of Children, Tokyo Metropolitan Government Bureau of Social Welfare and Public Health



Air sample being taken upon completion of an Airkis-equipped home



Air sample being analyzed in a third-party laboratory



An air quality certificate is issued

C Providing remodeling solutions

Along with regular remodeling plans, we are also recommending that homeowners who wish to save energy should upgrade their existing home equipment and components—such as water heaters and heat-insulation windows—to the latest models and install photovoltaic power systems.

D Proposing optimum maintenance plans

After our customers move into their newly purchased homes, we keep in contact with them through our customer service centers so that we can readily respond to their maintenance needs.

E Promoting sales of used houses on the market

In addition to brokerage services provided by Sekiwa Real Estate companies to facilitate the sale of used houses, we also purchase and remodel used houses for resale under our Everloop program. Furthermore, we conduct fair and proper evaluation on quality used houses with traceable records through our SumStock evaluation system. Through these programs, we are promoting the sale of used houses without reducing their asset value.

F Incorporating customer feedback

Sekisui House conducts customer satisfaction surveys with homeowners when they move in and one or two years after that. We then incorporate their feedback into our everyday operations—this includes house design and construction, as well as the development of new components and products.

Expected benefits

Transforming Japanese housing culture with long-lasting homes that become community assets.
Remodeling services with the latest technology to promote comfortable living—now and always.

- When homes are built to last longer, they become assets that can be passed on from one generation to the next. This approach also serves to reduce the financial burden of housing loans on residents. The economic benefits provided by our quality homes will also enhance Sekisui House's brand image, thereby helping to grow our market share.
- By establishing solid and ongoing relationships with homeowners, we are able to offer them proposals aimed at accommodating changes in their family structure or stage of life. This also contributes to the stability of our business operations.



Before remodeling



After remodeling

Measures being implemented

We maintain a database that includes detailed information on the housing components used for each house we build. This allows us to easily identify the optimal time for remodeling and make appropriate remodeling proposals. As a consequence, we anticipate further growth in our remodeling business.

Our strength in the remodeling business

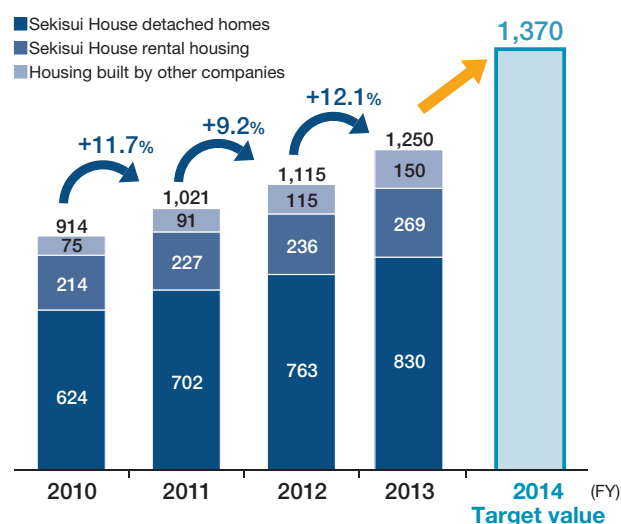
- Firm relationships of trust with customers established through our customer service centers in 100 locations (operated by 30 offices)
- Large number of Sekisui House homes already built

- Age-specific home information (detached homes + rental homes, number of buildings)

About 75% of the remodeling orders we receive are for houses aged more than 10 years.



Shift of sales in remodeling business (100 million yen)



Achievements

The number of homes fitted with a SHEQAS seismic control system (accredited by the Japanese Ministry of Land, Infrastructure, Transport, and Tourism) showed a year-on-year increase of 12 points. Also, our Airkis high-quality indoor air system—which can reduce indoor concentrations of chemical substances to less than 50% of the guideline values set by the Ministry of Health, Labor, and Welfare—is now incorporated into the majority of our steel-frame detached houses. These features help distinguish our homes from those built by other housing companies.

Houses with Long-Term Quality Housing Certification accounted for 92% of our homes in FY2013. This certification is issued by the Japanese government to houses that meet prescribed criteria regarding various home features, including durability, seismic resistance, ease of maintenance and remodeling, barrier-free design, and energy-saving performance.

The cumulative total of homes built by Sekisui House has exceeded 2.18 million. In order to take advantage of this large customer base, we have allocated a greater number of employees to our remodeling business. As a result, we have been able to achieve a 12.1% sales increase in this segment.

	FY2012	FY2013
Percentage of houses fitted with SHEQAS (%)	75.0	87.0
Percentage of houses fitted with Airkis (%)	76.3	77.8
Percentage of houses certified as Long-Term Quality Housing*1 (%)	92.1	92.1
Percentage of customers who selected "Highly satisfied" in the customer satisfaction survey (%)	39.6	41.0
Sales in the remodeling segment (100 million yen) (%)	1,115	1,250
Percentage of homes remodeled by Sekisui House*2 (%)	43	46

*1 Houses certified by the Japanese government as possessing features that ensure high durability over a long period of time.

*2 Of homes managed by Sekisui House

» Risk management

Risk 1:

Extending the lifespan of houses may reduce market demand for new houses

Our response 1:

Presently, our share of Japan's housing market is about 5%. However, as more people become aware of the asset value of quality housing, we expect that our ability to produce attractive products and provide effective solutions will enable us to expand our market share. To this end, we are striving to cater to the individual needs of homebuyers with varying lifestyles and family structures.

Risk 2:

Competition may intensify in the remodeling market

Our response 2:

Because we keep customer-specific information in our database, we are able to propose remodeling and maintenance services to homeowners in a timely manner. We also have an advantage over our competition in the sense that homeowners are more likely to trust remodeling and maintenance services provided by the same company that built their home. And by making bulk purchases of the latest home equipment, we are able to incorporate it into our remodeling plans without placing an excessive cost burden on customers.

» Our challenges

Utilizing IT and robotics to explore the potential of universal design

In FY2010, the number of people in Japan aged 65 or above who were in need of nursing care reached 4.9 million—a sharp increase of 2.03 million from the FY2001 level. One survey found that 42% of Japanese men and 30% of women would prefer to receive nursing care at home.* However, nursing care by family members at home can give rise to social problems—for example, when an elderly person is nursing another elderly person, or when family members become exhausted by the excessive physical and mental demands of nursing.

In order to provide houses that can flexibly cater to the needs of elderly residents, we are striving to focus our research efforts on universal design. While incorporating information technology such as home energy management systems (HEMS) into our home design, we are also studying the application of robotic technologies for home equipment to ensure comfortable living environments for elderly residents.

*Source: White Paper on an Aging Society (2013) issued by the Japanese government's Cabinet Office

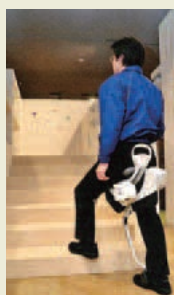
Research

Using robotic technologies to assist residents in need of care

At Sekisui House, we have accumulated know-how on universal design, smart houses, and smart towns. Working in collaboration with Honda Motor Co., Ltd.—a company that boasts advanced expertise in robotics—we have started exploring the possibility of utilizing robotics to improve the lifestyles of residents in need of care. For instance, for elderly people who are classified as Stage 1 and 2 in the chart provided to the right, our goal is to extend the period during which they can maintain a self-supported lifestyle. For this purpose, we are considering the application of robotic technologies such as UNI-CUB and bodyweight-supporting walking assistance.

In the future, we believe that elderly and physically challenged residents will be able to improve their quality of life through such technologies. In cooperation with Honda, we are currently working to expedite the process of putting such robotic technologies to practical use.

Along with research on user-friendly robotic technologies that can be used to support elderly and physically impaired residents who are classified as Stage 2 or 3, we are conducting research on the



Bodyweight-supporting walking assistance

development of housing environments where humans and robots can interact in an optimal way.

Working in collaboration with Muscle Corporation, we are also studying the use of mobile nursing robots that can reduce the burden on caregivers by providing assistance for bathing or moving residents in need of care.

Changing lifestyles of the elderly

- | | |
|----------------|--|
| Stage 1 | Not in need of care |
| | Can walk unassisted. Enjoy hobbies and communication with family and friends. |
| Stage 2 | Moderately handicapped and in need of care |
| | Difficulty walking due to degradation of bodily functions. Need a wheelchair. Enjoy self-supported life with the assistance of others. |
| Stage 3 | Severely handicapped and in need of care |
| | Difficulty moving due to degradation of bodily functions. Require healthcare services. |

Promoting Diversity



» Backdrop

In order to achieve sustainable growth despite Japan's declining birthrate and aging population, it has become essential for companies to create a corporate culture where a diversity of human resources—including people with disabilities—can fully demonstrate their competence, regardless of their gender, age, or nationality.

In March 2006, we announced the Declaration for Human Resource Sustainability as our basic personnel policy. The declaration, which aims to promote the ongoing growth both of the company and of our employees, comprises three basic policies: encouraging female employees to pursue their career development; promoting a diversity of human resources; and supporting a work-life balance.

In the same year, our head office inaugurated the Diversity Development Team, a working group to promote the career development of female personnel. Since then, we have been taking various measures to support female employees in their career development. Our efforts were recognized in 2013, when we made the *Nadeshiko* list—a women-empowering roster selected by the Tokyo Stock Exchange and the Ministry of Economy, Trade, and Industry. In February 2014, our Corporate Management Planning Department set up the Diversity and Inclusion Promoting Office to promote diversity throughout the company.

» Our goal

We believe that achieving a workplace environment where a variety of personnel can fully demonstrate their abilities with a spirit of creativity and innovation will add value to the company and enable us to follow a path of sustainable growth.

» Action policies

Female career development, work-life balance, and employing people with disabilities

Main stakeholders

- Employees, job applicants (students, housewives, etc.), investors

Measures being implemented

● Supporting female employees in their career development

Policy

We have been active in hiring female employees for sales and technical jobs, areas where they can develop careers. And with a view to fostering future managers, we also try to keep female staff motivated and provide working style options that take women's life events into consideration.

Sales work

In Japan's housing industry, sales has long been considered men's work, since the job often obliges employees to meet customers in their homes at night.

However, as customer needs diversify, it is becoming increasingly important for housing companies to incorporate a female perspective into design proposals. For this reason, we have been actively hiring female personnel for sales work since 2005. To help them stay on their sales career paths, we also provide a variety of training programs for them.

Measures we are implementing

- ① Every year, Sekisui House holds a special personnel meeting for female sales staff. At this event, female employees who have made a distinguished sales contribution are recognized, information on best practices is shared, and discussions are held to inspire and motivate female sales personnel.
- ② We select 20 female sales personnel as promotion committee members and have them plan and organize training programs for female sales personnel in their respective regions. We also provide opportunities for these committee members to get together and share information.
- ③ Female sales personnel who have been designated as "role models" are granted benefits such as the ability to adjust holidays and work hours during times of maternity and parental leave or change their workplace location when their spouse has been transferred.
- ④ On our in-house website, we spotlight some of the activities of our role models in order to inspire and motivate other female sales personnel towards improving their skills and developing their careers.

Sekisui House Remodeling has been actively hiring female personnel with parenting experience to work as Remodeling Advisors. Thanks to the variety of working style options we offer, many of our employees are able to strike a good work-life balance. The company employs 630 female sales personnel—fully 61% of our entire sales force. And in March 2014, two female employees became company board members.

Technical work

When it comes to recruiting female staff, the technical division has been even more active than the sales division. The number of female candidates for managerial positions is also increasing. However, as female employees come to play an increasingly active role in the workplace, they face growing challenges regarding how to balance the conflicting demands of work and parenting.

With this in mind, we started up a working group to support female technical personnel in 2012. As of 2013, we employ two female design chiefs and four female chief architects*. Furthermore, we introduced a telecommuting system for female technical staff on a trial basis. This system allows female employees with small children or disabled family members requiring home care to work from their homes once or twice a week.

*In-house qualifications are given to those who have demonstrated excellent skill in housing design and business negotiations.

● Promoting a work-life balance

Policy

Reducing overtime, encouraging annual and men's parental leave, and supporting diverse working styles

Home building requires thorough planning and repeated meetings with customers. This often results in overtime work on the part of employees. By improving work efficiency and increasing productivity, we are making efforts to reduce overtime work for our employees, while also encouraging them to take annual paid holidays. At the same time, we are also enhancing our parental care and nursing care support programs, so that our employees can strike an optimal balance between work and family life.

● Hiring people with disabilities

Our aim is to hire at least one person with a disability at every business office. In order to achieve this goal, members of our personnel division attend job-matching events and contact the job placement divisions of public institutions and universities.

Target number and time frame

	FY2013	Target
Number of female personnel in managerial positions (group-wide)	65 (1.52%)	FY2020 200 (5%)
Number of female office managers	7 (6 out of 16 sales administration headquarters)	FY2014 Minimum 1 female office manager (or at least office sub-manager) at each of our 16 sales administration headquarters
Employment rate of people with disabilities	1.97%	FY2014 2.00%

As of April 1, 2014

Number of female board members: 2

Number of female managers: 85 (1.89%)

➤ Risk management

Risk 1:

The career tracks of female personnel might be disrupted by marriage or childbirth

Our response 1:

We are working to mitigate such occurrences by introducing flexible working styles that encompass reduced work hours or flextime. We are also encouraging women to develop a long-term perspective regarding their careers. Along with such efforts, we are also holding self-esteem enhancement seminars for those in their third year at the company, as well as career development seminars for those in their seventh year. In addition, we consider some of our role model personnel as case studies and share information at meetings as well as through our in-house website.

Risk 2:

Staff shortages may arise if too many employees seek parental leave or reduced hours at the same time

Our response 2:

We operate a direct sales system that integrates both sales and technical divisions. This enables us to allocate human resources in a smooth and well-balanced manner, thereby minimizing the effect of shortages in the workforce.

➤ Expected benefits

- By increasing the number of women on staff, we are able to readily respond to diversifying customer needs both in sales and technology. Brainstorming involving both male and female personnel will give us new ideas and perspectives.

Feasibility of benefits

The benefits are already tangible. In the technical division, which has been more proactive than the sales division in employing female staff, the benefits are already reflected in product development and solution proposals.

Measures we are implementing

As well as actively recruiting female personnel, we are also promoting job rotation.

- Being able to strike a good work-life balance makes employees more motivated in their work and leads them to generate more new ideas. It also improves employees' level of work satisfaction and contributes to a higher rate of staff retention.

Feasibility of benefits

These benefits are quite feasible. A higher staff retention rate will attract greater numbers of highly competent university graduates.

Measures we are implementing

Through the press, our in-house website, and our in-house publications, we communicate our activities to people inside and outside the company.

- Working with personnel with disabilities raises our awareness of universal design, thereby enabling us to make better proposals for our customers.

Feasibility of benefits

This benefit is also quite feasible.

Measures we are implementing

We accept people with disabilities as interns, while also setting target numbers for such staff hired at each office. At the same time, we are promoting communication with people with disabilities and their support groups.

We will continue with our efforts to introduce diverse working styles and create workplace environments in which our employees can fully demonstrate their competence.

Achievements

★Indicates results achieved exclusively by Sekisui House, Ltd.

		FY2012	FY2013
Proportion of female managers		1.68%	1.52%
Number of female managers		65	65
Average duration of work	Male	16.83	16.87
	Female	9.18	9.41
	Difference between male and female	7.64	7.46
Number of employees who took parental leave	Male	19	16
	Female	131	210
Number of employees who took nursing care leave		6	11
★Number of employees who returned to work after taking parental leave	Male	100%	100%
	Female	94.1%	93.0%
★Number of employees who stayed with the company 12 months after returning from parental leave	Male	95.5%	100%
	Female	98.8%	100%
Proportion of employees who took annual paid holidays*		27.3%	27.5%
★Proportion of employees with a disability		1.89%	1.97%
★Proportion of offices that have at least one employee with a disability		54.2% (91 out of 168 offices)	59.4% (101 out of 170 offices)

*Data on annual paid holidays was collected during the periods between March 11 and March 10 of the following year.

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 that we established to achieve our Sustainability Vision, we actively engage in CSR activities throughout our daily business operations.

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.

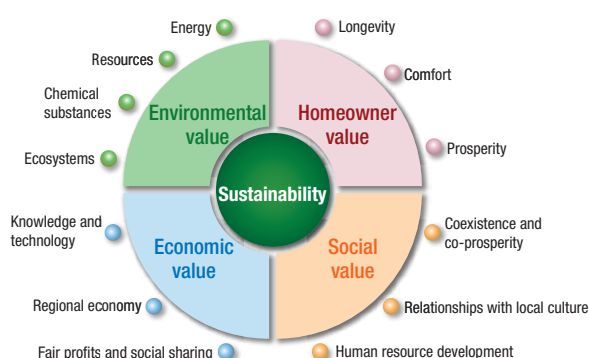
■ Corporate Philosophy (established in January 1989)



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).

In the S-Project medium-term management vision that we announced in October 2004, we set the goals of improving CS, ES, and SS together, while also fulfilling our responsibilities to all of our stakeholders with honesty and integrity by focusing on CSR as the bedrock of our management philosophy.

■ 4 Values and 13 Guidelines



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.

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.

4 Values and 13 Guidelines of Sekisui House			Corresponding Main Themes and Goals of ISO 26000	
Value	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	- Development of and access to technologies - Job creation and skills development
	Regional economy	Revitalization of local economies	Community participation and development	- 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	- Organizational governance - Fair business practice - Community participation and development	- 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	- Fair business practice - Community participation and development	- 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	- Consumer issues - Community participation and development	- Protection of safety and health of consumers - Community participation - Education and raising awareness
	Human resource development	Human resource development to create sustainable value	- Human rights - Labor practice	- 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	- Consumer issues - Community participation and development	- 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		

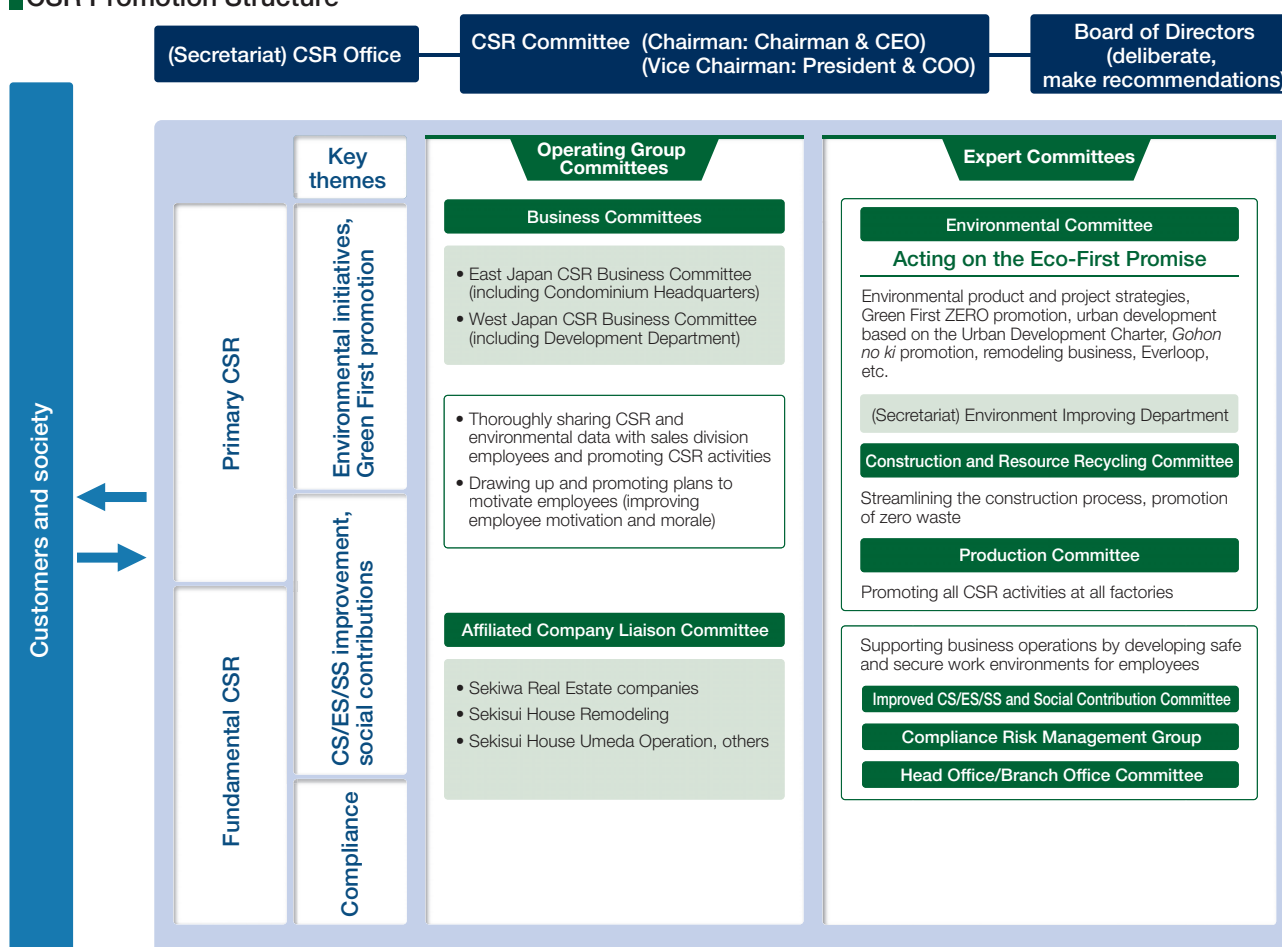
CSR Committee and Organizational Management

We consider CSR a core part of our management policy. Led by our Chairman and CEO, the CSR Committee—which is composed of board members, a selection of executive officers, and three external stakeholders—meets once every three months. 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. 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.

CSR Promotion Structure



In April 2013, our Green First initiative took a further step forward when we launched the Green First ZERO home program, which targets energy-neutral living. With the launch, we are spearheading the effort to achieve the Japanese government's target of creating a sizable market for net zero energy housing by 2020. By promoting the use of superior heat insulation and the latest energy-saving equipment, the Green First ZERO initiative aims to achieve zero energy housing by drastically reducing energy consumption while simultaneously generating alternative energy using solar panels and fuel cells.

For FY2013, we had set a goal of promoting the sales of Green First ZERO homes so that they would account for 40% of the total detached housing contracts to be signed during the year. Fortunately, we were able to modify this target value upward in the early part of the fiscal year.

We have also been active in providing various employee training programs, including e-learning, in order to keep staff motivated in their work, boost their morale, improve CS, ES, and SS, and ensure that compliance is thoroughly implemented throughout the company.

Aware of our responsibility as a corporate citizen, we have also been actively engaged in making a social contribution. As part of this effort, we have assigned newly recruited employees to duties related to supporting people affected by the Great East Japan Earthquake. We believe that this experience will provide employees with an opportunity to think deeply about our "love of humanity" corporate philosophy and to realize the significance of our social mission as a housing company. We are determined to continue with our efforts to support people in the disaster-stricken areas.

Challenges Faced by Our CSR Management and Measures to Be Taken

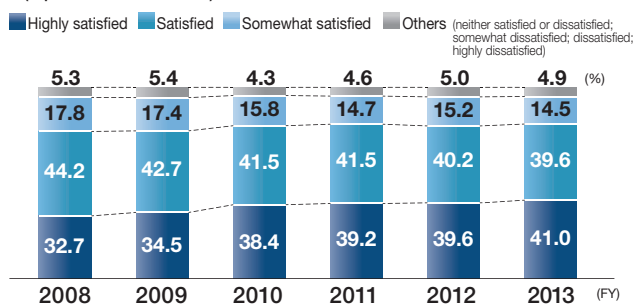
Upon reviewing our CSR activities in FY2013, we have placed special focus on the following three objectives during FY2014.

Focus 1 Achieving a higher level of customer satisfaction

We strive to achieve greater customer satisfaction by analyzing the results of our customer satisfaction surveys.

Outlook In the survey conducted during FY2013, more than 40% of the respondents selected “Highly satisfied” when asked to rate our customer service. It was the first time that the number exceeded 40%. We believe that this achievement was made possible through the improvement efforts we made based on customer feedback in past surveys. We intend to conduct further analysis of survey results—for example, by sorting data according to age and family structure—so that we can further increase the ratio of “Highly satisfied” responses.

Results of Past Customer Surveys on Satisfaction (7-point scale evaluation)



Focus 2 Strengthen the supply chain

We will enhance communications with our partner building contractors and suppliers to ensure we fulfill our responsibility to society in the supply chain.

Outlook Twice a year, we gather with our main suppliers (about 150 companies) to explain our purchasing policies and ensure that our policies do not conflict with theirs. At these meetings, we also inform attendees about the current status of our business operations and exchange information with them regarding targets for QCDE (quality, cost, delivery, environment) management. For their part, the suppliers make presentations about improvement efforts they are undertaking to meet the specified targets.

With the purpose of promoting fair and proper business practices, we began rating the performance of our suppliers in 1998 and we have been disclosing the results since 2009. The ratings are conducted jointly by our Purchasing Department and development and production divisions on 168 suppliers (205 divisions).

The evaluation items and criteria for the rating are reviewed on a regular basis. Through these ratings, we aim to improve the PDCA cycle throughout our supply chain. With our main wood material suppliers (about 60 companies), we have been building up relationships of trust so that we can exchange procurement information with each other and achieve ethical procurement.

In FY2014, we will push forward with efforts across the entire supply chain to protect the global environment, such as reducing CO₂ emissions and conserving biodiversity.

Focus 3 Enhancing CSR management overseas

With the growth of our overseas business operations, it is becoming increasingly important for us to enhance our CSR management overseas, so that we can become a company that is truly needed by the people of each country.

Outlook We set up a project team, which operates across all divisions of the head office, to study how we can apply our domestic risk management system to our overseas operations. We will also conduct studies on the types of energy used by our affiliated companies overseas.

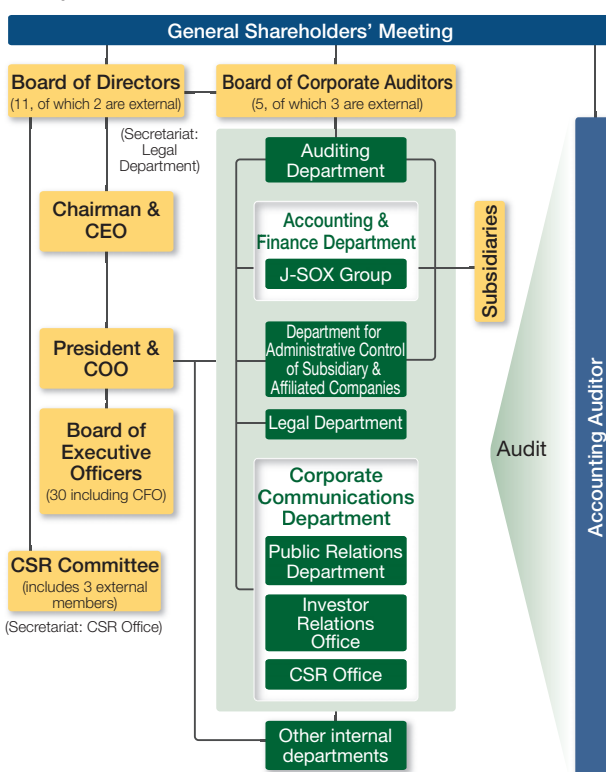
Corporate Governance and Internal Control System

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

As for internal control, 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.

In addition, 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.

Corporate Governance Structure (as of April 1, 2014)



Promoting Compliance

Compliance Policy

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 was established under the CSR Committee to act as a platform for discussing CSR initiatives. The Group is headed by the vice president and members include staff from relevant divisions, such as the Personnel Department and Legal Department.

In FY2013, the main issues taken up at the group meeting were: (1) how to prevent leakage of classified information; (2) how to ensure proper business operations; and (3) how to implement risk management in our overseas operations. And to further strengthen the PDCA cycle, compliance-related issues were addressed at each of our offices according to the guidelines provided by the Business Committees, Production Committee, and other committees.

Promoting Compliance

We provide various training programs both for employees and management to ensure that compliance-related issues are properly addressed across the company. The training programs provided during FY2013 focused on the rules and significance of managing classified information.

In October every year, we review our business operations to ensure that they are conducted in compliance with corporate ethics. During the month, employees exchange their ideas on each case study so that they can achieve better workplace environments and improve levels of customer satisfaction.

Major Compliance Activities

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

Providing e-learning programs

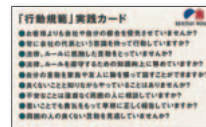
- CSR and compliance (for newly recruited employees)
- CS and protection of personal information (for all employees)

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



Code of Conduct Implementation Card

- Are you putting the needs of the customer before the needs of the company and yourself?
- Do you behave like someone who represents the company?
- Are your words and actions in line with laws and regulations?
- Do you constantly strive to improve your knowledge to ensure you abide by laws and regulations?
- Can you speak proudly of your words and actions to your family and friends?
- Do you refrain from doing anything that you are aware is not the right thing to do?
- Can you talk openly about your worries and concerns with those around you?
- Are you brave enough to immediately report negative things to your boss?
- When someone around you says or does something bad, do you do something about it?
- 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.

Employees are given leaflets outlining our internal reporting system, and efforts are made to familiarize them with the system through various intranet and e-learning programs, as well as through study meetings on human relationships. We also check our employees' compliance awareness by conducting surveys on a regular basis. Through these various efforts, we aim to deepen employees' understanding of corporate ethics and make them aware of the importance of working in compliance with relevant rules and regulations. Our ultimate goal is to improve our workplace environments to a point where the internal reporting system becomes redundant.

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 risks that may undermine our credibility in society and taking appropriate measures to deal with such risks.

In cooperation with Operating Group Committees, we provide problem-specific training programs for employees on such issues

as compliance, environmental risk, and quality. When a high-priority risk is identified, we set up a dedicated project team to work on it. In this way, we are implementing comprehensive risk management in strict compliance with relevant laws and regulations. As for the sales division, our risk management system entails internal auditing, self-checks by individual offices, and monitoring by the head office.

Meeting Our Commitments as an Eco-First Company without Fail

Sekisui House was certified as an Eco-First Company by the Japanese Ministry of the Environment in June 2008, and we have since been steadily promoting our environmental initiatives. We remain committed to achieving our ultimate goals of global warming prevention, ecosystem preservation, and resource recycling. In March 2012, we partially revised our Eco-First Promise to reflect changes in the social environment and the progress of our ongoing efforts. During FY2013, we made the following progress in our Eco-First activities.

Eco-First Promise



Commitment to global environmental protection as an environmentally advanced company
At Sekisui House, Ltd. and in all Sekisui House Group companies, we 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, through our environmental initiatives, promote the following activities in our sincere efforts to bring greater benefits to society.

Progress in Major Activities Achieved in FY2013

① We will take positive measures to achieve a reduction of CO₂ emissions from residential and industrial sources.



Launching the Green First ZERO initiative



Developing Smart Common Cities in 16 locations nationwide



Installing mega-solar power systems at our 5 factories nationwide for a total of 6.7 MW

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



Gohon no ki project reaches 10-million-tree milestone



Conducting a biodiversity survey

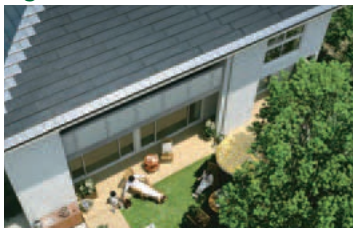


Implementing the Wood Procurement Guidelines

③ We will promote resource recycling to the fullest extent.



Utilizing next-generation zero-waste systems



Encouraging the acquisition of Long-Term Quality Housing Certification



Promoting the Everloop home repurchase program

Playing a Leading Role as a Member of the Eco-First Promotion Council

As of February 1, 2014, the Eco-First Promotion Council comprises a total of 39 Eco-First Companies. As one of the leading members, we have been actively involved in environmental activities organized by the council. In February 2013, we held a study meeting at our Comprehensive Housing R&D Institute to discuss measures for preventing greenwashing. At another meeting held in Yokohama in September 2013, the theme of the discussion was how to work effectively in cooperation with NPOs.

An eco-slogan contest organized by the council was held for the fourth time in 2013.

Elementary and junior high school students from all over Japan were invited to submit eco-friendly slogans featuring the theme of water and the environment. This event is held every year as one of our public relations activities.

In April 2014, we were designated as a chair company of the Eco-First Promotion Council (with Sekisui House Chairman Isami Wada acting as chairperson). We strive to play a leading role in promoting eco-friendly activities in cooperation with other Eco-First Companies and the Ministry of the Environment.

Winner of the Sekisui House Prize in the Eco Slogan Contest

"Dear fish, share with us some of your precious water"

6th-grader of Uno Elementary School, Okayama Prefecture
Hayato Yamahara



Achievements in Key Indicators of Our CSR and Environmental Management Efforts

The following table shows the achievements in the main target areas of the Sekisui House Group's CSR and environmental management efforts covered in the Sustainability Report 2014.

Category	Indicator	Unit	FY2009	FY2010	FY2011	FY2012	FY2013	Definition and remarks
Global warming prevention	Total energy input* ¹	TJ	2,875	2,872	2,851	2,830	3,542	Amount of energy input at the various stages of development and design, factory production, transportation, construction, and demolition
	CO ₂ emissions at the various stages of development and design, factory production, construction, and demolition* ¹	t-CO ₂	127,324	123,125	119,969	114,780	148,329	Amount of CO ₂ emitted at these stages per fiscal year
	CO ₂ emissions at the transportation stage* ²	t-CO ₂	33,867	37,886	39,967	38,959	45,815	Amount of CO ₂ emitted at the transportation stage per fiscal year
	Reduction of CO ₂ emissions from the 1990 level (amount)	t-CO ₂	28,179	37,468	39,372	42,074	50,256	Reduction of residential CO ₂ emissions from new detached homes in comparison with the 1990 level (amount and %)
	Reduction of CO ₂ emissions from the 1990 level (%)	t-CO ₂	43.7	49.4	51.3	55.7	61.5	Reduction of residential CO ₂ emissions from new detached homes in comparison with the 1990 level (amount and %)
	Proportion of Green First homes among all Sekisui House detached homes	%	51.7	70.7	77.9	83.8	83.7	Proportion of Green First homes among all newly built Sekisui House detached homes
	Proportion of Green First homes to all Sekisui House low-rise rental apartments	%	—	19.0	27.1	44.6	47.8	Proportion of Green First homes among all newly built Sha Maison low-rise rental apartments
	No. of houses retrofitted with a PV power system		718	1,634	2,569	7,249	4,155	No. of existing houses, built by Sekisui House and by other builders, that have been retrofitted with a PV power system under our remodeling project
Biodiversity preservation	No. of trees planted per year	10,000 trees	71	91	96	101	106	No. of trees planted per year under our gardening and greening plan
	Ratio of Rank S and Rank A wood products as defined by the Wood Procurement Guidelines	%	72	87	85	89	88	Based on the results of our survey of about 60 suppliers of wood products
Resource recycling	Total resource input	1,000 t	986	1,083	1,096	1,112	1,286	Refer to the "Material Balance" section
	Volume of waste generated	1,000 t	255	296	309	311	362	Including waste at the demolition stage
	Volume of waste generated at new construction sites	kg	1,323	1,308	1,396	1,441	1,449	Amount per house (per 145 m ²)
	Proportion of houses with Long-Term Quality Housing Certification	%	76.8	88.7	90.9	92.1	92.1	
Control of chemical substances	Proportion of houses fitted with Airkis	%	—	—	67.4	76.3	77.8	
Customers	Customer satisfaction survey	%	34.5	38.4	39.2	39.6	41.0	Proportion of responders who answered "highly satisfied" on a 7-point evaluation scale
	Proportion of houses fitted with SHEQAS	%	—	—	58.5	75.0	87.0	
Employees	Employment rate of persons with disabilities	%	1.80	1.66	1.75	1.89	1.97	Based on the Act for Employment Promotion etc. of Persons with Disabilities
	Proportion of female employees in managerial positions* ³	%	0.74	0.89	1.02	1.21	1.52	
	No. of employees who took parental leave		114	117	143	150	226	
	Proportion of female employees who returned to work after parental leave	%	95.2	92.3	93.3	94.1	93.0	
	No. of employees who used the shortened work hour program		106	165	173	223	351	
Shareholders	Dividend payment ratio	%	—	46.6	46.6	40.5	36.2	Dividend paid ÷ net income × 100
	Annual dividend	yen	10	21	20	28	43	Dividend per share
Social contribution	No. of employees participating in the Sekisui House Matching Program		1,698	1,695	2,245	2,614	3,074	

*¹ Starting in FY2013, energy input by Sekisui House's consolidated subsidiaries in Japan (40 companies) and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd. was added to the total energy input.

*² Starting in FY2013, the amount of CO₂ emitted during product shipments by Sekisui House Advanced Manufacturing (Shenyang) was added to the total.

*³ Starting in FY2013, survey results of Sekisui House's consolidated subsidiaries were also incorporated into the data.

Pursuing Sustainability in All Corporate Activities Connected with Society

Ongoing group-wide post-earthquake reconstruction efforts▶▶▶ P.77

Mobilizing manpower from all over Japan to
accelerate the restoration of stricken areas

SUMUFUMULAB ▶▶▶ P.08

Building a recycling- oriented society ▶▶▶ P.61

Building a recycling-oriented
industrial system with our
own innovative resource
recycling solutions

Nattoku kobo ▶▶▶ P.08

Comprehensive Housing R&D Institute ▶▶▶ P.06

Coping with changes in social structure ▶▶▶ P.65

Addressing various issues
arising from changes in
social structure

Sumai no yume koje ▶▶▶ P.05

Restoring ecosystems ▶▶▶ P.55

Our *Gohon no ki* concept for
creating eco-friendly gardens
reached a milestone of 10 million
trees planted

Gohon no ki landscaping concept ▶▶▶ P.55

**Relationship
with
stakeholders**

▶▶▶ P.73

Fostering relationships of trust with stakeholders in various sectors by promoting communication

**Implementing Wood
Procurement
Guidelines**

▶▶▶ P.22

Encouraging procurement of FairWood products in cooperation with suppliers

**Developing
overseas
business**

▶▶▶ P.67

Applying our long-term expertise in eco-friendly home and community building to overseas operations

**Building
local
communities**

▶▶▶ P.57

Contributing to the development of local communities where people can share their sense of values

**Preventing
global
warming**

▶▶▶ P.51

Contributing to a reduction of CO₂ emissions steadily and promptly by promoting our Green First design

**Acting as a
corporate
citizen**

▶▶▶ P.71

Addressing various social issues based on our "love of humanity" corporate philosophy

Material Balance

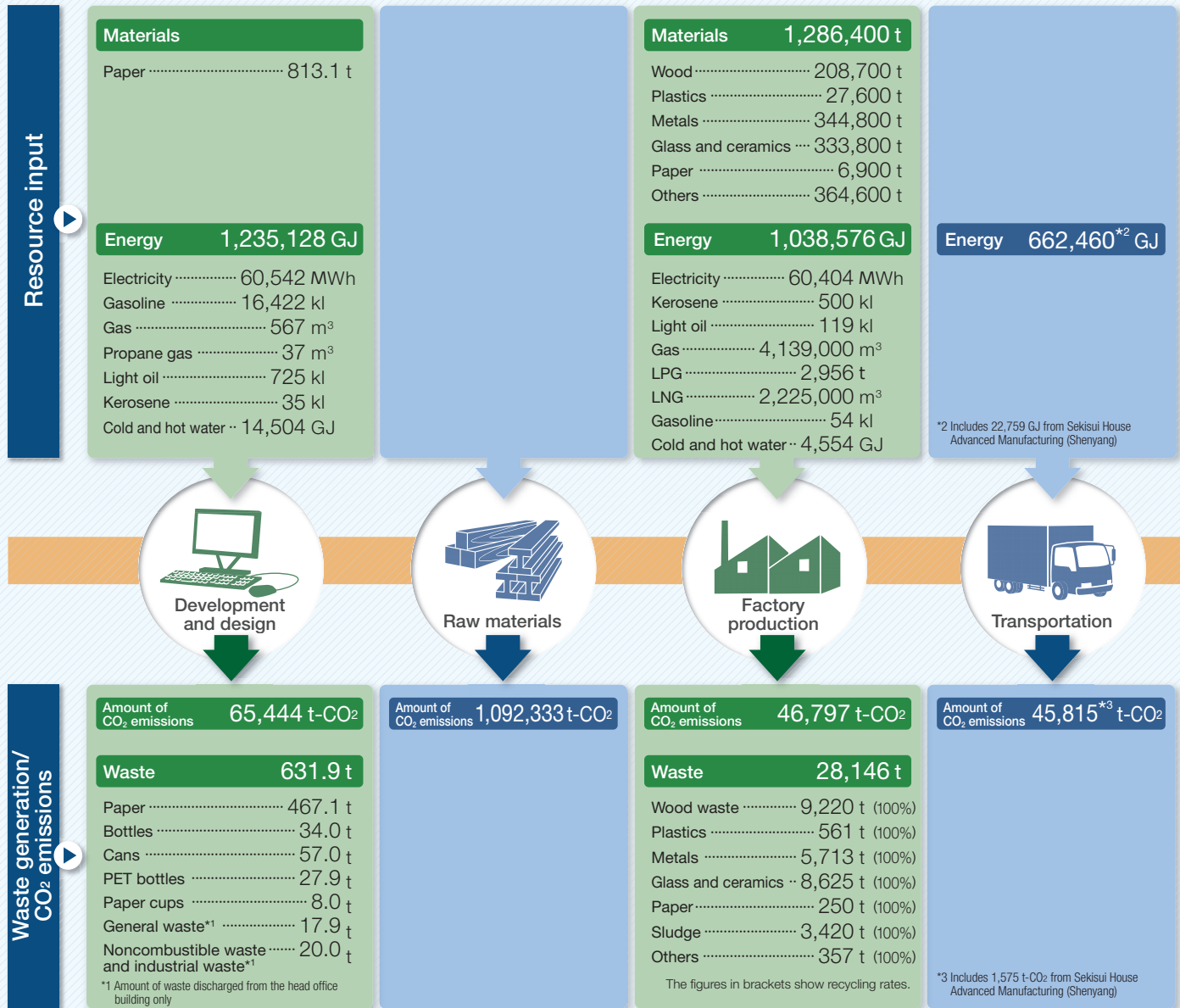
Collecting Accurate Data on the Environmental Impact Caused by Corporate Activities

In collaboration with our group companies and business partners, we are collecting accurate data on the environmental impact caused by our corporate activities at each stage of the lifecycle of our housing products. Data is gathered from development and design, raw material procurement, factory production, transportation, construction, occupancy, demolition, and disposal.

Environmental Impact Caused by Corporate Activities in FY2013

Scope 1, 2

Scope 3



Amount of CO₂ Emissions by Scopes 1–3 in FY2013

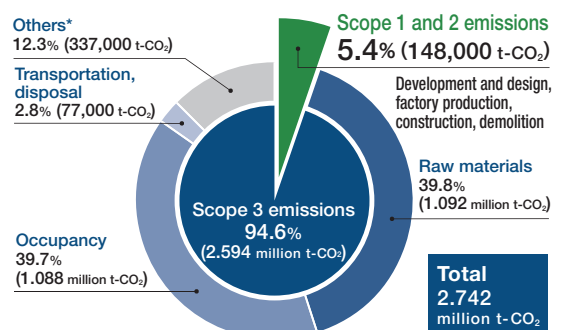
Starting from FY2012, we have disclosed our CO₂ emissions by Scope (1–3) in line with the methodology of the Greenhouse Gas Protocol*. For FY2013 we expanded the range of coverage. (See “Notes on the data” on page 44.)

To reduce Scope 3 emissions, we are promoting sales of eco-friendly Green First models that contribute to reducing residential CO₂ emissions. It should be noted that we count only emissions attributable to detached houses as Scope 3 emissions (i.e., those from the raw materials and occupancy stages). Also, note that Scope 1 and 2 CO₂ emissions from construction and demolition include emissions from construction and demolition undertaken by partner building contractors that are not members of the Sekisui House Group. These emissions should have been counted as Scope 3 emissions, but owing to the difficulty of distinguishing between the work undertaken by our group companies and that undertaken by non-group companies, we include them in Scope 1 and 2 emissions for the sake of simplicity.

Scope 1: CO₂ emissions resulting from the use of fuels by the Sekisui House Group
 Scope 2: CO₂ emissions resulting from the use of electricity and heat purchased by the Sekisui House Group
 Scope 3: CO₂ emissions resulting from the use of energy for mining and producing raw materials, transporting building components, and disposing of waste by non-Sekisui House Group companies or customers, and from the use of energy during occupancy

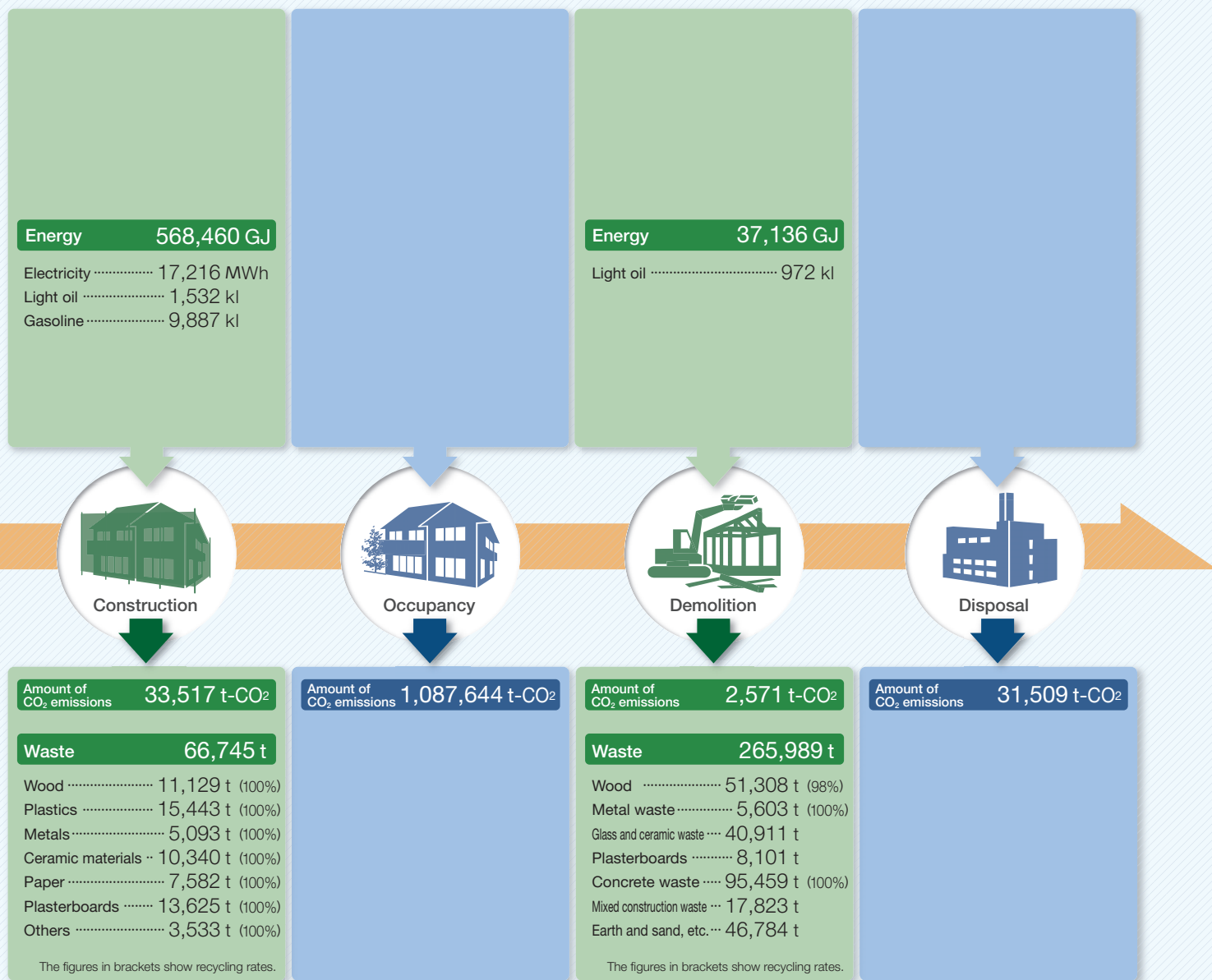
*Greenhouse Gas Protocol “Corporate Value Chain (Scope 3) Accounting and Reporting Standard”
<http://www.ghgprotocol.org/standards/scope-3-standard>

CO₂ Emissions by Scope (1–3)



*Capital goods, activities related to fuel and energy consumption not included in Scopes 1 and 2, treatment of waste products, business trips and commuting of employees, leased assets at downstream, etc.

We conducted an internal audit in FY2013 to check compliance with applicable laws and regulations at each division, and found no material breach of greenhouse gas-related laws and regulations. (There was no single case for which criminal punishment, administrative penalty, or administrative guidance was imposed.)



Notes on the data

- Scope of coverage: The subjects of this survey are Sekisui House, Ltd., its major consolidated subsidiaries in Japan (40 companies), and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd. Scope 3 CO₂ emissions include those attributable to parties other than the Sekisui House Group companies.
- Period covered: The applicable period is FY2013 (from February 2013 to January 2014). Estimated figures were used where final data was not available at the time of calculation.

Development and design

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

- Materials: paper purchased for use with QA equipment
- Energy and CO₂: the amount of energy consumption and CO₂ emissions by offices and model homes
- Waste: the volume of waste generated by offices and model homes

Raw materials

- CO₂: the estimated amount of CO₂ emissions resulting from production of raw materials used for manufacturing detached houses

Factory production

- Materials: the amount of raw materials used for manufacturing detached houses
- Energy and CO₂: the amount of energy consumption and CO₂ emissions by the five Sekisui House factories, Sekiwa Wood, Ltd. (Asai Factory and Toyama Factory), and Sekisui House Advanced Manufacturing (Shenyang)
- Waste: the volume of waste generated by the five Sekisui House factories, and Sekiwa Wood (Asai Factory)

Transportation

- Energy and CO₂: the amount of energy consumption and CO₂ emissions by specified consigners and Sekisui House Advanced Manufacturing (Shenyang). (The calculation was made according to the guidelines provided in the Act on the Rational Use of Energy and according to the manuals issued by the Ministry of the Environment and the Ministry of Economy, Trade, and Industry.)

Construction

- Energy and CO₂: the estimated amount of energy consumption and CO₂ emissions resulting from construction by Sekiwa Construction companies and partner building contractors
- Waste: the volume of waste generated from new building construction, after-sales maintenance, and remodeling sites

Occupancy

- CO₂: the estimated amount of CO₂ emissions during occupancy at detached houses built in FY2013 from building components shipped from factories (The estimation is calculated assuming an occupancy of 30 years.)

Demolition

- Energy and CO₂: the estimated amount of energy consumption and CO₂ emissions resulting from the use of heavy machinery by Sekiwa Construction companies and partner building contractors for the purpose of demolition
- Waste: the volume of waste generated from demolition by Sekiwa Construction companies and partner building contractors

Disposal

- CO₂: the estimated amount of CO₂ emissions resulting from the disposal of waste generated from demolition by Sekiwa Construction companies and partner building contractors

Summary of Results of FY2013 and Targets for FY2014

Environmental Targets and Actual Performance

» Plan

		FY2013 Target
	Major Focus	
Reducing CO ₂ Emissions	Reducing residential CO ₂ emissions	Install a photovoltaic power system on 80% of detached houses
		Install fuel cells on 60% of detached houses
		Increase the proportion of Green First ZERO models among all Sekisui House detached homes to 50%
		Remodeling Increase window and door insulation updates to 52,000 m ² ; install high-efficiency water heaters in 4,200 homes; install photovoltaic power systems in 6,100 homes; sell 4,000 sets of energy-efficient bath fixtures (efforts undertaken by Sekisui House Remodeling)
		Ensure all the ready-built houses newly offered for sale are certified to be eco-friendly
		Install a photovoltaic power system on 60% of Sha Maison low-rise rental apartments
	Reducing CO ₂ emissions from business activities and production process	Achieve 1.0% and 3.0% reduction in CO ₂ emissions per square meter of floor area shipment at the production* ¹ and transportation* ² stages respectively, compared with the FY2012 level *1: Not including CO ₂ emissions from the new production line of Bellburn ceramic exterior wall tiles *2: Shipment-related transportation only
Increase the proportion of fuel-efficient vehicles and low-emission vehicles among all company-owned vehicles to 95% and 98%, respectively		
Ecosystem Protection	Reducing impact on ecosystems during procurement	Increase the proportion of Rank S and Rank A wood products as defined by the Wood Procurement Guidelines to 95%
		Continue to consider acquiring Chain-of-Custody (CoC) certification, which verifies that wood products come from certified forests Start working on partial certification of FSC project as a contractor
	Preservation of ecosystems through landscaping	Plant 1.1 million trees a year
		Plant trees under our <i>Gohon no ki</i> landscaping concept in all our ready-built houses newly offered for sale
Resource Recycling	Recycling at factories and construction sites	Reduce factory waste by 2.2% per square meter of floor area shipment from the FY2012 level (Not including waste generated by the new production line for Bellburn ceramic exterior wall tiles)
		Continue to work on establishing an efficient waste management system using information technology
		Reduce waste at new construction sites to 1,200 kg per house (i.e., per 145 m ²)
Others	Recycling at offices	Increase the green purchasing rate to 95%
	Control over chemical substances	Encourage the installation of an Airkis high-quality indoor air system in our major steel-frame house models Promote installation of Airkis in Sha Maison low-rise rental apartments
	Environmental activities by employees	Continue to take electricity-saving measures, especially during the summer and winter seasons

» Do

» Check

» Action

FY2013 Results

See
page(s) Rating

FY2014 Target

75% Although we ended up slightly below the target value, we maintained the FY2012 level.	p.52	○	Achieve 80%
58% Although we ended up slightly below the target value, the number of buildings equipped with fuel cells reached 9,100, up by more than 1,000 from the previous fiscal year.	p.52	○	Achieve 60%
47.9% Although we ended up slightly below the target value, the proportion reached an average of 60% a month from November onward.	p.20 p.51	○	Achieve 60%
We installed 42,278 m ² of window and door insulation, high-efficiency water heaters in 4,397 homes, and photovoltaic power systems in 3,634 homes; we also sold 4,658 sets of energy-efficient bath fixtures. We were able to achieve our target value only for sales of energy-efficient bath fixtures.	p.54	△	Increase window and door insulation updates to 51,000 m ² ; install high-efficiency water heaters in 5,200 homes; install photovoltaic power systems in 4,000 homes; sell 5,000 sets of energy-efficient bath fixtures
87%	—	△	Ensure all our ready-built houses newly offered for sale are certified to be eco-friendly
48% While we were able to increase the number of apartment buildings with a photovoltaic power system to 2,591 (up by 455 buildings from the FY2012 level), we could not reach the target level due to a rapid increase in the number of building contracts.	p.53	○	Achieve 60%
There was an increase of emissions of 4.0% and 1.6% at the production and transportation stages respectively, compared with the FY2012 level.	—	×	Achieve 1.0% and 1.0% reduction in CO ₂ emissions per square meter of floor area shipment at the production and transportation stages respectively, compared with the FY2013 level (Not including the CO ₂ emissions from Asai Factory of Sekiwa Wood Co., Ltd. and the Bellburn production line)
95.6% (fuel-efficient vehicles) and 95.9% (low-emission vehicles) We achieved the target for fuel-efficient vehicles, and almost achieved the target for low-emission vehicles.	—	○	96% (fuel-efficient vehicles) and 98% (low-emission vehicles)
88.0% While the combined proportion of Rank S and Rank A remained almost the same from the previous year, the proportion of Rank S increased by 6 points to 63%.	p.23	○	Increase the proportion to 95% Achieve 70% for Rank S wood
Prior application for the partial certification of FSC project for large-scale residential land was granted for the first time in Japan. (Registration No. SGSHK-PRO-01181)	—	△	—
We planted a total of 1.06 million trees during the year, which brought the cumulative sum of trees planted under the <i>Gohon no ki</i> project (started in 2001) to more than 10 million. We promoted tree planting on a group-wide scale by setting a goal for each business office.	p.23 p.55	○	Plant 1 million trees a year
We planted trees under our <i>Gohon no ki</i> concept in all the ready-built houses offered for sale, including houses offered for sale at Community Visiting Day events.	—	○	—
15.4% reduction from the FY2012 level	—	△	Achieve a 1.6% reduction from the FY2013 level (Not including the Bellburn production line)
We developed and started using an automatic contract generation system.	—	○	Integrate the waste management system among group companies
1,449 kg	p.62	×	Continue to set the target at 1,200 kg
92% The rate remained unchanged from the previous year at 92%, despite our continued efforts to encourage green purchasing.	—	△	95%
The proportion of steel-frame houses equipped with Airkis increased by 2 points from the previous fiscal year to 77.8%.	p.31	○	Promote the installation of Airkis in Sha Maison apartments
We continued with our energy-saving efforts focused on summer and winter time. At our offices and model homes, we reduced energy consumption by 24% in summer and by 19% in winter, compared to 2010 levels.	p.54	○	Continue with energy-saving efforts focused on summer and winter time

Rating: ○ Achieved target △ Did not achieve but came close to target × Unable to make improvements toward achieving target

Social Targets and Actual Performance

» Plan

		FY2013 Target
Major Focus		
CSR Policy and Structure	CSR promotion structure and penetration	Continue group training and e-learning programs to raise CSR awareness
		Implement the PDCA cycle more effectively, focusing on the targets and results of each business site; raise the level of initiatives
	Compliance management	Ensure proper management is in place at each business site. Further enhance compliance awareness among all employees using various tools.
		Continue efforts to develop a work environment where human rights are respected and employees are free to exercise their skills and abilities, under the leadership of business site managers
	Communication with society	Continue to implement the internal control system to the fullest and reinforce our risk management ability
For Our Customers	Customer satisfaction	Communicate with various stakeholders on sustainable lifestyles, using the SUMUFUMULAB (opened in April 2013)
	Safe, reliable, healthy, and comfortable homes	Encourage communication with customers and achieve greater customer satisfaction
		Offer housing incorporating Smart Universal Design to ensure comfortable living, now and always, for residents of all ages
		Promote the SHEQAS original seismic control system to bring greater comfort
		Support safe, reliable, and comfortable homebuilding by effective use of our innovative hands-on learning facilities, such as <i>Nattoku kobo</i> and <i>Sumai no yume koje</i>
For Our Employees and Business Partners	Community development and local culture	Encourage communication with tenants of rental apartments to enhance their satisfaction
	Commitment to employees	Organize Community Visiting Day and Community Fair events in an increasing number of locations to encourage local community building efforts and the continuation of local culture
		Improve employee interview and personnel assessment systems and take other appropriate measures to create a corporate environment where employees feel content and motivated in their work, in line with our Declaration for Human Resource Sustainability
		Create a work environment where female employees are fully motivated in their work and can make meaningful contributions to the company; promote career development options for female employees by increasing awareness of the principle of equal opportunity
		Leverage our pool of diverse human resources by promoting the use of various internal work programs and systems; take immediate measures to increase the number of persons with disabilities employed by the company
For Our Shareholders and the Community	Commitment to partner building contractors and business partners	Ensure best practices in labor management compliance to support working style diversity and work-life balance
	Commitment to shareholders and investors	Encourage the health and safety committees at our business sites to take positive measures to further enhance occupational health and safety
	Housing culture improvement and education support	Ensure full compliance with our Corporate Ethics Guidelines and other rules across all Sekisui House Group companies and maintain good relationships with our business partners
		Ensure an average dividend payout ratio of at least 40% over the medium term, so that we will be able to offer a high dividend yield to our shareholders and maintain sound management on a medium- and long-term basis. The target dividend is ¥36 per share; namely, a ¥18 midterm dividend and a ¥18 year-end dividend.
	Contribution to society	Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community
		Further enhance educational initiatives through our hands-on learning and other facilities and expand workplace visits and teacher-dispatch programs
		Increase the activity level of social action programs through improved information sharing and dissemination
		Disburse ¥20.4 million to 22 organizations, including NPOs, for the 8th round of grant aid under the Sekisui House Matching Program. Take measures to deepen understanding of the program among employees and encourage their participation.
		Support activities that can contribute to creating international and culture-rich communities in Kobe City, through the Kobe Machizukuri Rokko Island Fund charitable trust

» Do

» Check

» Action

FY2013 Results

See page(s) Rating

FY2014 Target

We encouraged employees' participation in CSR activities through e-learning programs featuring our sustainability report.	p.35	○	Continue group training and e-learning programs to raise CSR awareness
We reexamined the targets and results of CSR initiatives in respective areas and took improvement measures. However, we were not able to eliminate discrepancies in performance among business sites.	p.38	△	Implement the PDCA cycle more effectively, focusing on the targets and results of each business site; raise the level of initiatives
All employees made a written oath to comply with our Corporate Ethics Guidelines. We conducted a governance awareness survey and used the survey results as a tool to review our management style.	p.35 p.38	○	Check the compliance management at each business site and raise compliance awareness among employees
Business site managers conducted human relations training sessions involving all employees. To each of our business sites we assigned personnel tasked with addressing problems related to sexual and power harassment; we also conducted training to improve employees' skills in this area.		○	Focus on workplace environment management, including labor management
We started implementing a new operation management system to ensure proper business operations. No major compliance problems were reported during FY2013.		○	Continue to implement the internal control system to the fullest and reinforce our risk management ability
We offered various forums for communication with a wide range of stakeholders to share our vision of sustainable living, including our Zero Emission Center, Sustainable Design Laboratory, <i>Kankan kyo</i> , and SUMUFUMULAB.	p.08	○	Promote further communication with stakeholders
Our customer survey on satisfaction showed that 95.1% of respondents are satisfied with our products and services. We updated the content of our Net Owners Club Kizuna website twice a month to bring the latest information to customers, while also publishing a regular magazine for them. We also conducted questionnaires, analyzed the results, and took improvement measures.	p.37	○	Encourage communication with customers and achieve greater customer satisfaction
We received a total of 10 awards in recognition of our contribution to universal design, including an IAUD Award 2013 for our Doctor Universal Design Lesson.	p.84	○	Offer housing incorporating Smart Universal Design to ensure comfortable living, now and always for residents of all ages
The proportion of Sekisui House homes equipped with SHEQAS reached 87.0%.	p.63	○	Continue our efforts to promote SHEQAS
<i>Nattoku kobo</i> was visited by 32,854 people, and <i>Sumai no yume koje</i> by 93,116 people.	p.05	○	Help homebuyers learn about safe, reliable, and comfortable homebuilding using hands-on learning facilities
We handled the subleasing and management of a total of 526,276 residential units and the occupancy rate reached 96.0%. The MAST Club service for tenants gained a membership of approximately 520,000 individuals.	—	○	Encourage communication with tenants of rental apartments to enhance their satisfaction
We held a Community Visiting Day event twice during the year, involving 134 detached houses and 9 condominium buildings. We also held 58 Community Fair events.	p.57	○	Provide support for community building and preserving local culture
We carried out various activities to foster a corporate culture that strongly reflects our corporate philosophy.	p.33 p.73	○	Implement various measures that will make employees feel content and motivated at their work
We were chosen to be part of the <i>Nadeshiko</i> list by the Tokyo Stock Exchange from the housing and construction industry. We saw a steady increase in the number of married female sales/technical personnel who successfully balanced work and family life/motherhood. The number of female managers increased to 65 within the Sekisui House Group (1.52% of all managers).		○	Support female employees with their career development by improving workplace environments and raising the awareness of employees
24 employees were assigned to a different work category under the Work Category Transfer Program, and 15 employees returned to work under the Retiree Reinstatement Registration Program. The employment rate of persons with disabilities increased to 1.97%, but it is still below the level specified by government guidelines.		△	Promote the use of various internal work programs and systems; take immediate measures to increase the number of persons with disabilities employed by the company
The number of employees taking parental leave increased to 226, while the number of employees using the Shortened Work Hour Program increased to 351. Out of all female employees taking parental leave, 93% returned to work after the expiration of the leave period. Productivity was increased through training programs that encouraged improvement in working styles and work processes.		○	Ensure best practices in labor management compliance to support working style diversity and work-life balance
47 occupational accidents occurred (an increase of 10 cases from the previous fiscal year) along with 10 commuting accidents (an increase of one case from the previous year).		△	Encourage the health and safety committees at our business sites to take positive measures to further enhance occupational health and safety
We checked our subcontractors' operations as part of our internal control activities to ensure that fair business practices were in place. We also held policy meetings twice during the year.	p.37	○	Make sure that all employees in the Sekisui House Group act in compliance with our Corporate Ethics Guidelines
We achieved an average dividend payout ratio of 36.2%. The annual year-end dividend was ¥43 per share, up by ¥15. We invited shareholders to <i>Sumai no yume koje</i> for a hands-on tour and held seminars for investors.	p.75	○	Ensure an average dividend payout ratio of at least 40% over the medium term. The target dividend is ¥50 per share; namely, a ¥25 midterm dividend and a ¥25 year-end dividend.
Our housing seminars attracted 613 participants, while 241 applications were received for our housing webinar. The Real Size Thinking competition for ecological living space design received 214 entries from 47 universities around Japan.	p.71	○	Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community
Student visitors totaled 2,189 at <i>Nattoku Kobo</i> and <i>Sumai no yume koje</i> . A hands-on agricultural program was implemented for elementary school and kindergarten children on the <i>Shin-satoyama</i> grounds. We also continued with other environmental educational programs, including an energy conservation seminar (Houseecology) and "Letters from Dr. Forest."		○	Further enhance educational initiatives through our hands-on learning and other facilities
We purchased 30,394 products made by persons with disabilities, which we used as promotional merchandise. In cooperation with governmental agencies, economic bodies, NPOs, and other companies, we also organized Disabled Persons Week events. We continued our volunteer activities in the Company Forest in Wakayama Prefecture. We have implemented a total of 2,269 volunteer programs, joined by 20,966 employees in total. 7 employees have taken volunteer leave.		○	Increase the activity level of social action programs through improved information sharing and dissemination
The 8th round of grant aid in the Children's Fund and Eco-Fund totaled ¥20.4 million, which was disbursed to 22 organizations. Meanwhile, 102 programs applied for the 9th round of grant aid. The cumulative sum of our aid to these funds has now exceeded ¥100 million. The Momo-Kaki Orphans Fund Program made a 3rd donation (¥12 million). The number of recipients of these funds increased by 460 from the previous year to 3,074.		○	Disburse ¥21.3 million to 27 organizations for the 9th round of grant aid under the Children's Fund and Eco-Fund; take measures to deepen understanding of the program among employees and encourage their participation
We awarded ¥19.7 million to 36 programs during FY2013. The amount of grants we have offered since the establishment of this fund totals ¥385.66 million.		○	Award ¥19.25 million to 33 programs during FY2014

Rating: ○ Achieved target △ Did not achieve but came close to target × Unable to make improvements toward achieving target

Working with Stakeholders for a Better Future

As a company that contributes to society through housing construction and community development, the Sekisui House Group responds with sincerity to meet the expectations of customers and all other stakeholders, creating shared value that contributes to the building of a sustainable society.

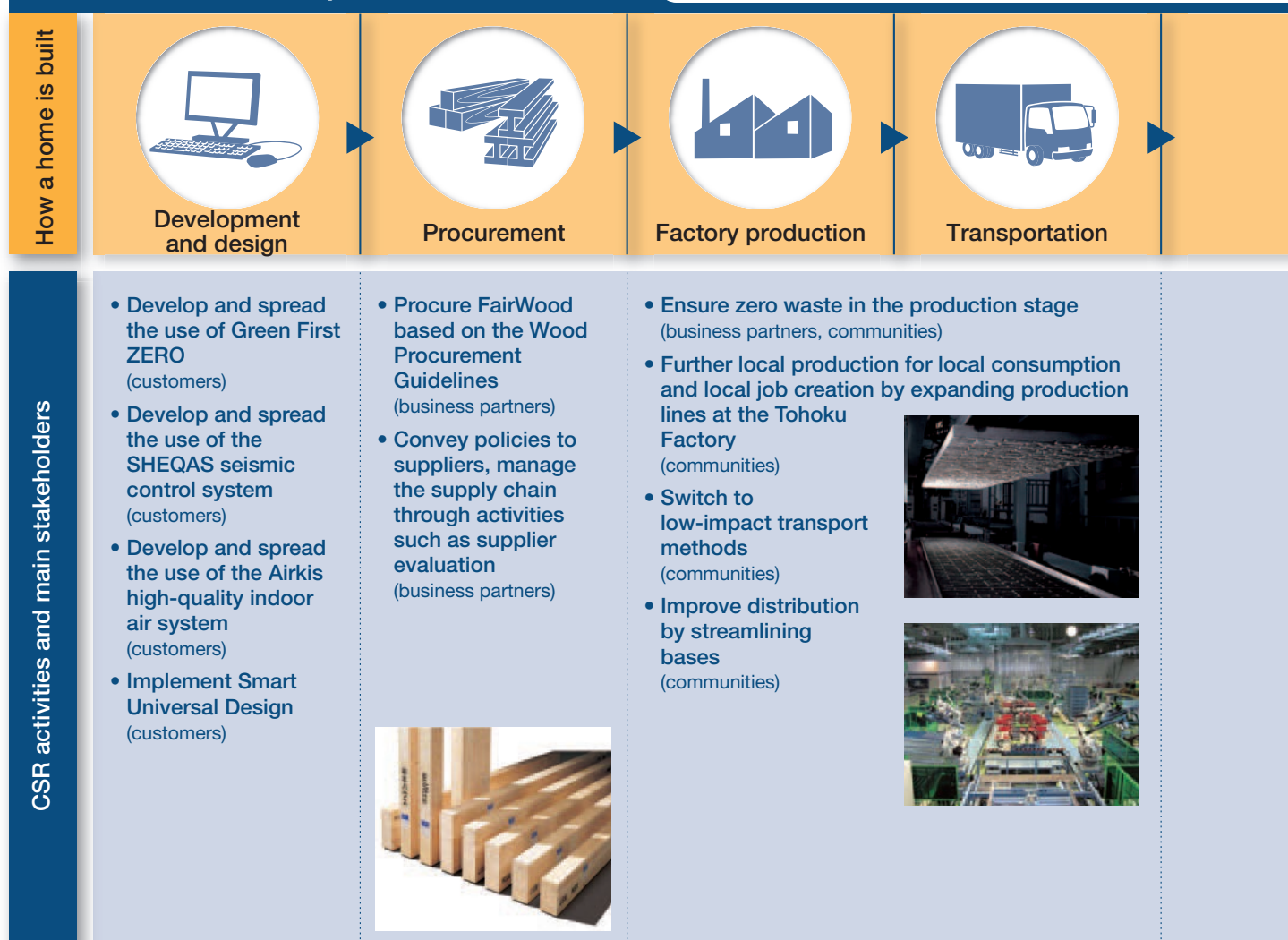
In activity reports number 1 to 8, we detail how we are building the future with our stakeholders.

Sekisui House is a typical BtoC company that listens closely to the desires of customers, an important stakeholder group. Based on our SLOW & SMART brand vision, we make it our mission to provide one-of-a-kind homes that are comfortable, economical, and environmentally friendly. We also strive for a long and fruitful relationship with the customers who choose our homes by having roughly 10% of all our employees work in customer service centers.

The housing industry incorporates many kinds of supporting companies, and building strong ties with these partners is an important part of CSR. We make every possible opportunity for dialog with these partners in order to avoid or reduce negative impacts before they come up in the value chain. Particularly important are our partner building contractors, with whom we are united by a common destiny to achieve sustainable growth.



Sekisui House Group Value Chain



Main Stakeholders and Sekisui House Group's Responsibilities to Them

Main stakeholders	Responsibilities	Actions	See page(s)
Customers	Promote communications with customers under the "customer first" policy to ensure their valuable assets (homes) have prolonged lifespans and are long-beloved; and serve customers with sincerity and integrity to enhance customer satisfaction	- Customer survey - Regular information magazines: <i>Kizuna</i>, <i>Maisowner</i>, and <i>gm</i> - Net Owners Club Kizuna website	05–08 29–32 63–64 Other
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: - Comprehensive Housing R&D Institute - SUMUFUMULAB <i>Sumai no yume koje</i> - Zero Emission Center - Sustainable Design Laboratory <i>Kankan kyo</i> - Housing seminars <i>Life Literacy Book</i>	05–08
Business partners	Strive to conduct transactions on a fair and equal basis and foster amicable partnerships which grow together by achieving customer satisfaction	- Organize network of Sekisui House Association and Sekisui House Partners' Association - Policy meetings - Supplier evaluations	21–28 37
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	- Employee management in line with the Declaration for Human Resource Sustainability - Internal open recruitment - Internal qualifications - Human relations training - Governance awareness survey - Occupational health and safety management system - Mental health management - Sekisui House Group internal magazine: <i>Sekisui House</i>	33–34 73–76
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	- General shareholders' meeting - Business Report and Annual Report - Online IR newsletter - Shareholder special benefit programs	75–76
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 action programs by leveraging our strength as a homebuilder active in the field of housing culture	- Cooperate with Uzo Nishiyama Memorial Library NPO - Support independence of people with disabilities - Cooperate with Kids Design Association NPO - Sekisui House Matching Program - Kobe Machizukuri Rokko Island Fund charitable trust	57–60 71–72
All stakeholders	Create shared value, ensure full compliance and eco-friendly practices, and fulfill our accountability		35–38



- Carry out ecosystem-friendly landscaping through the *Gohon no ki* project (customers, business partners, communities)
- Ensure zero waste during housing construction (business partners, communities)
- Cooperate with partner building contractors to raise quality, support operations, and improve work benefits (business partners)



- Have about 10% of all employees work in customer service centers (customers)
- Ensure zero waste during after-sales maintenance and remodeling (business partners, communities)
- Help build communities through neighborhood bonds (customers, communities)
- Improve service through an interactive HEMS (customers)
- Achieve Long-Term Quality Housing Certification through Sekisui House remodeling (customers)
- Make moving house easier through SumStock and Everloop (customers, consumers)

- Promote recycling (business partners, communities)
- Create recycling support systems (customers)



Spreading Eco-Friendly Green Way to Live in Comfort while

Activity Report

1

Preventing Global Warming



While CO₂ emissions have been falling in Japan's industrial sector, they rose by about 60% between FY1990 and FY2012 in the residential sector. There is an urgent need to reduce CO₂ emissions from the consumer sector, such as households, by making electronics products, air conditioners, water heaters, and lighting more energy efficient.

Through its main business of building homes, Sekisui House is proliferating its Green First initiative in order to help curb global warming.

Past Efforts with Stakeholders

Reducing CO₂ Emissions in Newly Built Detached Houses

Contributing to Global Warming Prevention through Green First Design

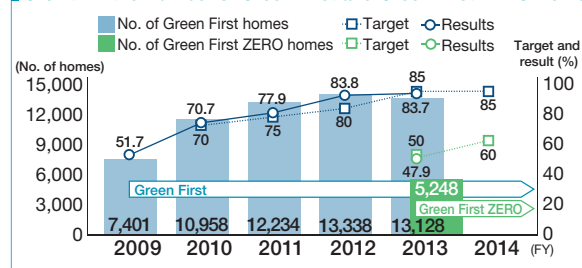
About Green First

Our Green First eco-friendly homes, which we introduced in 2009, are equipped with a highly efficient heat insulation system that meets the Japanese Energy Saving Standard 1999, as well as the latest housing features such as a photovoltaic power system, fuel cells, and a high-efficiency water heater which are combined in a manner best suited to the respective lifestyles, family structures, and site conditions of customers. By bringing the highest level of comfort, cost performance, and environmental friendliness in a well-balanced fashion, the Green First design allows residents to enjoy comfortable lives while reducing CO₂ emissions.

About 84% of new homes we have built are Green First homes. In 2013, we introduced the Green First ZERO model, which uses insulation that is about 30% more efficient than what is required under the Energy Saving Standard 1999. Green First ZERO homes enable energy-neutral living by dramatically reducing energy consumption through the use of the latest energy-efficient equipment and by creating energy through the use of solar power and fuel cells. These homes allow approximately 90% fewer CO₂ emissions compared to conventional housing.

In FY2013, Green First ZERO homes accounted for 48% of Sekisui House's contracted housing. We are aiming to raise this to 60% of detached homes in FY2014 in order to contribute to the creation of a low-carbon society.

Growth in the Number of Green First and Green First ZERO Homes



Future Efforts with Stakeholders

Stepping Up the Green First Eco-Friendly Home Initiative

Global warming is a serious problem, and Sekisui House believes that we have an obligation to reduce the CO₂ emissions originating from the homes that we build. Along with spreading Green First ZERO detached homes, it is also crucial that we make homes on which can be installed large-capacity photovoltaic power systems, which contribute to dramatic reduction of CO₂ emissions. In March 2014, we released a home on which can be installed a powerful photovoltaic power system with a 10-kW-plus capacity. We are also stepping up efforts to educate people about using solar power and reducing CO₂ emissions: we provide training for our employees and offer seminars for the general public.

We strive to build communities of homes that are comfortable

First Homes as a Reducing CO₂ Emissions



We will take positive measures to achieve reduction of CO₂ emissions from residential and industrial sources.

Four Models in the Lineup

Green First

Equipped with a highly efficient heat insulation system that meets the Energy Saving Standard 1999, and either a photovoltaic power system or Ene-Farm fuel cells.



Green First Premium

Equipped with both a photovoltaic power system and Ene-Farm fuel cells, which together bring greater comfort, economy, and environmental friendliness.



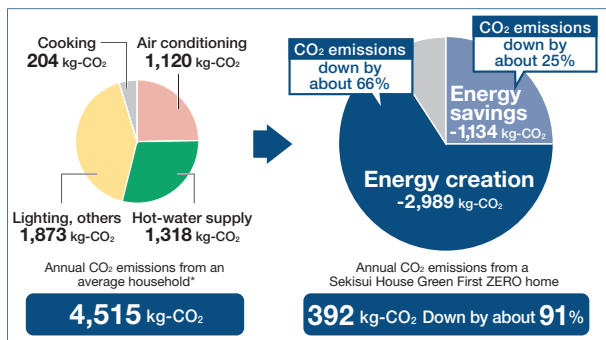
Green First HYBRID

Developed as an upgraded version of the Green First Premium model by adding storage cells. With the world's first housing design that combines three different types of cells, this model meets basic living needs even in the event of an emergency, while ensuring the same level of environmental friendliness as the Green First Premium.



Green First ZERO

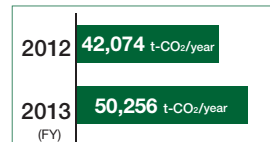
Compared to our Green First model, Green First ZERO offers higher insulation performance and more advanced energy-efficient equipment. Furthermore, it makes possible energy-neutral living and comfort in the home beyond previous models thanks to solar energy and other energy-creating equipment.



*Data is based on a four-person household (consisting of an adult man, a full-time housewife, a high school student, and a junior high school student) living in Tokyo in a house of 135 m² (of which the living, dining, and kitchen space accounts for 32 m²).

Reduction of CO₂ Emissions from Newly Built Sekisui House Detached Homes

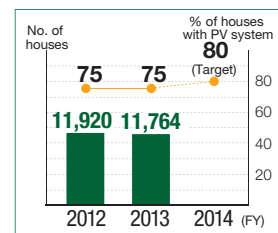
Through the Green First ZERO initiative to reduce annual CO₂ emissions generated through daily life, in FY2013 emission reductions improved by 19% compared to FY2012 levels to 50,256 tons, equivalent to the CO₂ absorbed by 3,582,000 trees.



Equal to the amount of CO₂ absorbed by 3,582,000 trees

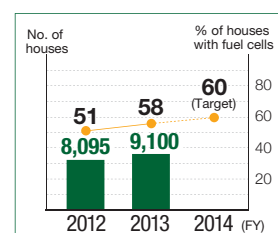
Growth in Sales of Newly Built Detached Homes with Photovoltaic Power Systems

Due to reasons such as growing public interest in natural energy sources, we installed photovoltaic power systems on 11,764 homes in FY2013, about the same level as the previous fiscal year. Thanks to the increasing number of Green First ZERO homes, the power generating capacity per home grew by 8% over FY2012.



Growth in Sales of the Ene-Farm Fuel Cell System

Fuel cells help reduce primary energy consumption in cogeneration systems and increase homeowners' energy self-sufficiency. For five consecutive years, the number of installations has increased, and in FY2013 they grew by 12% over FY2012, being used in 9,100 buildings.



and that help reduce global warming; for example, we are promoting Green First in our ready-built detached homes and Grande Maison condominiums, as well as in our renovation business. In our solar power business, we have entered the megasolar power sector as part of our effort to work with stakeholders and all Sekisui House Group companies in helping curb global warming.

VOICE

Amidst increasingly frequent weather anomalies, it is crucial that society curb global warming through greater use of energy sources that emit fewer CO₂ emissions. Sekisui House has been an early supplier of photovoltaic power systems, and they have installed more Ene-Farm fuel cell systems than any other company. They are the industry leader because they don't just simply offer the latest technologies but also earnestly work to proliferate their use. Their Green First environmentally friendly homes set an outstanding example for the housing industry, not just in Japan but around the world. Through Green First and other such initiatives, I look forward to ever more people enjoying many years of living in green, comfortable homes.



Masayuki Mae, Associate Professor
Department of Architecture, School of Engineering, University of Tokyo



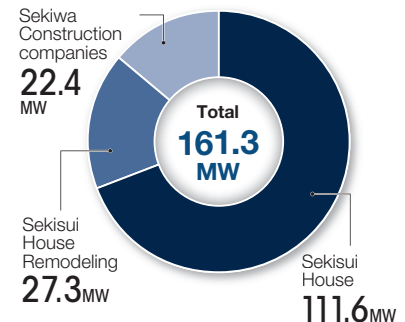
Reducing CO₂ Emissions through the

Using Group Strength to Advance Photovoltaic Power System Business

Total Capacity of Sekisui House Group Photovoltaic Power System Installations Reaches 161 MW in FY2013

Sekisui House and group companies, including Sekisui House Remodeling and Sekiwa Construction, cooperate to advance the photovoltaic power system business, which works to help reduce CO₂ emissions. Along with installations on newly built detached homes and Sha Maison low-rise rental apartments, we have retrofitted homes with photovoltaic power systems, and installed them on the roofs of large buildings such as factories and warehouses, as well as on idle land. In FY2013, we increased photovoltaic power system installation capacity by 161.3 MW, up 87% over the previous year. This is enough electricity to power about 45,000 average homes.

Total Capacity of Photovoltaic Power Systems Installed by Sekisui House Group in FY2013



Increasing Number of Installations on New Sha Maison Rental Apartments

In FY2013, the feed-in tariff system gave a boost to the Sekisui House Group with regard to its installation of photovoltaic power systems on Sha Maison apartments. Total capacity was 26.9 MW (up 96% from the previous year), and the ratio of Sha Maison Green First models to all Sekisui House rental apartments was 47.8%. The total installation capacity on newly built detached houses was 45.0 MW, up 18% from the previous year.



Fixed-installation solar panels



Roof tile-integrated solar panels

Megasolar Power Systems at Sekisui House Factories Begin Operations

The megasolar power systems installed in spring 2013 at all five Sekisui House factories in Japan have begun operating. The systems' total capacity is 6.7 MW. The amount of electricity generated is constantly monitored and can be checked in real time, along with the amount of CO₂ reduced, on the Sekisui House website.* In FY2013, our factory megasolar power systems generated a total of 5,488 MWh.

*<http://www.sekisuihouse.co.jp/megasolar>

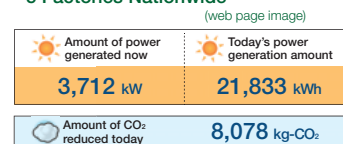
Expanding Mid-Scale Solar Projects



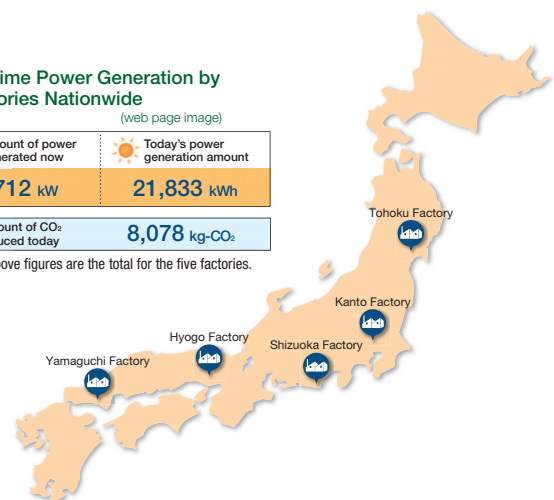
A mid-scale solar project makes effective use of idle land

At Sekisui House, we refer to a photovoltaic power system that has a capacity exceeding 10 kW as "mid-scale," and we are cooperating with Sekiwa Construction companies in promoting projects involving such systems. Idle land and the roofs of factories, commercial buildings, and warehouses provided space for installing a total of 43.7 MW in FY2013.

Real-Time Power Generation by 5 Factories Nationwide



Note: The above figures are the total for the five factories.



Sunshine Energy Yusui Project

Sekisui House is constructing a 25.8 MW megasolar power plant in Yusui Town, Aira District in Kagoshima Prefecture, Japan. The plant, named Sunshine Energy Yusui, will have a total of about 86,000 solar panels installed on a site area of roughly 136 hectares. Construction work is steadily underway, with operations slated to begin in 2015.

Collective Power of the Sekisui House Group

Various Efforts Aimed at Creating and Saving Energy

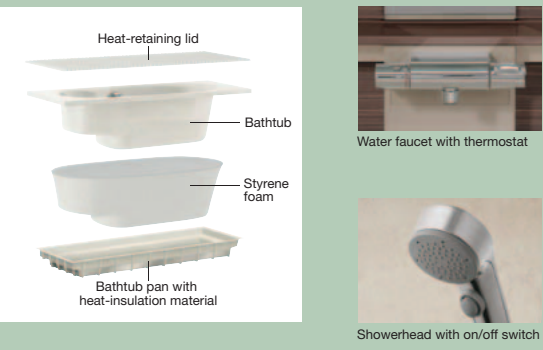
■ Creating and Saving Energy through Green First Remodeling Projects

Sekisui House Remodeling offers owners of our houses a remodeling service to ensure their homes are comfortable, economical, and environmentally friendly. Photovoltaic power systems, high-efficiency water heaters, window and door insulation, and other remodeling features enable energy creation and energy savings in the home.

Notably, FY2013 saw an increase in energy-efficient bath fixture remodeling, which involves installing a set of three energy-saving devices: a bathtub with higher thermal insulation, a water faucet with a thermostat, and a showerhead with an on/off switch. We completed 4,658 remodeling jobs—an increase of 33% over the previous year.

The company's remodeling proposal has been chosen as a housing/building energy-saving remodeling project for FY2013 by the Japanese government, and we are pushing forward with making houses more energy-efficient and barrier-free (see p. 63). We are also keeping up our original long-term quality housing support program to increase the number of Green First Remodeling houses.

Energy-Efficient 3-Device Bath Fixture Set



■ Grande Maison Komae, an Energy-Creating Green First Condominium

The 524-unit Grande Maison Komae—located in Komae City, Tokyo—is Japan's first condominium to have a solar thermal gas water heater system and a gas cogeneration system. This double energy-creating system provides comfort, economic efficiency, and environmental friendliness. The building also has in place disaster preparedness measures, and it is the first condominium to be certified as Tokyo LCP (Life Continuity Performance) Housing by the Tokyo metropolitan government.



Around the entrance

VOICE Well-Thought-Out Measures Ensure Comfort

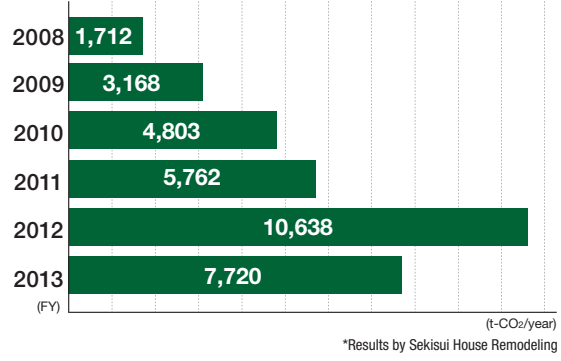
By installing insulation in the attic and the walls and switching to double-layered window glass, it's cooler in the summer and warmer in the winter. We also installed a photovoltaic power system. We are satisfied with the well-thought-out remodeling, including the switch to sliding doors in case we need to use a wheelchair in the future.



Mr. and Mrs. O, Kanagawa Prefecture

Remodeling options for energy creation and energy savings	Results for FY2013
Photovoltaic power system installations	3,634 cases
Energy-efficient bath fixtures	4,658 sets
Window and door insulation	42,278 m ²
Eco-Jozu (latent heat recovery gas water heater system)	3,472 units
Eco-Cute (CO ₂ heat pump water heater system)	925 units

CO₂ Emission Reductions through Energy-Creating, Energy-Saving Remodeling*



■ Ongoing Efforts in the Workplace to Reduce Electricity Consumption during Summer and Winter

Since 2011, the Sekisui House Group has been striving to save electricity during the peak seasons of summer and winter. We continued these efforts in 2013 at all company offices and model homes, with the goal of surpassing the electricity saving rate set by electric power companies. As a result, we achieved a 24% reduction during summer and a 19% reduction during winter (preliminary figure), both compared to FY2010 levels. Awareness of energy savings has taken root across the entire group and we are making steady progress.

In May 2014, in an effort to share electricity-saving awareness with customers, we recommended growing bitter melon vines as a "green curtain" creating natural shade for the home.

Gohon no ki Project Reaches

Activity
Report

2

Restoring Ecosystems



It is said that it takes at least a decade for an ecosystem to return to its original state. In restoring ecosystems, tangible results are hard to see and economic benefits are not immediately visible. That is why we need a biodiversity action plan that enables ongoing efforts over the long term. Sekisui House has placed the *Gohon no ki* landscaping concept, which draws inspiration from the *satoyama* environment, at the root of our exterior construction business since 2001. We have also been creating gardens and community environments that give consideration to biodiversity.

We believe there's more to creating a sustainable society than simply planting trees; we also need to consider the quality of those trees, plan a biodiversity project centered on indigenous species, foster biodiversity specialists, and maintain an ongoing approach.

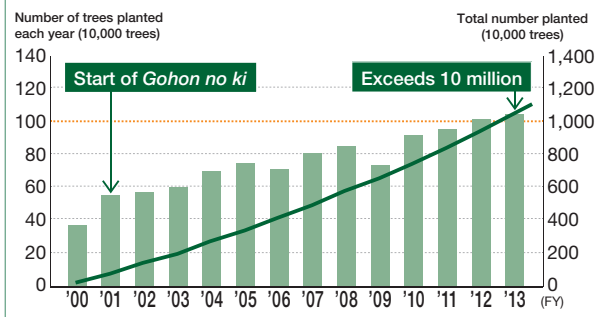


GE training (soil improvement)

Past Efforts with Stakeholders

Extending *Gohon no ki* from a Single House to the Entire Community

Number of Trees Planted Each Year and Total Number Planted



Sekisui House believes a good home is complete only when a house and a garden come together as an integrated whole. That is why we formulate an outdoor facility/landscaping plan together with the design of the house and implement the *Gohon no ki* concept when creating gardens for detached houses and community environments for large condominium projects. This concept is given form in our rental housing as well, as the Sha Maison Gardens, where both owner and tenant can benefit from beautiful greenery. The *Gohon no ki* concept is the underlying principle for the exterior planning of Sekisui House's condominium development projects as well.

Thanks to positive responses from our customers, on December 31, 2013, the *Gohon no ki* project reached the milestone of 10 million trees—the number planted since 2001, when the project was launched. The annual number of trees planted first reached one million in FY2012, with this number growing to 1.06 million in FY2013.

We will lead the housing industry in its biodiversity efforts, as we extend the *Gohon no ki* concept from single houses to the entire community and to society.

Future Efforts with Stakeholders

Developing Green Specialists to Make the World Greener

To maintain the 10 million trees planted so far and to further increase the amount of greenery, we need to boost the skills of employees in charge of exterior construction work. Sekisui House has a system for developing greenery specialists called Green Experts (GE). As well, the company conducts high-level training.

In 2013, 20 people were certified as GEs, and they now play an active role across the nation. This brings the total number of GEs within the Sekisui House Group to 65, of which 14 are officially certified as arborists. This number is among the largest for a single corporate group in Japan. GEs do more than simply add greenery to urban environments; they also work to achieve a high level of greenery that takes Sekisui House's concept of biodiversity into consideration.

10-Million-Tree Milestone



We will continue our concerted efforts toward restoration of ecosystem networks.

Garden Tree Select Book Revised



The *Garden Tree Select Book* is a booklet filled with photos describing the relationship between plants, birds, and butterflies. We revised the booklet to provide readers a fun approach to a SLOW & SMART way of life. It now contains an augmented reality (AR) feature, in which readers scan information embedded in photos and then access videos.



AR enables watching videos

Gohon no ki Wild Birds Website Smartphone Version

The mobile phone website was revised to enable access via a smartphone. Users can learn about nature and the environment in a fun, entertaining way.



Smartphone site

- 24 bird species (including birdcalls)
- 24 butterfly species
- 92 tree species

Access

<http://5honnoki.jp>

Making More Sha Maison Gardens

Sha Maison Gardens is based on five new environmental indices: (1) harmony with the townscape, (2) preservation and regeneration of the natural environment, (3) low environmental impact, (4) design that enhances comfort, and (5) design that brings safety and peace of mind.

Design proposals for exterior construction work are made in conjunction with the overall building design, in line with the *Gohon no ki* concept. Rental housing with lush greenery enhances the living conditions of the tenants, while the owner can minimize vacancies, prevent a decline in rent, and boost asset value. In this way, Sha Maison Gardens is contributing to the increasing number of planted trees.

VOICE



I love plants, so I try to convey the benefits of greenery to owners in a concrete way. Having plants and trees nearby hones our senses to the change of seasons. It feels good to feel the sunlight filtering through the leaves. You can feel the joy of seeing flowers bloom, smell their various scents, and see birds and insects gather around.

Plants and trees give us added value in our daily life. By talking about such benefits, the owners' and tenants' fondness for plants and trees grows and their negative outlook on having to care for the trees and to deal with pests changes as well. They become aware of the benefits of a rich lifestyle brought about by plants and trees. I hope to make communities even greener and create an environment that's comfortable for both tenants and everyone else in the community.



Hiroshi Kurokawa
Exterior Designer,
Sekisui Construction Kanagawa

Making Multistory Urban Dwellings Green

Three or four-story housing is growing in demand as more and more people seek ways to make effective use of their land or to adapt to changing lifestyles. Many urban housing premises have no extra space for planting trees and struggle with greening planar surfaces. To solve this problem, Sekisui House proposes greening the vertical planes of houses, such as the walls, so that residents can enjoy the views and the soothing effects of greenery even on upper floors.



A model home in Shibuya, Tokyo, with wall greening

Wall of Hope Completed

In response to an idea from renowned architect Tadao Ando, Sekisui House built a gigantic green monument called the Wall of Hope. It was completed in October 2013 in Shin-Umeda City in Osaka, where our head office is located. Measuring 9 meters high and 78 meters in length, this wall is carefully covered with about 100 species or 20,000 plants, trees, and flowers. Our wish is that, together with the *satoyama* garden on the same premises, the Wall of Hope will grow to be a popular attraction for visitors and locals alike.



The Wall of Hope and the
Umeda Sky Building

Building Self-Supporting Beyond Energy Sustainability

Activity
Report

3

Building Local Communities



A safe and secure community is what everybody wants. The Great East Japan Earthquake reminded us of the importance of community bonds and mutual support during times of disaster or misfortune. Sekisui House has been developing community projects called Common City, in which residents can share common values. We are advancing this initiative even further, as we reaffirm the importance of community building.

Past Efforts with Stakeholders

Advanced Technologies and Community-Building Support



Green First HYBRID homes, which employ three types of power supply cells, surround the cul-de-sac. Even during a blackout, this space can be lit up. In times of emergency, the open space serves as an evacuation site for residents.

Japan's First Smart Town— Smart Common City Akashidai— Is Now Home to 153 Families

Smart Common City Akashidai (located in Tomiya Town, Kurokawa District, Miyagi Prefecture) is a community of smart houses that are furnished with state-of-the-art technologies for saving, creating, and storing energy and resisting earthquakes. Here in Japan's first "smart" town, sales of houses and lots began in February 2012. The town is designed to achieve self-sufficiency in energy and to serve as a disaster response base during emergencies.

To develop comfortable living environments and strengthen disaster preparedness and crime prevention, it takes more than just technology; it requires building a self-sustaining community. Sekisui House supports community events that facilitate the development of neighborhood bonds, but the residents' association plays the leading role. Sekisui House backs up the events by assisting in planning, making preparations, and covering costs. With the help of the local municipal government, fire department, and the local JA (Japan Agricultural Cooperative), our community building is an integrated effort that involves the entire local community.

Future Efforts with Stakeholders

Strengthening Community Bonds Is Necessary for Business Continuity

Smart Common City Akashidai is home to 568 people in 153 households (as of February 28, 2014), but is still only halfway to being a full-scale community. Sekisui House's plans at present are to make a town of 2,600 people in 699 households.

Strengthening community bonds is essential if we are to continue our business and to make a town that is loved not only by the residents but also by others in the local region. The key player in this effort is the residents. Sekisui House will continue its activities supporting residents in making their community one that is cherished by everyone; one that, in the event of a disaster, provides aid to residents in surrounding communities and that can expect the same in return.

“Smart Town” Communities That Go

Supporting Community Resident Events

Community Events at Smart Common City Akashidai in FY2013

① **Onion harvesting, June 2**

Co-sponsored by the JA, onions were harvested on a rented field.

② **Flower arrangement class, June 23**

③ **Fall festival, July 15**

The fee for making the *mikoshi* (portable shrine) was provided by the Sekisui House association of construction companies and the residents' association.

④ **Potato digging, August 21**

Co-sponsored by the JA

⑤ **Disaster drill, September 1**

Assistance from the Tomiya Branch of the Kurokawa Fire Department

⑥ **Potato stew get-together, November 12**

Co-sponsored by the JA

⑦ **New Year rice-pounding festival**

196 people from 59 groups participated.



bond-building events.

When holding these community events, Sekisui House makes sure that the dates do not coincide with school vacations or events, so that as many people as possible can participate. Sekisui House's Sendai Kita branch, which is in charge of the design, selling, and management of Smart Common City Akashidai, handles the planning and running of these events.



Sekisui House shares the wishes of the residents in making their community a cherished one, in which members can share values such as an attractive townscape, the healthy growth of their children, fond memories, and an attachment to where they live. Residents who have experienced the earthquake know in their hearts what is necessary in times of such disasters. That's why many of them eagerly come together to participate in neighborhood

VOICE

Making Steady Progress in Building a Community Focused on Neighborhood Bonds

I rate Sekisui House highly for their decision to start in 2010, ahead of the Great East Japan Earthquake, on a community development project that took disaster preparedness into consideration. Thanks to Smart Common City Akashidai, the town of Tomiya has become a place where people affected by the tsunami have come to settle. Our population is steadily rising, and Tomiya is sure to be given city status in two years.

Smart Common City Akashidai has become a lively and vibrant center in the Tomiya area. The fact that in April 2014, the 45th residents' association in our town was established in Smart Common City

Akashidai means that community building with an eye to creating neighborhood bonds is steadily making progress.

More than anything, I am delighted that Sekisui House's Smart Common City Akashidai project is, in itself, a valuable post-earthquake reconstruction effort and that I hear words of high satisfaction from the residents. Tomiya town is working to invite more such community projects in the area, and I look forward to Sekisui House's understanding and support in the future.

Hidetoshi Wako, Mayor of Tomiya



Supporting Local Culture and Spreading

The Ritz-Carlton, Kyoto—Environmentally Friendly and Blending in with the Local Landscape

The Ritz-Carlton, Kyoto opened in February 2014.

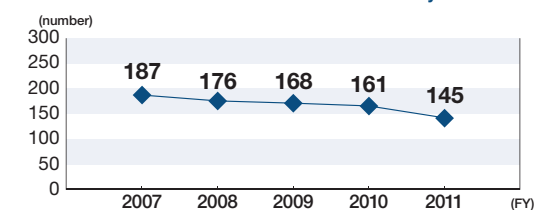
Sekisui House led the project in developing this luxury hotel in Kyoto, an international tourist destination.



In an increasingly globalized world, international conferences play an important role in making global decisions in the political, economical, and academic arenas. Unfortunately for Kyoto, the number of such conferences held in the city has declined in recent years. One reason for this is the limited number of five-star luxury hotels suitable for hosting major international conferences. The Ritz-Carlton, Kyoto hopes to solve this problem.

Built on the banks of the scenic Kamogawa River in an area close to the famed sightseeing spots of Kiyomizudera temple and other notable places of interest, this five-star hotel is considered an ideal venue for international conferences. The hotel also aims to become a place where overseas visitors and the citizens of Kyoto can enjoy fruitful exchanges.

Number of International Conferences Held in Kyoto Prefecture



Definition of international conference:

A conference hosted by an international authority or organization or a national authority or organization, and one that fulfills the following conditions:

- Number of participants is 50 or more
- Number of participating countries is three or more (including Japan)
- Duration is at least one day

Source: Kyoto Convention Bureau

Exterior Design Harmonizes with the Surroundings

With Sekisui House as the primary contractor, the Ritz-Carlton, Kyoto was built on the former site of the Hotel Fujita Kyoto, on an area covering roughly 5,940 m². The new hotel opened in February 2014, boasting 134 guestrooms and a floor area of 24,600 m².

The city of Kyoto has strict architectural regulations for preserving an aesthetically pleasing urban landscape. To comply with the city's height limit for buildings, Sekisui House built about half of the hotel's facilities underground. We took great care in minimizing any sense of being underground by letting in natural sunlight—this was achieved by eliminating the ceilings in certain multi-floor sections—and by creating an areaway with a waterfall.

The building exudes a sense of traditional Japanese architectural design, seen in such features as overlapping roofing and an echelon formation for rooms. It also has a courtyard to minimize the impact on surrounding buildings. By fusing Japanese tradition and modern Western style, the hotel's design blends in naturally with the historic surroundings.



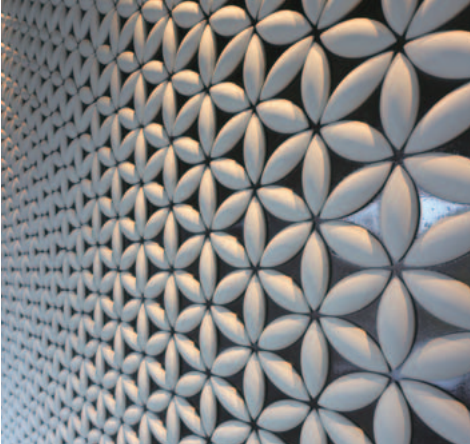
Exterior design based on Japanese traditional architecture

Japanese Culture Worldwide

Cloakroom decorated with *nishijin-ori* tapestry



Lobby wall fitted with white tiles



Guestroom door featuring a traditional Japanese pattern



Outline

- Location: Nakagyo-ku, Kyoto
- Site area: 5,937.28 m²
- Floor area: 24,629.66 m²
- 5 stories above ground, 2 stories underground; reinforced concrete, steel-reinforced concrete (portion)
- Guestrooms: 134



Lobby lounge with a Japanese flavor



Inside La Locanda (Italian restaurant) is a restoration of the Ebisugawa Residence



Environmentally Friendly

Various materials and environmental technologies are used to make this hotel environment-friendly. One example is the use of well water, a low-impact material, as a refrigerant in the air conditioning system. Another example involves the release of water used to treat heat sources into grey water channels rather than into the sewage system, in order to lessen drainage volume into the sewers.

From the lobby and guestroom windows, visitors can enjoy scenic beauty and vegetation in all four seasons. The building and garden harmonize as one, bringing to mind Sekisui House's concept of "slow living," whereby indoor and outdoor areas blend seamlessly together.



These stones were used in the Hotel Fujita Kyoto

Transferring a Historical Property

The Ebisugawa Residence, which was located on the former premises of the Hotel Fujita Kyoto, was a high-grade construction from the Meiji era in the *shoinzukuri* style of traditional Japanese architecture. It was owned by Denzaburo Fujita, a prominent figure in the Japanese business world. A portion of this historical building was transferred inside the hotel's Italian restaurant. The residence's building components, such as zelkova timber, gold ornaments, and earthen walls, which are hard to come by these days, have been reused to bring further appeal to the hotel.

Kanji Nomura, a garden designer who created the Japanese garden at Expo 2005 Aichi Japan, supervised the hotel's garden designs.

Sekisui House and the Ritz-Carlton Hotel Company, LLC are contributing to the local community through the construction of this luxury hotel, so that it can match the historical ambience of Kyoto, an international tourist destination. It is our hope that the hotel will be loved by generations to come and will add new value to Kyoto, as a base for spreading Japanese culture worldwide.



An old stone lantern transferred to the hotel entranceway

Building a Recycling-Oriented Society Making Houses Last Longer

Activity
Report

4

Building a Recycling-Oriented Society



The Sekisui House Group has numerous construction products underway at various locations around Japan. We manage construction waste from those sites at an advanced level, and we are enhancing our risk management efforts in dealing with inappropriate waste disposal.

We strive always to minimize waste generation. Regarding the waste that is an inevitable byproduct of construction, we consider it our social responsibility to use it effectively and recycle it as new resources. As such, we conduct zero-waste activities and have other systems in place for resource recycling.

We also ensure our homebuilding projects consume a minimum amount of limited resources by prolonging the lives of our houses, remodeling houses to address changes in homeowners' lifestyles, and renovating existing houses.

Past Efforts with Stakeholders

Selecting the Best Available Technology from an Economical Perspective

Effective Use of Limited Resources

The Sekisui House Group leads the industry in properly managing the waste that is an inevitable byproduct of construction. We ensure compliance and minimize risks associated with illegal dumping by operating our own waste disposal management system. This includes dealing with waste from the demolition process, improving the functions of our electronic manifest system, and streamlining procedures needed for complying with environmental laws and regulations.

With the concerted efforts of the entire Sekisui House Group, we have achieved zero waste* at each stage of the housing process; namely, production, construction, after-sales maintenance, and remodeling.

We have also stepped up our initiatives in building a recycling-oriented industrial system; for example, by developing products made from recycled materials and introducing a system for measuring and controlling the amount of waste using IC tags.

By considering factors such as the optimum use of materials, we are making steady progress in an economically feasible way. In the future, we will strengthen efforts conducted jointly with our suppliers and build a network for the effective use of resources.

*Sekisui House defines "zero waste" as eliminating waste sent to landfill disposal as well as eliminating waste incineration that involves no heat recovery.



Ritto Resource Management Center

Future Efforts with Stakeholders

Reducing Waste when Building Low-Rise Rental Apartments

In February 2013, Sekisui House began incorporating into newly built low-rise rental apartments plasterboards and ALC floorboards that were processed beforehand at our factories. This has enabled shorter construction times and reduced waste at construction sites. We will work on making further improvements to our construction methods to achieve even greater waste reductions.

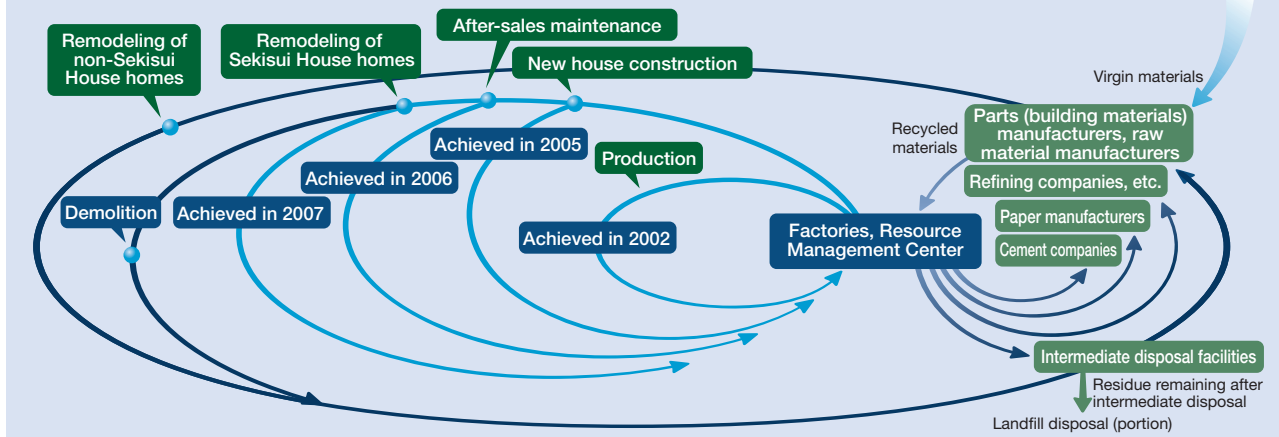
For the future, Sekisui House plans to apply these construction methods to other housing models in order to reduce construction time and waste and even to solve shortages in construction workers and save on resource consumption.

Industrial System Aimed at

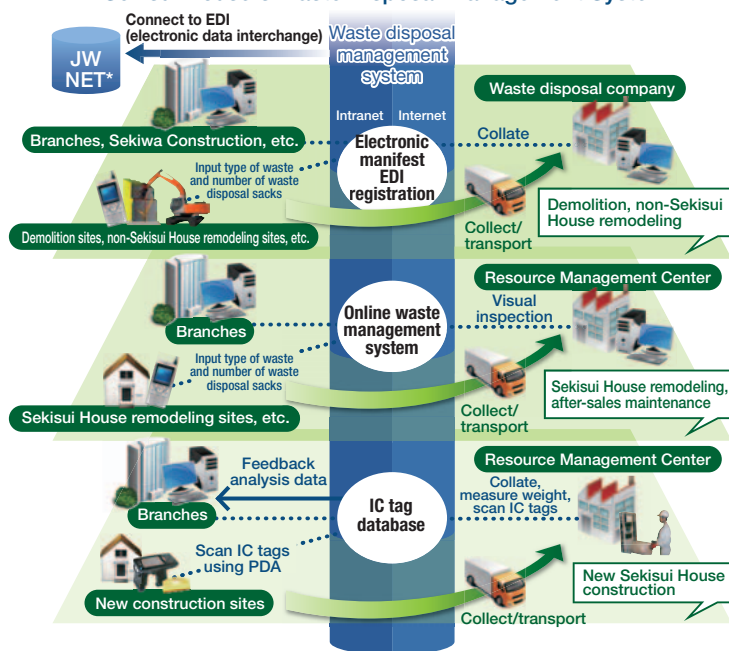


We will promote resource recycling to the fullest extent.

Recycling-Oriented Industrial System and Sekisui House's Progress in Achieving Zero Waste



Sekisui House's Waste Disposal Management System



*JW-NET is an electronic manifest system operated by the Japan Industrial Waste Information Center, as stipulated by the Japanese Waste Management Law.

Developing Products Made from Recycled Materials

In order to reduce waste and make effective use of recycled materials, Sekisui House has developed these environmentally friendly products:

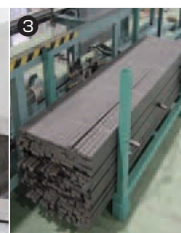
- ① Field chalk, made by mixing waste plasterboard with egg shells that have been washed and dried;
- ② Vibration-absorbent flooring that uses pulverized waste roof tiles as filling material;
- ③ Housing building components (battens for holding roof tiles) made from waste resin.



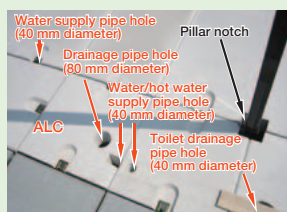
Field chalk



Vibration-absorbent flooring



Battens for holding roof tiles

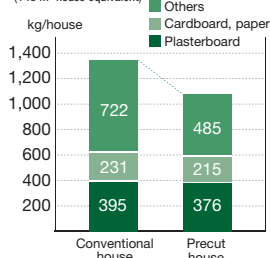


Pre-processing of piping holes in flooring

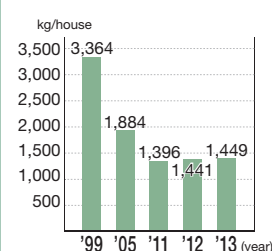


Installing a precut piece of plasterboard as boundary wall for an attic

Comparison of Waste Volume in Precut Houses and Conventional Houses (145 m² house equivalent)



Waste Volume per Newly Built House (145 m² house equivalent)





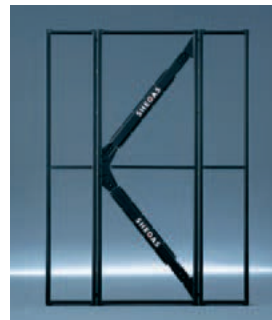
Delivering “Comfortable Living—Now and Always” through Higher Quality and Longer Life

Hybrid SHEQAS Brings an Even Higher Level of Earthquake Resistance

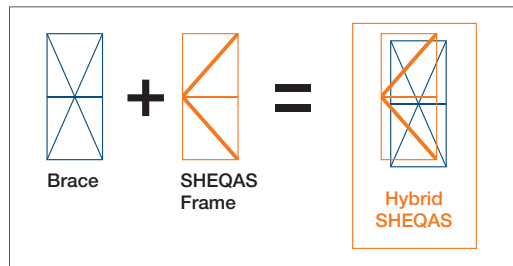
Our houses employ earthquake-proof, seismic-control, and seismic-isolation designs to give them strong structures that withstand earthquakes. Of special note is SHEQAS, our innovative seismic control system accredited by the Ministry of Land, Infrastructure, Transport, and Tourism.

SHEQAS converts seismic wave energy into heat energy to absorb building movement, and it can reduce building deformation by approximately 50%. It gives houses the strength to withstand repeated earthquakes.

We also developed Hybrid SHEQAS, a structural component that combines a steel-frame brace with a SHEQAS Frame (a Sekisui House original seismic control wall). We began incorporating Hybrid SHEQAS into two of our main steel-frame house models in October 2013. Hybrid SHEQAS maintains its seismic-control capability while enabling a high degree of flexibility in the design and layout of rooms—for example, in making larger windows and doors.



SHEQAS seismic control system



Structure of Hybrid SHEQAS

Receiving Grants for Energy Saving Remodeling

A remodeling proposal by Sekisui House Remodeling was chosen as a housing/building energy-saving remodeling project for FY2013 by the Japanese Ministry of Land, Infrastructure, Transport, and Tourism. The Japanese government covers one-third of the costs incurred by private companies when they remodel houses into energy-efficient, barrier-free, or earthquake-proof ones. By so doing, the Japanese government is pushing forward with a policy of improving the energy efficiency and other aspects of existing homes and other building stock. To receive grants, one of three types of energy-saving remodeling work is mandatory. Grants are also provided for additional non-mandatory barrier-free remodeling. Under this subsidy program in FY2013, Sekisui House Remodeling performed remodeling work on 277 houses across the country.

Using iPads to Offer Meticulous Support

Customer service centers in 100 locations (operated by 30 offices) around Japan provide after-sales support in the form of house repair work, remodeling, advice on housing issues, and other ways of meeting the various needs of homeowners.

In May 2013, an iPad tablet PC was supplied to each customer service center staff member as a tool to aid in giving customers easy-to-understand visual explanations of after-sales services. As a result, less time is needed for paperwork and more time is spent face-to-face with customers. In addition, the work schedules of each staff member are shared within the organization, resulting in speedier responses to customer inquiries and requests.

In times of emergency, these IT tools will be used to confirm customers' safety and the degree of damage to buildings, thus contributing to smooth post-disaster reconstruction efforts. We will step up our iPad support system so that customers can live in their homes in comfort over the long term.

Sekiwa Construction Meets Various Needs

The Sekiwa Construction Group, comprising 20 companies across Japan, is a group of construction companies under the auspices of Sekisui House. Through remodeling, construction of wooden-frame housing, exterior construction work, and other businesses, Sekiwa Construction is building homes that save energy and contribute to curbing global warming. A high level of technical expertise, know-how, and a nationwide network enable Sekiwa Construction to reliably support our customers.

Type	Energy saving remodeling		Barrier-free remodeling
	Mandatory	Non-mandatory (option)	Non-mandatory (option)
A	Insulation on windows in all rooms + Insulation on ceiling for entire house	Wall insulation	Handrails
	Windows in all rooms	Floor insulation	Even floor level
	Insulation on windows in all rooms + High-efficiency water heater	Floor heating system + Floor insulation	Widening doorways, hallways, etc.
B	Insulation on all windows in living room, dining room, and kitchen + High-efficiency water heater	Insulated bathtub	Elevator
	All living room/dining room/kitchen windows		
C			
Max grant amount*	500,000 yen/house		250,000 yen/house

*500,000 yen/house for energy-saving remodeling plus 250,000 yen/house for barrier-free remodeling, for up to a total of 750,000 yen/house

Long-Lasting Homes

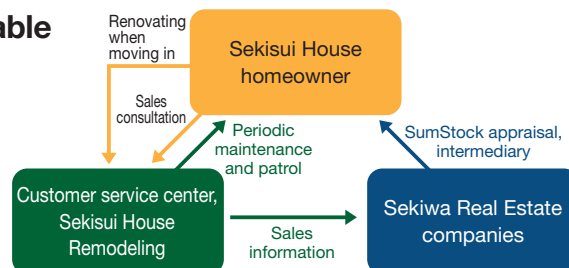
Bringing Quality Housing Stock to Market

■ Making Quality Housing Stock Widely Available

There is a growing need for society to shift from a “flow” type society of mass production, mass consumption, and mass destruction to a “stock” type society, in which valuable social capital is shared over the long term.

The Sekisui House Group has long been committed to raising the quality of housing and extending its service life. That is why we actively participate in the Provision of Quality Housing Stock Association, an organization that aims to revitalize the circulation of high-quality housing stock and create a well-organized market for reselling homes. The association was established in July 2008 with nine housing manufacturers, including Sekisui House. It is now a group of 10 companies, headed by Sekisui House Chairman Isami Wada.

The association has created a definition for high-quality housing stock, which it terms “SumStock”. Under a new appraisal method adopted by all member companies, SumStock salespersons certified by the association handle appraisal and sales of used houses. A house’s basic structure (“skeleton”) and its interior furnishings and facilities (“infill”) are assessed separately, and the value of the building and the land are indicated separately. Through this unique system, the association is working to bring a

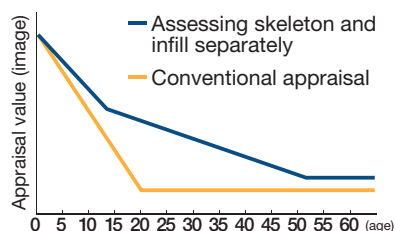


greater number of high-quality SumStock houses to market.

The Sekisui House Group supports the SumStock initiative by using our own housing history information system—which corresponds to the Long-Term Quality Housing Certification Program in Japan—and by having customer service centers, Sekisui House Remodeling, and Sekiwa Real Estate companies work together. We employ 280 association-certified SumStock salespersons who work to promote the adoption of SumStock houses. In FY2013, we assessed 455 houses and made sales contracts for 181 houses.

A House's Value Is Assessed Properly through SumStock Appraisal

According to conventional housing appraisals in Japan, the value of a 20-year-old house is virtually zero. By contrast, a SumStock appraisal defines the service life of the skeleton to be 50 years and the infill to be 15 years. Making separate appraisals for each, it allows a fair and accurate assessment of the building's value to be reached.



VOICE

Appraisal Was Clear and Convincing

When it came to selling the house we'd been living in for 15 years, we contacted Sekiwa Real Estate. We often see flyers from real estate agencies that only show the total appraisal value. We were unsure of the appraisal criteria on those flyers and that worried us. But a SumStock appraisal was detailed in terms of assessment items and very clear. They properly assessed things such as the floor plan and insulation, and they made us feel safe in selling our house. And we would like to say thank you to Mr. Watanabe at the customer service center for helping us to keep our house in top shape.

Mr. and Mrs. M, Chiba Prefecture



What Is a SumStock House?

(Source: Provision of Quality Housing Stock Association website)

- 1 One for which historical data is available in order to conduct appropriate maintenance. One that is covered by—and maintained in accordance with—a program that prescribes maintenance and repair for 50 years or more (i.e., a long-term maintenance/repair program).
- 2 One that has a certain level of earthquake resistance and that has been maintained according to the long-term maintenance/repair program.

- 3 Other houses that fulfill the above conditions.



■ Enhancing the Value of Houses through the Everloop Home Repurchase Program

Under the Everloop program, we repurchase existing Sekisui House homes from homeowners, renovate them using our proprietary technologies, and then offer them for resale. To ensure the safety and reliability of homes offered under this program, Sekisui House personnel are in charge of the entire process, from appraisal of the house to relocation of the homeowner.

The Japanese government recently announced a taxation

reform to reduce the registration license tax pertaining to the resale of renovated houses. This is expected to spur efforts in the housing industry to extend the life of housing.



Sekisui House Revitalized Homes

Providing Housing That Offers Living Environments

Activity Report

5

Coping with Changes in Social Structure



In a rapidly aging society with a declining birthrate, it is crucial that we secure housing for the elderly that can facilitate the delivery of services in coordination with outside health and nursing care providers. In 2012, Sekisui House launched CELEBLIO, the Japanese housing industry's first assisted living complex model. By making use of our 30-plus years of experience in rental housing management and by supporting enhanced coordination with health and nursing care providers, these homes enable residents to live rich and fulfilling lives. Thanks to the availability of grants and tax benefits, building such homes has become an attractive option that provides an effective and socially responsible way to utilize land.

Past Efforts with Stakeholders

Contributing to Local Communities through Land Utilization

Housing Where the Elderly Can Live with Peace of Mind

In Japan, the population of senior citizens is expected to surpass 35 million in 2025. As the number of elderly single- or two-person households increases, there is growing concern over the shortage of nursing care services. Given that the aging population trend will continue into the future, we need to respond swiftly in meeting needs related to nursing care.

Assisted living complexes for senior citizens have become one solution in Japan. These homes provide the elderly with a place to live that incorporates barrier-free designs and offers support through coordination with outside health and nursing care providers. Elderly residents can live with peace of mind in such rental housing, enjoying services that include safety confirmation and consultations.

Sekisui House took the lead in the industry by launching the "lifelong housing" concept in 1984. We have since analyzed the way elderly people live based on the countless number of housing units we have provided over the years. This has enabled us not only to develop human resources in various specialized fields, but also to establish standards and an in-house certification for universal design. Taken together with other related efforts, these achievements have won us high praise from society.

In September 2012, Sekisui House introduced the CELEBLIO assisted living complex for senior citizens—a first in the Japanese

Future Efforts with Stakeholders

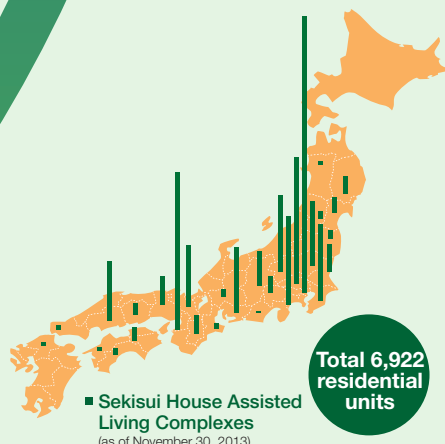
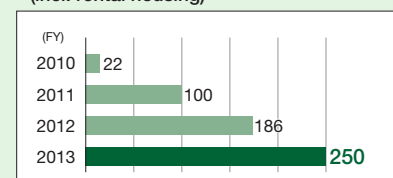
Covering the Expanding Market with Product Development Strengths

Developing Assisted Living Complexes in Cooperation with Health and Nursing Care Providers

The Japanese government is promoting the construction of assisted living complexes for senior citizens, with the goal of having 600,000 residential units by 2020. In addition to construction grants, there is also a tax benefit to push this initiative.

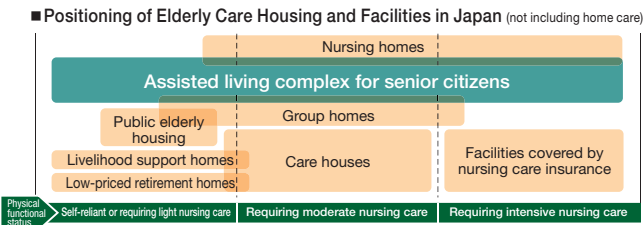
Sekisui House is developing various

Total Number of Housing for the Elderly (incl. rental housing)



Senior Citizens Higher-Quality

housing industry. CELEBLIO incorporates our know-how in building homes and facilities for the elderly, along with our research achievements in universal design.



CELEBLIO Study Case



VOICE



Mr. I (owner; right) and his eldest son, Kyoto Prefecture

The owner of this CELEBLIO building, Mr. I, is 96 years old. Still full of vigor, he is able to walk unassisted to the local train station. He built a CELEBLIO facility on his land because he wanted to make a place where elderly people like him could live with peace of mind. Collaborating with a local medical institution further helped to fulfill his wish of giving back to society. Mr. I is also pleased that the easily accessible location enables children and grandchildren to make frequent visits. Within two months of completion, all 40 rooms have become occupied. Now we can hear the sound of merry laughter coming from the dining hall.



Daisuke Yanagi (left), sales; Mayumi Tanaka, architect; Keijina Sha Maison Branch

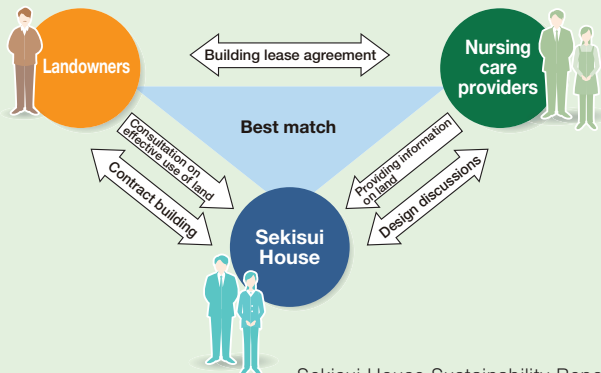
types of assisted living complexes, including homes that have units with a large floor area for people who are self-sustainable; homes that are visited regularly and as needed by nursing care staff; and homes attached to small-scale multi-purpose nursing care facilities. We are stepping up our efforts to provide new forms of rental housing in which senior citizens can enjoy an independent lifestyle without any worries related to living alone or receiving nursing care in the near future—a lifestyle of comfort and peace of mind that is the nearest thing to living in one’s own home.

Meeting Various Needs of Landowners in Cooperation with Nursing Care Providers

Sekisui House has a proven track record in building nursing care facilities and we have partnerships of trust with numerous nursing care providers. In order to build quality facilities at optimum locations, Sekisui House listens carefully to landowners’ requests in utilizing their land and matches these with nursing care providers who are searching for land to build their facilities on. Our network of reliable nursing care providers brings out the highest value of a landowner’s land.

Nursing Care Business Can Provide These Benefits in Land Utilization

- Locations that are not generally considered suitable for building rental housing, such as those that are far from a train station, can nevertheless be suitable for nursing care facilities.
- Because the nursing care business is a different form of land utilization than conventional rental housing, landowners can spread management risk by incorporating both types of housing.
- Landowners can choose from two systems: a land-only lease agreement; or a sublease agreement that covers both land and building(s).



Pursuing Sustainability in the Global Market

Activity
Report

6

Developing Overseas Business



Sekisui House's International Business Department was established in May 2008, with the aim of contributing to raising housing standards around the world by combining our housing technologies accumulated over the years with the cultures and customs of overseas regions.

Following an initial large-scale community development project in Australia, we are also supplying housing in other markets, such as China, Singapore, and the U.S. Our proprietary housing and environmental technologies are receiving high marks around the world, and we are committed to spreading Sekisui House housing and community development projects worldwide.

China

We are pursuing the development of sustainable housing and community development projects that incorporate environmentally friendly designs and our community-building concepts, all the while valuing Chinese traditions and the local climate and culture.

Shenyang ●

Wuxi ● ● Taicang
● Suzhou

Singapore

We are taking part in six joint projects with local development partners. These projects are eco-friendly sustainable communities that incorporate added value, which we have developed in our domestic operations.

● Singapore

Australia

Condominium and residential land developments and detached housing construction are underway in four states. We are developing communities that match the environment and culture of Australia, in line with our devotion to creating a sustainable society.

Brisbane ●

Sydney ●

Adelaide ●

● Melbourne

United States

Through joint development ventures with local partner companies, we are taking part in more than 30 community development projects across the country. Our sustainability initiatives are receiving high marks.



Australia

Promoting Environmental Technologies and Universal Design While Accommodating Local Environment and Culture



The Waterfront, Sydney

In Australia, we are engaged in condominium and residential land developments and detached housing construction in four states, with the goal of creating sustainable communities that accommodate the local environment and culture.

Conventional residential land development in Australia involves first cutting down all trees in a given area. At The Hermitage, Sekisui House's large-scale community development project in the suburbs of Sydney, we took a different approach. We first conducted a detailed survey of the landform and the native flora and then we planned the housing lots, roads, and parks so as to preserve as much of the original nature as possible. We employed the *satoyama* design approach to conserve the local ecosystem and the landscape and to facilitate residents' interactions with each other and with nature. *Satoyama* refers to a natural environment that has been moderately modified by humans. Through this design, a diverse generation of residents is actively taking part in community building.

This master-planned project is making steady progress in realizing our concept of creating environmentally friendly townscapes that grow more attractive over time. The Hermitage is being highly evaluated for its nature-harmonizing living environments, and we are seeing steady sales.

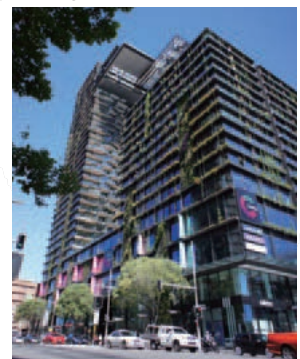
In Japan, buying a house is generally regarded as a once-in-a-lifetime event, whereas in Australia—a country seeing a boom in the economy and population—a house is considered more of an asset or a form of investment. This is one reason why many housing designs in Australia are less detailed than equivalent designs in Japan.

Located in the suburbs of Sydney, The Waterfront is Sekisui House's first condominium project in Australia. Like our homes in Japan, it incorporates universal design as much as possible. For example, we eliminate differences in floor level between rooms to prevent tripping and we install wide switches that anyone can use easily. We also provide meticulous after-sales service, so that residents can live in comfort and with peace of mind for years to come.

Central Park, a condominium development in urban Sydney, is the flagship of our environmentally friendly development projects. It was built on the former grounds of a brewery and retains some of the brewery's historically valuable exteriors. It also incorporates the latest in eco-friendly technologies, such as wall greening and a trigeneration system*.

Through projects such as these, Sekisui House is contributing to the people and culture of Australia, leveraging our technologies and know-how in housing development. We have so far reached purchasing agreements with roughly 5,000 groups of customers for our condominiums and residential land. Neighborhood events are held on a regular basis at our condominiums and housing communities. Our employees not only sponsor these events, but also actively participate in running them.

*A trigeneration system is an energy supply system that provides heat and electricity by combustion of fuel and also makes effective use of the CO₂ generated.



Central Park, Sydney

VOICE

As a global property developer, Sekisui House has such a tremendous opportunity to influence society and the environment we create around us. With this influence comes a great responsibility and it is with our uniquely framed corporate philosophy that is defined as a "love of humanity", which characterizes Sekisui House as an organization like no other in Australia. It is very refreshing and inspiring to be part of an executive team that is embracing sustainability in its true sense: environmental, social, and economical.

The Hermitage is rapidly transforming into an active and vibrant residential community. The redevelopment of the site evolved from sustainability-led initiatives requiring many months of environmental planning considerations, detailed urban design, and feasibility studies. The Hermitage master plan is very purposeful, focusing on embracing the breathtaking scenic hills and nature-filled valleys and streams and capturing the history resonating from an existing 200-year-old homestead and championship golf course.

We have seen a direct relationship with investment in sustainability-led outcomes and their positive impact on our business in terms of customer and employee satisfaction, industry awareness, and financial returns.

As a dedicated employee of Sekisui House, I would very much like to continue to build upon the solid foundation that has been established in Australia and continue the legacy that originated in Japan since 1960.

Craig D'Costa

Project Director for The Hermitage

Joined Sekisui House Australia Holdings Pty Ltd. in 2010 and is responsible for the development of The Hermitage, Sekisui House's first master-planned community project in Australia.





Working with Stakeholders for a Better Future

Community Development Projects

United States

Promoting Sustainability as a Community Developer Together with Our Partners



One Loudoun, Loudoun County, Virginia (artist's rendering)

In the United States, North America Sekisui House, LLC (NASH) is involved in over 30 community development projects. Five of those were ranked among the top 50 best-selling master-planned communities in the U.S. for 2013 in a survey conducted by John Burns Real Estate Consulting, LLC and announced in January 2014. These results are a testament to our sustainability initiatives being highly regarded among homebuyers in the U.S.

NASH and our community development partner Newland Communities have jointly formulated a fundamental philosophy on community development. In it, we reaffirm our mission in achieving a sustainable society and set guidelines for community development that incorporate such issues as the development of

environmentally friendly housing and communal facilities and the effective use of water resources. We select projects on which to focus based on this fundamental philosophy and then undertake community development in line with the fundamental philosophy and guidelines.

Our efforts have not gone unnoticed. In 2013, we were commended for our sustainability initiatives: with regard to our projects in the states of North Carolina, Florida, and Virginia, our efforts in environmental conservation and landscape design for entire communities were highly rated.

In urban rental apartment development projects in cities such as Portland and Los Angeles, we are collaborating with the Holland Partner Group. Elsewhere in 2014, we began a renovation project for the Wardman Tower, an 86-year-old building of historical value in Washington, D.C. We are reinforcing the structural frame while preserving the exterior design and implementing environment-friendly measures, such as improving energy efficiency. Our aim is to preserve this iconic historical landmark and its surroundings in a sustainable way so as to enhance the value of the area.

VOICE

We have been very impressed with Sekisui House's commitment to contributing to sustainable societies. In fact, a shared focus on this commitment was one of the main reasons behind our original partnership. We recognized from the beginning of our relationship the importance of ensuring Sekisui House's commitment was shared by us, and extended into our developments. It is a philosophy Newland has lived for our more than four decades in community development. At Sekisui House's request, we worked collaboratively to merge the best practices of both companies and established the NASH-Newland Community Development Vision and Guiding Principles. These guide our development teams and provide baseline metrics for how project teams approach community development, recognizing the importance of environmentally sustainable development and home construction, in balance with the need for human interaction with nature and each other that stands the test of time. We firmly believe the application of these Principles translates into enhanced value and brand equity, for our customers and our communities.



Richard L. Croteau
Regional President, East Region,
Newland Real Estate Group



Wardman Tower, Washington, D.C.

around the Globe

China

Developing Sustainability-Minded Communities through Yuqin Brand Condominiums and Townhouses

In China, we are engaged in the development of condominiums and townhouses under the Yuqin brand. The name “Yuqin” embodies our wish that our housing will be cherished and will become a source of pride for our customers for years to come.

In 2013, our Shenyang Factory went online to produce high-quality industrialized housing through highly systematized operations, enabling us to actively undertake the townhouse business. Furthermore, we are aiming to create a low-carbon society and achieve sustainable development by offering environmentally friendly designs that leverage our unique SLOW & SMART technologies and by planning ecosystem-conscious communities.

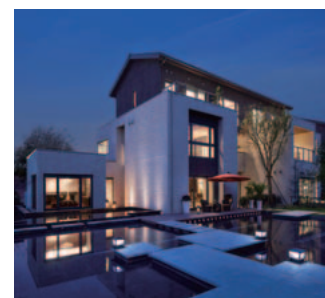
Our Yuqin Residence project by Lake Tai, one of China’s three great lakes, is being developed under our *Gohon no ki* landscaping concept and with consideration to our policy of creating townscapes that grow more attractive over time. The plan is for the Residence to blend in smoothly with its beautiful natural surroundings and for it to contribute to preserving the area’s natural environment over the long term.

By using our meticulous planning methods developed over the years and by incorporating universal design, we are working to create housing in which everyone can live in comfort and in health,

all the while taking into consideration coexistence with nature and local climates and customs.

In Suzhou, a city renowned for its historical heritage and beautiful environment, we are developing a new townscape by building townhouses. This project, called Yuqin Gardens, combines our architectural design with the traditional architectural style of Suzhou, which is characterized by white walls and black roof tiles.

The sales centers for each housing project welcome visitors with enjoyable ways of familiarizing themselves with the Sekisui House homebuilding concept, including display homes, video theater rooms, and hands-on learning facilities. The *Nattoku kobo* hands-on learning center enables visitors to experience the safety and comfort of Sekisui House homes through displays and demonstrations of high-function, high-quality living environments, including building materials that emit no harmful substances. The sales center for Yuqin Gardens in the city of Taicang has a garden created based on the *Gohon no ki* concept, where visitors can experience a comfortable green environment.



Townhouse in Wuxi



Evening view of the Yuqin Residence in Wuxi (artist's rendering)



Taicang Yuqin Gardens sales center

Singapore

Creating Value-Added Nature-Rich Sustainable Communities

In Singapore, we have so far engaged in five projects. In 2013, we embarked on a new condominium project called the RiverTrees Residences with our joint venture partners.

The five projects, for which units are already on sale, are gathering positive responses and popularity, thanks to our unique environmental policies and new housing concepts. And through the amicable relationships we have forged with our joint venture partners, we have boosted the Sekisui House profile in the Singapore housing market.

At the RiverTrees Residences, a river flows in front of the housing complex. For added value, at least 90% of the residential units face the river, giving residents a fabulous view of the natural surroundings. With the condominium’s grounds blending into the natural environs, residents have the chance to be in close contact

with nature. We also plan to build a sustainable ecosystem network.



RiverTrees Residences (artist's rendering)

Contributing to Society through

Activity
Report

7

Acting as a Corporate Citizen



With the awareness that our corporate activities directly affect people's lives and local communities, we have been promoting various social action programs as a member of society.

With a "love of humanity" at the core of our corporate philosophy—alongside our emphasis on housing culture, the sound growth of the next generation, and environmental preservation—we have developed programs to enable employees to voluntarily take socially meaningful action, while working for the wellbeing of communities as part of our core corporate activities. As well as encouraging our employees to take part in volunteer and charitable pursuits, we partner with NPOs and NGOs in support of their activities, and we assist educational institutions on selected educational initiatives.

Principles of Our Social Contribution Activities

Housing
culture

Sound growth
of the next
generation

Environmental
preservation

- Employee volunteer activities
- Participation in charitable activities
- International cooperation
- Emergency assistance
- Partnerships with NPOs and NGOs
- Supporting community events
- Supporting educational activities in cooperation with education institutions
- Contributing to society through core corporate activities

Love of humanity is at the core of
our corporate philosophy

■ Collaborating with NPOs to Support the Independence of Disabled Persons

Starting in 2000, Sekisui House began working with Together—an NPO based in Nara City—in an effort to support the independence of people with disabilities. We buy SELP products* made by people on the program and use them as novelties to give out to those visiting model homes or attending Sekisui House Visiting Day events nationwide. In FY2013, we purchased 30,394 of these items.

Since 2005, we have participated every year in the planning and running of Disabled Persons Week events. Supported by the Cabinet Office, these events are held in the Umeda Sky Building, where our head office is located. In a symposium, we hosted a keynote lecture and a panel discussion on the revision to the Act on Employment Promotion etc. of Persons with Disabilities. This discussion provided a meaningful opportunity for government personnel, businesspersons, NPO members, and citizens to get together and share opinions.

*SELP products: Products made in welfare centers and other such facilities by disabled persons, with the aim of job training and social inclusion in Japan. SELP is a coinage made from the words "self help"; it is also an acronym for "Support for Employment, Living, and Participation."



The symposium gathered 160 participants



A SELP reusable shopping bag

■ Supporting an Industry-Academia Collaborative Design Competition

Since FY2005, Sekisui House has been participating in the Real Size Thinking competition for ecological living design for students. Entrants must construct a scale model of a living space, with the model limited in volume to a maximum of 2.4 cubic meters.

The main objectives of the competition are to raise environmental awareness in designing living spaces, explore futuristic living spaces, strengthen industry-academia collaboration, promote exchanges among students, and foster young designers. It is held in two venues: one each in the Kansai and Kanto regions. In FY2013, 214 works from 47 universities nationwide were entered, and awards were given to the best two entries from each venue, along with special awards recognizing other notable works.



The Best Award for Kanto went to Book Station of Light, a collaborative effort between four graduate school students from the University of Tokyo, Tokyo Institute of Technology, and Tohoku University

a Love of Humanity

■ Sekisui House Matching Program

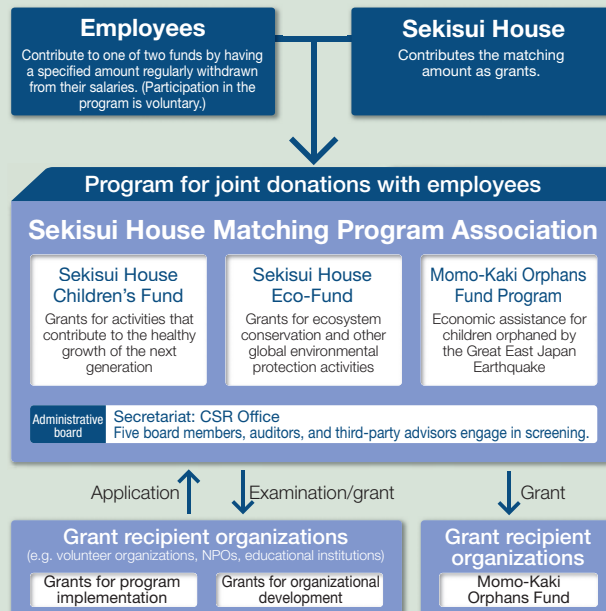
Supporting NPOs and other organizations working to meet social challenges

Since FY2006, we have been implementing the Sekisui House Matching Program, under which we match employee donations to NPOs and other organizations engaged in activities to benefit society. Employees who join this easily accessible CSR program—which boasts a membership of 3,074 people—have an amount of their choice (1 unit = 100 yen) withheld from their salaries for donations, and Sekisui House matches the donations and contributes an equal amount in the form of grants.

Grant money is disbursed from two funds: the Sekisui House Children's Fund and the Sekisui House Eco-Fund. An administrative board comprising representatives of the program determines the recipient organizations. We also established the Momo-Kaki Orphans Fund Program to support the Momo-Kaki Orphans Fund, which is chaired by architect Tadao Ando. This fund provides financial assistance to children orphaned by the Great East Japan Earthquake.

In FY2013, a combined total of 20.4 million yen from our Children's Fund and Eco-Fund was donated to 22 organizations, bringing the cumulative total of our donations over the years to more than 100 million yen. The Momo-Kaki Orphans Fund Program donated 29 million yen in the three years from 2011 to 2013, and we are planning to donate 100 million yen over the next 10 years.

■ Sekisui House Matching Program



Grants for Program Implementation (awarded to programs upon application from organizations)

Sekisui House Children's Fund ¥10.3 million donated to 8 organizations

- NPO Asia Child Support • NPO International Children's Action Network • NPO Atopicco Network for Children of the Earth • NPO Oasis
- NPO Community Leader Hull Pong • NPO Tasukeai-no-kai Fureai-netto Matsudo • NPO Childline Support Center Japan • NPO Florence

Sekisui House Eco-Fund ¥8.9 million donated to 8 organizations

- NPO Oita Environmental Conservation Forum • NPO Satoyama Club • NPO Shirakami Mountains Preservation Society • NPO Eco-works
- NPO Tanada Lovers • NPO Eco Future Fund • NPO Japan International Volunteer Center • NPO Japan Butterfly Conservation Society

Note: In addition, we provided organizational development grants to help selected organizations improve their internal infrastructure and the quality of their activities in anticipation of their future development. Under this program, we offered grants to six organizations—two organizations from our Children's Fund and four organizations from our Eco-Fund.

VOICE

Words from a Recipient of the Children's Fund

We Built a New Children's Welfare Facility



Children's Development Support Center, built based on Sekisui House's SHAWOOD design for wooden-frame houses

In January 2013, with the support of many people, we completed construction on our Children's Development Support Center*. Building this center, the first of its kind in Japan built by an NPO, represented for us the fulfillment of a long-held dream. As we received virtually no public assistance, the donation from the Sekisui House Matching Program was of great help and provided much encouragement. Thanks to the donation, we were able to buy new toys, learning tools, and lunch equipment, as well as improve the outdoor surrounds of the facility.

In this building full of the kindness and warmth of everyone who supported us, we will help nurture children with all our hearts, so that they will grow up healthy and full of smiles.



Takashi Kawaguchi, Director, NPO Community Leader Hull Pong

*The Children's Development Support Center is a children's welfare facility approved under the Japanese Child Welfare Act. It serves as a base for the local community in providing specialized assistance to support the growth of children with developmental disabilities.

■ Supporting the Bento Day Project

By having children make their own *bento* (packed lunch), the Bento Day project teaches children to be self-reliant and develop an attitude of appreciation. Children do everything involved in *bento* preparation, from shopping for ingredients to clearing up the kitchen after finishing. Sekisui House participates in the promotion of this project. In July 2013, we hosted a seminar by Kazuo Takeshita, the main advocate of this project, and we organized a *bento*-cooking event for children at the SUMUFUMULAB in Grand Front Osaka.



Kids having fun making *bento*

Achieving Human Resource Capabilities and Potential of

Past Efforts with Stakeholders

Activity
Report

8

Relationship with Stakeholders



Under our medium-term management vision S-Project announced in 2004, we pledged to be a corporate group that deals sincerely with all stakeholders based on our basic management policy of achieving customer satisfaction, employee satisfaction, and shareholder satisfaction. In the ensuing years, against the background of an aging population and a declining birthrate, we declared our target of human resource sustainability as one of our social responsibilities aimed at creating a workplace environment where employees could work in their own style and achieve a work-life balance. Based on the three pillars of expanded roles for women, human resource diversity, and support for different working styles and a work-life balance, we aim to create a workplace where employees can maximize their capabilities and potential.

■ Contributing to Women's Career Development

Since the launch of the Diversity Development Team in 2006, we have been striving to advance the careers of female employees by organizing gatherings among female sales persons, technical personnel, and model home staff, and by helping them achieve a work-life balance. For these efforts, Sekisui House was selected by the Tokyo Stock Exchange and the Ministry of Economy, Trade, and Industry for inclusion on the *Nadeshiko* list of companies that empower women and their careers. In sales, we have one branch manager and seven office managers. We have over 200 female sales personnel, the highest number in the industry, and we are increasing the number of female candidates for office manager positions. In design, we have two female design chiefs and four female chief architects*. In R&D, female employees are contributing product development ideas from their unique point of view. We plan to step up and increase efforts, such as fostering female candidates for managerial positions, so that women will have more opportunities to contribute their fullest in rewarding jobs.



*In-house qualifications are given to those who have demonstrated excellent skill in housing design and business negotiations.

VOICE

Working Successfully as Office Manager

Fostering Unity through Meticulous Dialog

Since becoming an office manager, I have striven to put my subordinates' needs first and use my time more effectively than in the past. I also aim for open communication among all employees at all times. I have noticed that when someone has a problem, he or she now discusses it with others to get their opinions. This solves problems and creates a strong sense of unity.

As office manager, I want to create an environment in which young employees can grow based on their own strength and work positively and energetically. I also hope that this will earn us commendation from our president. I will start by putting all my energy into the immediate tasks at hand.

Yasue Kanamori
Tokyo North Branch



Future Efforts with Stakeholders

■ Diversity and Inclusion Promoting Office Established

On February 1, 2014, Sekisui House established the Diversity and Inclusion Promoting Office within the Corporate Management Planning Department. A crucial strategy for companies will be to make the best use of their diverse workforces to achieve innovation and grow the corporation. In the housing field, it is especially important that we work closely with customers and utilize ideas that come from everyone, regardless of their gender, age, and physical abilities. We will work to create opportunities for women to further their careers and provide a workplace environment where women can put all their energy into their jobs. This will allow women's talents to be utilized in all jobs and at all managerial levels, and it will lead to greater satisfaction for our customers.

Sustainability by Tapping the Employees

Utilizing and Fostering Diverse Human Resources

To realize a work environment where a diversity of employees can use their talents, Sekisui House has a number of programs such as work category transfers and internal open recruitment. These are designed to enable motivated employees to develop their career paths and achieve higher performance.

Besides working to create an open corporate culture, we are boosting the management capabilities of branches and teams by

holding training for newly appointed branch managers and team leaders. In addition, we hold assessment training for managerial position candidates to test the capabilities and find the strengths of employees recommended for these positions by their superiors. This is one way we are improving the management capabilities of individuals.

VOICE

Became Manager in Design Department Following Participation in Assessment Training

A Better Work-Life Balance Leads to Better Ideas at Work

In my assessment training, I learned to listen more closely to what people are saying and to look closely at how other designers are conducting their work. I also learned examples of management thinking and methods, which helped me organize my own philosophy when I became a manager. Good design is more than simply doing your job. I try to achieve a work-life balance because it allows me to create better designs by

drawing on my past experiences and daily life. I want to create a workplace where the entire team shares each individual's design work because I believe this will lead to better design ideas and greater work efficiency.



Kiyoe Ishii
Hyogo Sha Maison Branch

Support for a Work-Life Balance and a Range of Working Styles

For employees to continue performing their best, they must both succeed at work and enjoy their lives at home. We have numerous measures to help employees achieve a good work-life balance and to have enough time for themselves and their families.

Besides measures to support employees in raising their children, we help them return to the job after they take a break to get married or have children, take care of elderly family members,

recover from illness, go back to school, or take over a family business. We have also made our nursing care leave program more flexible and have introduced a volunteer leave program, all as part of our effort to match individual employee situations and allow them to make maximum contribution to the company while still enjoying a fulfilling life outside work.

VOICE

Utilizing the Volunteer Leave System

Donating Hardhats to Bangladesh

I took advantage of Sekisui House's volunteer leave system and worked as a designer under JICA's (Japan International Cooperation Agency) overseas volunteer program with Bangladesh's Ministry of Housing and Public Works.

Bangladesh is currently undergoing a construction boom driven by rapid economic growth. Unfortunately, most workers at construction sites work with no safety harnesses, let alone hardhats. To remedy this, I called on all Sekisui House sites in

Japan to donate hardhats, and we managed to gather 100 hardhats that we donated to Bangladesh's Ministry of Housing and Public Works. Thanks to Sekisui House's volunteer leave system, I had an experience not possible in Japan and I now hope to use this to enrich my job.



Yoichiro Kono
Nara Branch

VOICE

Action Policy of the Diversity and Inclusion Promoting Office

The First Step in Diversity Is Expanded Roles for Women

Because a woman's perspective is indispensable to the business of building homes, Sekisui House began actively putting women in technical positions in 2004 and in sales positions in 2005. The Diversity Development Team was created in 2006, and to improve our organizational structure for making even greater use of diverse human resources, in 2014 we created the Diversity and Inclusion Promoting Office. The aim is to innovate the organization and promote growth by making maximum use of human resources regardless of gender, age, physical capabilities, and nationality. Besides giving women a more

active role, we must change the awareness of women themselves and have all employees including management members take on the issue of diversity.

Our goal is to make respect for diversity an issue relevant to everybody and to use our wealth of human resources to make Sekisui House a leading company that is invaluable to society.



Midori Ito
Chief Manager, Diversity and Inclusion Promoting Office,
Corporate Management Planning Department



Building a Relationship of Trust with

With Employees

Working to Protect Human Rights

Sekisui House has been working to create a corporate culture of zero tolerance for infringement of human rights by ensuring that all employees understand and practice compliance and abide by the Corporate Ethics Guidelines. Since 1980, we have striven to raise employee awareness through active engagement on a range of human rights issues including the so-called *dowa* issue (discrimination against descendants of Japan's former outcast class), through protecting the rights of foreigners, women, and the disabled, and through preventing sexual and power harassment.

In 2006, we began formulating new group-wide measures under our human relations initiative. With Sekisui House expanding business overseas, we have also been strengthening a corporate climate of mutual respect for human rights based on an understanding of how norms and cultures differ from country to country.



Human relations training and instructional materials

Human Relations Training

All employees are required to take our yearly program of human relations training. In FY2013, diversity and human rights was the theme of training in which participants studied the history of diversity and learned respect for individual differences, as well as practiced assertive communication*.

*Communicating one's needs and opinions without infringing on the other person's rights.

Preventing Sexual and Power Harassment

In FY2013, we held training for branch managers and team leaders on creating an environment that discourages harassment. We strive to raise employee awareness and create an environment conducive to consultation on these issues by, for example, having consultation managers at each site look at case studies and do role plays on problems that may arise in the workplace.

Commitment to Shareholders and Investors

Besides disclosing business information to shareholders and investors through statutory disclosure, we do everything possible to provide all information that might be of interest to them in forms such as press releases and other information on our website and via other media. We also strive to promote dialog through interviews and other direct communication in order to garner opinions that will help us in our management decisions. Through these and other activities, we do our best to ensure that shareholders and investors have everything they need to properly evaluate the corporate value of Sekisui House.

Enhancing Communication with Shareholders and Investors

In FY2013, we held visitor days for shareholders. At a *Sumai no yume kojo* hands-on learning center next to our Kanto Factory, visitors learned about Sekisui House's homebuilding philosophy and experienced advanced technologies for living in comfort, safety, and peace of mind. At company briefings and seminars, investors have an opportunity to pose questions and learn more about Sekisui House. We also offer clear and concise information on our business strategy and plans through our Business Report for shareholders and other corporate and IR information on our website.



Shareholders at a hands-on learning center



All Stakeholders

VOICE

Eliminating Harassment from the Workplace

Being There for Troubled Employees

With the aim of creating a workplace free of harassment, Sekisui House provides consultation services for employees, training for persons in charge of handling harassment-related inquiries at all business sites, and human relations training. So that I can offer employees good consultation services, I personally try to avoid stress build-up by staying mentally and physically healthy and by clearly distinguishing my work life from my personal life. My aim is to assist employees who find it hard to talk to those around them about problems like interpersonal relations, harassment, and other worries they have.



Miwa Yamada
Human Relations Office, Legal Department

least one disabled person working as an integral member of each Sekisui House site.

In FY2012, we introduced a disabled persons internship program under which we accepted university students with physical and developmental disorders. The interns get practice in clerical duties, CAD, and a range of IT work.

We will continue these and other efforts that provide a diverse range of human resources the opportunity to gain the confidence to become valued participants in the workforce.

VOICE

Opportunities for the Disabled

I Want to Be of Service to Society

I am hearing impaired. My job is to use CAD to create blueprints for the design process. I learned that there were housing technology jobs for the disabled at Sekisui House. I joined the company because I wanted to contribute to a sustainable society through the company's corporate philosophy of 'love of humanity'. My goal is to continue studying the practical aspects as well as earn qualification as a second-class architect. By contributing to society through my work, I hope to help open more doors of opportunity to disabled persons, whether they are currently working or are looking to enter the workforce.



Hiromi Inomata
Musashino Sha Maison Branch

■ Initiatives for Hiring the Disabled

As a company committed to the concepts of lifelong housing and helping society, we place special emphasis on hiring people with disabilities. To this end, we participate whenever possible in joint recruitment events held in various parts of Japan. As of February 2014, the disabled accounted for 1.97% of Sekisui House employees. To achieve Japan's legal minimum of 2.0%, we will continue to actively recruit new people with the goal of having at

■ Increasing Shareholder Satisfaction

100 Shares in a Unit

To make it easier to invest in Sekisui House and to increase the liquidity of shares, on December 2, 2013 we reduced the number of shares in one share unit from 1,000 to 100 shares.

Exercise of Voting Rights Via Internet

Shareholders who are unable to attend the Annual General Meeting may exercise their voting rights not only on paper but also via the Internet. This makes the voting process more convenient.

Donating Shareholders' Preferential Gifts

Gifts of high-end Japanese rice are sent to shareholders under the Shareholder Preferential Gift Program but this is sometimes returned because they have declined the gift or changed addresses and their location is unknown. In such cases, the rice is donated to facilities and organizations dedicated to the welfare of the disabled and the elderly on the understanding of shareholders.

Recipients of Gifts in FY2013

Public Interest Incorporated Association Oita Prefectural Te-o-tsunagu Ikuseikai (Oita City, Oita Prefecture)
Medical Corporation Heart (Hitachinaka City, Ibaraki Prefecture)
Medical Corporation Shojinkai (Hitachi City, Ibaraki Prefecture)
NPO Community Leader Hull Pong (Hiroshima City, Hiroshima Prefecture)

■ Returning Profits to Shareholders

To enable a high distribution of profits over the medium and long term and maintain business health, Sekisui House is allocating a minimum 40% mean dividend payout ratio for the medium term. When necessary, the company will also engage in the buyback or cancellation of shares in efforts to return profits to shareholders through improvements in capital efficiency.

In FY2013, we issued a midterm dividend of 20 yen and a year-end dividend of 23 yen for a yearly dividend of 43 yen, up 15 yen over the previous fiscal year.

As a housing manufacturer, we continue to fulfill our responsibility by pooling all our strengths towards ongoing reconstruction in the disaster-stricken areas

More than three years have passed 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. Work in areas such as collective relocation from coastal areas and land readjustment has not proceeded as planned, however, and as a result many people are still suffering from the disaster and are unable to return to their hometowns. Against this backdrop, we have renewed our resolve to live up to our responsibilities and obligations as a housing manufacturer by promptly providing safe and comfortable places to live for those affected by the disaster. We will continue group-wide efforts to accelerate reconstruction in the stricken areas so that we can respond to the needs of our customers and local communities.

Restoration and Reconstruction Work

Total of 310,000 workers* were engaged in providing safe, comfortable housing at the earliest possible date

It is our responsibility and obligation to society as a housing manufacturer to promptly build houses and thus provide safe places to live as quickly as possible, particularly in times of emergency. Using our experience in past disasters, we promptly developed a system for manufacturing and setting up housing and in response to customer requests we have been building houses in areas where reconstruction work has been completed. In April 2011, one month after the earthquake and tsunami, we launched a new housing product, called *Ganbaro Tohoku*, which realized shorter construction times so that people affected by the disaster could soon have a safe and comfortable place to live. Besides detached housing, we offered recovery support for *Sha Maison* low-rise rental apartments, and we developed new two- and three-story apartments that offer long-term reliability. Other ways we are flexibly meeting the needs of customers and society as a whole include the Green First HYBRID model (released in August 2011), which incorporates solar, fuel, and storage cells working in unison to provide grid-independent power in times of disaster, and

Green First ZERO (released in April 2013), a product series that makes possible energy-neutral living well ahead of the Japanese government's 2020 target for net zero energy housing.

Crucial to providing housing is the ability to actually get houses constructed. Early on we established a construction support system centered on the Sekisui House Association, which comprises nationwide Sekiwa Construction companies and partner building contractors. As of the end of 2013, a total of about 310,000 workers had been dispatched to the disaster-stricken areas, and today this work continues with about 250 workers a day involved.

VOICE

We Pledge Continued Support That Will Show Our Comprehensive Strength

I come from Iwaki City in Fukushima Prefecture, which is one of the reasons I felt I had to do something to help. A month after the disaster, I went to the stricken areas to manage housing construction as part of recovery and reconstruction work.

Immediately following the disaster, I met stricken locals and Sekisui House Group employees working in the region, and seeing how the entire company was working together to support people made me prouder than ever of the Sekisui House Group's comprehensive strength. It also prompted me to make a sincere pledge that I, along with my company's employees and construction workers, would do everything possible to support the stricken region.

Another thing I have been doing is volunteering with an NPO dedicated to providing mental care for children in temporary housing. More housing construction is scheduled, and I will continue doing all I can in support of the people in the disaster-stricken region.



Yoshiharu Sato

Director, Chief Manager, Construction Department,
Sekiwa Construction Chubu



*Total number of construction workers dispatched for restoration and reconstruction work undertaken by the Sekisui House Group: 309,481 people (as of December 31, 2013)

Reconstruction and Development Projects

The Tohoku Reconstruction Department leads efforts in meeting the needs of residents

Building Public Housing in Disaster Areas

There are still many people living uncertain lives in temporary housing. Although local governments have extended the period people can stay in this housing to four years, the fact is that many are still having trouble finding new places to live. To help such people rebuild their lives on their own terms, we must speed up the pace at which disaster-area public housing is built.

In February 2012, we established the Tohoku Reconstruction Department. Since then, the Sekisui House Group has been conducting surveys and gathering information on what needs to be done in the stricken areas.

In January 2014, we began construction of public housing in Higashi-matsushima City, Miyagi Prefecture. Unlike projects in the past, here Sekisui House conducts the entire process: planning and designing the buildings, buying land, developing and converting farmland, preparing land for construction, and constructing the housing. The plan covering approximately 4 hectares calls for 70 detached homes, 15 row-house-type collective apartment



Public housing in Higashi-matsushima City (artist's rendering)



Public housing in Otsuchi Town, Iwate Prefecture

■ Sekisui House's Public Housing in Disaster Areas

	Projects bid on	Projects completed
FY2012	26 units	—
FY2013	284 units	26 units

buildings, a community hall, and parks (scheduled move-in date: August 2016). In FY2014, similar projects will start in Sendai City and Ishinomaki City in Miyagi Prefecture, Miyako City in Iwate Prefecture, and Shinchi Town in Fukushima Prefecture. We will continue to provide housing, making the most of our ability to consistently provide quality products that can be constructed in a short time frame.

Overall Environment Conducive to Recovery

It is important to step up the transition from temporary housing to public housing; it is equally important to create an environment where industry has recovered and people can find work to support themselves.

In building public housing, we are sourcing local construction materials to boost local production for local consumption and thus stimulate industry in the Tohoku region. We expanded production lines at our Tohoku Factory for Bellburn ceramic exterior wall tiles for our SHAWOOD wooden-frame houses, which have created more local jobs. We are also playing an active part in *Yui no ba*, a resource-matching program implemented by Japan's Reconstruction Agency that helps companies affected by the earthquake find solutions by offering them the management resources (manpower, materials, information, know-how) of leading companies.

Through projects such as collective relocation from coastal areas to higher ground less susceptible to a tsunami, the entire Sekisui House Group is working together to meet the needs of communities.



New Bellburn production lines at the Tohoku Factory



Tape-cutting ceremony to commemorate opening of the new production lines

VOICE

Reconstruction through Strengthened Group Ties

It's been two years since we established the Tohoku Reconstruction Department. We have striven to build communities through public housing projects and collective relocation, step up disaster-proofing of housing, and introduce renewable energy and other new technologies as we do everything currently possible to contribute to recovery in Tohoku. We have visited municipalities in Tohoku on needs-assessment surveys, and our information gathering has gone extremely well thanks to recognition by local governments of our efforts to aid in restoration of the affected regions as quickly as possible. We will further strengthen ties across the entire Sekisui House Group in continuing efforts to speed up reconstruction in the disaster-stricken areas.



Tomio Mikuni
Chief Manager,
Tohoku Reconstruction Department



Restoration-Assistance Activities

Continuing the reconstruction in a spirit of fellowship

Total of 566 New Career-Track Employees Join Restoration Activities

As in 2012, starting in April 2013 all 566 new career-track employees at Sekisui House took turns going to the disaster-stricken areas to assist in reconstruction work over a three-month period.

Besides giving the stricken areas the assistance they need, the goal of this reconstruction effort is to deepen employees' understanding of the significance of the housing business by having them think and act from other people's perspectives based on our code of conduct and our corporate philosophy of "love of

humanity."

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. They cleaned up beaches, parks, elementary schools, and ponds, and built playgrounds and flowerbeds as part of community building in temporary housing complexes. We plan to have new employees joining Sekisui House in April 2014 participate as part of our continuing assistance in reconstruction efforts in Tohoku.



Visiting the Disaster Prevention Center, which was devastated by the tsunami, in Minamisanriku Town, Miyagi Prefecture



Making flowerbeds in a temporary housing complex



Cleaning an elementary school pool

Promoting Employee Trips to 3 Prefectures of 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 the end of January 2014, a total of 3,253 employees at 63 Sekisui House sites had taken advantage of these subsidies.

Ongoing Cooperation with Projects to Support the Disabled

The *Minna de Kaouya* ("Let's Buy Together") project aims to help sell nationwide the products made by disabled persons in the disaster-stricken areas so that they and their companies can thrive. Sekisui House enthusiastically supports this project by setting up a booth at various events to sell products and by using products made by the disabled as gifts for visitors and for business partners.

We also cooperate with the reconstruction support activities of the *Minna de Tsukurouya* ("Let's Make It Together") project that brings together disabled persons in the disaster-stricken areas and companies around Japan. We have subcontracted to disabled persons the production of some of our promotional merchandise and some of our in-house clerical duties.

Continuing Participation in the "3.11 from Kansai" Event

On March 10, 2013 at the Sky Building in Umeda, Osaka, where our head office is located, we once again took part in 3.11 from Kansai. Under the theme "step by step," the 2013 edition of the event focused attention on the disaster-stricken areas by using stage events and symposiums to highlight the gradual recovery efforts of the stricken residents and the evacuees affected by the tragedy. We also took part in 3.11 from Kansai 2014 on March 9, 2014.

Participating in the *Yui no ba* Program to Help Disaster-Affected Companies

The Japanese Reconstruction Agency's *Yui no ba* program aims to help earthquake-affected companies find solutions by matching them with leading companies that can provide management resources such as manpower, materials, information, and know-how. We have taken part in all six editions of the program, in the municipalities of Ishinomaki, Kesennuma, Minamisanriku, Watari, Miyako, and Fukushima to find ways that we could lend our resources to help local companies. So far, we have used products made by earthquake-affected companies in our factory employee cafeterias, and allowed them to set up booths to sell products at Sekisui House events and to sell their products via our in-house website as well.



A meeting at a *Yui no ba* gathering

Ongoing Support of the "Hand in Hand" Music Project

Sekisui House continues to support Hand in Hand, a project in support of disaster reconstruction in which high school students from the disaster-stricken areas perform jointly with other musicians from around the world at New York's Lincoln Center. Through their music, the performers send a message of gratitude for assistance given in helping them get their lives back to normal.



On March 26, 2014, the third annual Hand in Hand concert was held

Comments from External Members of the CSR Committee

At Sekisui House, a CSR Committee meeting is convened every three months to develop and promote important CSR policies and verify the relevancy and effectiveness of current CSR activities (refer to p. 36). During the meeting, three external members are asked to present their opinions, which provide the basis for discussion among Committee members, including the board members. The following are comments given by the external members in the light of the discussions held during FY2013.



Haruo Tsuji
Former President,
Sharp Corporation

Maximizing the Possibilities of Housing

CSR philosophies and actions today go beyond simply making donations and abiding by laws; rather, they encompass all efforts by a company to use its vast resources to solve a range of social problems.

Companies must be observant, sensitive, and considerate in offering products and services that capture the hearts of customers. But they must also use their main business as a way to solve social problems such as declining birthrates and the aging of society.

Sekisui House already has its sights set on solving such problems through its housing. Its CSR vision clarifies the kind of value it can provide to society and this leads to raising the morale and loyalty of employees. I think this will strengthen the company's sense of responsibility and resolve, and open up new possibilities.

A company cannot compete unless it responds to society's needs and expectations, and it cannot grow unless it provides society with new value. I look forward to seeing Sekisui House take on society's problems and offer new value so that it can enjoy sustainable growth hand-in-hand with society.

Excerpt of his comment at a CSR meeting

When I look at the scandals that rock some companies, I can't help but think that these companies' executives are oblivious to crises. Executives must be able to sniff out the hints of dangers present in the information they gather. At any time, a scandal could arise from the failure to take action. To prevent this, executives must stay in contact with all aspects of the company, communicate with young employees to ensure they are satisfied, and search for all potential problems at all workplaces.



Dr. Tadao Kagono
Special Visiting Professor,
Konan University

An Ideal Cycle of High-Risk Investment

I have noticed that recently Sekisui House is in an ideal cycle of high-risk investment. It is getting into business areas with large risk where many other companies have failed; for example, overseas housing, luxury hotels, and super-high-rise condominiums. Because Sekisui House is highly profitable in its main business, it can afford to make such high-risk investments. Since there are few competitors in these high-risk investment areas, they will yield high earnings. And these earnings can be used to make further high-risk investments: a virtuous circle.

However, this virtuous circle can turn into a vicious circle: a downward spiral in which a company avoids risk for fear of failure, falls into a severely competitive market, and eventually fails to make money.

There are three keys to maintaining the virtuous circle and avoiding the fall into the vicious circle. The first is to not fear risk. The second is to manage risk so that you don't take on too much of it. In other words, the best offence is defense. The third is to seek customer satisfaction rather than seeking to be merely better than your competitors.

I look forward to seeing Sekisui House stick to its fundamentals in building an even wider customer base.

Excerpt of his comment at a CSR meeting

I think there are two key themes to CSR in FY2014. One is to increase wages. This will require that the company increase productivity in some way. Increased productivity can also lead to lower CO₂ emissions. Another theme is to utilize the power of women. The company will be pressed to have more female managers, and I hope it tackles this issue as seriously as it has taken on environmental problems.



Shunsuke Kano
Lawyer

Comfort and Peace of Mind for the World from Sekisui House

The world was deeply moved by the performance of figure skater Mao Asada in the free skating program at the 2014 Winter Olympics in Sochi, Russia—out of the medal race but never giving up in her determination to smile and give it her all. Other Japanese athletes were superb: 41-year-old Noriaki Kasai in ski jumping and 15-year-old Ayumu Hirano, both silver medalists. Once every four years, athletes who have forged their mental and physical strength strive to best their competitors by even a thousandth of a second. But what we also saw at the Olympics was that even in events where Japanese athletes have ruled, the failure to continue fostering skilled, young athletes means the country will lose its competitive edge to the rest of the world.

Sekisui House has become extremely efficient in saving and creating energy and thus reducing CO₂ emissions, but some people say that the company cannot go any further in this regard. It's important, however, to set the bar high and vow to never to give up. I believe that as scientific technology advances, this 'never-give-up' spirit will be passed on to the company's future generations as its various divisions both compete with each other and pool their strengths to raise corporate value even higher. My message to everyone at Sekisui House is this: spread your wings and fly even higher!

Excerpt of his comment at a CSR meeting

With IT being incorporated into housing, we can't overlook that there are negative impacts as well as positive ones. IT is convenient when it's working as it should, but it can cause chaos if something goes wrong. With valuable and extremely detailed personal data being amassed in housing IT, I think it is crucial to sort out now, in the early stages, how this data should be managed and protected.

Independent Third-Party Assurance Report

KPMG AZSA Sustainability Co., Ltd. was engaged to provide assurance on Sekisui House, Ltd.'s Sustainability Report 2014 and verify that the report provides reliable information on the company's greenhouse gas emissions.

This is an English translation of the "Independent Assurance Report" dated April 23, 2014 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the "Sustainability Report 2014" published in Japanese by Sekisui House, Ltd.

Independent Assurance Report

To the Board of Directors of Sekisui House, Ltd.

We were engaged by Sekisui House, Ltd. (the "Company") to undertake a limited assurance engagement of the greenhouse gas indicators listed below for the period from February 1, 2013 to January 31, 2014 (the "Indicators") included in its Sustainability Report 2014 (the "Report") for the fiscal year ended January 31, 2014, and the completeness of material greenhouse gas information in the Report.

Indicators and pages in the Report

Indicators	pages
Energy (total amount and itemized details by energy source) in "Resource input"	43, 44
Amount of CO ₂ emissions in "Waste generation/CO ₂ emissions"	43, 44
CO ₂ emissions of 'Scope 1 and 2 emissions', 'Raw materials', 'Occupancy' and 'Transportation, disposal' in "CO ₂ Emissions by Scope (1-3)"	43

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 Report, which are derived, among others, from the Sustainability Reporting Guidelines version 3.1 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 'Practical Guidelines for the Assurance of Sustainability Information' of J-SUS. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than 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 two domestic factories selected on the basis of a risk analysis.
- Assessing whether or not all the material greenhouse gas information defined by J-SUS is included in the Report.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

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

Our Independence and Quality Control

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

KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
April 23, 2014

Third-Party Review

Sekisui House, Ltd.

April 16, 2014

Third-Party Review

I wrote the following comments based on the information contained in this report and interviews I had with Sekisui House personnel in charge of environment, human resources, procurement, and CSR affairs. I believe that Sekisui House has remained steadfast in its commitment to CSR efforts. The company has been properly implementing the PDCA management cycle focusing on reducing the burden on the environment and preserving the environment. For example, it has developed and is selling its Green First ZERO net zero energy house; is implementing the *Gohon no ki* landscaping concept, an innovative project involving customers in biodiversity protection efforts and one of the first of its kind in the world; and convening quarterly meetings of the 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 utmost interest to customers and society in general; these include reducing environmental impact through boosting energy efficiency and maintaining the value of housing capital (pp. 9–12). I strongly urge the company to take these efforts beyond Japan's borders and call for international standards in the housing industry.
- The company strives to reduce environmental impact throughout the entire product lifecycle. One example is Green First ZERO net zero energy houses, which have accounted for almost 50% of Sekisui House sales since being introduced. These houses are highly insulated, highly airtight, and incorporate solar cells and fuel cells (pp. 19–20). Another example is using IC tags to measure the amount of waste and manage them (pp. 61–62).
- In the area of ecosystems and biodiversity, Sekisui House is carrying out some of the world's most innovative initiatives. Together with customers it has planted a total of 10 million trees in the *Gohon no ki* project (pp. 55–56). In close partnership with NPOs and NGOs the company has created guidelines for the procurement of wood under which it uses quantitative measurements to prevent illegal logging and ensure an environmentally friendly wood growing industry (p. 23).

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

- In the area of CSR in corporate governance and management (pp. 35–36, 40, 45–48), Sekisui House is to be lauded for formulating its four values and 13 guidelines for the realization of a sustainable society, and for convening quarterly meetings of the CSR Committee, which includes three external members. However, I would like to see the company not merely convey corporate philosophy, vision, and CSR policy to overseas group company employees, but also provide opportunities to discuss these. It should also establish human rights and other items as key performance indicators (KPI).
- Sekisui House has done well to improve the value of housing stock for customers (pp. 29–32, 63–64) by extending the warranty after expiration of the initial warranty period, implementing a program to repurchase Sekisui House homes and renovate them for resale, and covering part of the remodeling expenses of houses that meet certain criteria. However, I would like to see Sekisui House give clear concrete examples of the costs and benefits from such remodeling and to provide information and dialog opportunities that make it easier for customers to understand how they can maintain and improve the value of homes over the long term.
- As for creating better working conditions and expanding the diversity of the workforce (pp. 33–34, 73–74), I admire Sekisui House for steady efforts that have resulted in 3.74% of its employees taking advantage of the leave and shortened work hour program for child care, nursing care, and elderly care, and for raising the percentage of disabled employees to 1.97%. Particularly notable is a relaxation of the conditions employees need to meet in order to take nursing-care leave. In addition, I think the company should train more non-Japanese nationals who will become employees; this will meet the needs of a society where the population is aging and birthrates are falling, and it will help the company better deal with the globalization of its business. Sekisui House should also continue expanding its program in which employees who have taken leave or used the shortened work hour system act as trainers for those who wish to do the same, and it should enhance consultation services for employees to address a wider range of concerns including non-work-related issues.
- Sekisui House has done well to improve the performance of its business partners in fulfilling social responsibility by including environmental criteria in evaluation of them. However, I hope the company continues to improve evaluation by including a wider range of more-detailed criteria covering social aspects such as human rights and occupational health and safety.
- In the area of social contribution (pp. 71–72, 79), I admire Sekisui House for activities that include encouraging procurement of 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 such as the Matching Program; it could do this, for example, by having managing personnel follow the activities of organizations that Sekisui House supports and even volunteer in these activities.



川北 秀人

Hideto Kawakita
CEO, IIHOE (International Institute for Human, Organization, and the Earth)

IIHOE is an NPO established in 1994 under the principle of "democratic and balanced development for all life on earth." IIHOE mainly engages in offering management support to civil groups and philanthropists, while working for many large companies to support their CSR efforts.

<http://blog.canpan.info/iihoe/> (Japanese only)

Remarks by Board Members in View of Third-Party Comments

Environmental Activities

In this Sustainability Report, we have used the expression “Creating Shared Value” (CSV). I think CSV is a more appropriate expression for us than CSR because ever since our company was founded, our business has been motivated by the desire to make our customers happy and improve society through our housing. For example, this report mentions our Green First ZERO house, which makes possible energy-neutral living well ahead of the Japanese government’s 2020 target for net zero energy housing. Green First ZERO provides new lifestyle value by giving customers a comfortable home along with solutions to energy and environmental problems. This makes Green First ZERO the epitome of CSV. In our landscaping business, we believe that yards and gardens are integral parts of a home, and so we try to give our customers lives surrounded by soothing nature, which also contributes to biodiversity protection. This has made us Japan’s leading landscapers, something recognized in third-party opinions of Sekisui House.

We don’t just sell products; rather, we believe that customers want more than just an energy-efficient house. That’s why we design a home that matches a customer’s land and lifestyle, and based on that, we incorporate net zero energy design as an added value. That’s why so many of the homes we sell are Green First ZERO products. The external members of our CSR Committee emphasize the importance of

customer focus. While we continue to set gradually higher targets with each passing year, the external CSR Committee members point out that we should set even bolder targets. In response, we are proceeding with an environmental strategy that sets higher targets while doing everything possible for our customers.

Although we strive to provide homes with comfort, safety, and peace of mind for many years, as our third-party contributors have mentioned, we still have a long way to go in convincing housing stock owners to convert to Green First products. By providing as many of these owners as possible with Green First homes for comfort and environmental friendliness, we hope to help raise the value of housing stock.



Kenichi Ishida

Executive Officer

Chief Manager of Environment
Improving Department,
Chief Manager of Global Warming
Prevention R&D Institute

Social Activities

The words “clothing, food, and housing” have been at the forefront of human existence since ancient times. Housing is thus a basic necessity, one in fact that may very well lie at the heart of society. Housing has the potential to contribute to the solution of many of society’s problems, such as global warming, ecosystem destruction, and energy instability, and to create positive effects in areas like daily health, care for the sick and elderly, and revival of family and community ties. Sekisui House is proud that by concentrating its business on housing it has produced value and profits and contributed in a positive way to society. In this sense, we have touched numerous times on CSV in this Sustainability Report. This is exemplified by the industry-leading work we have done in net zero energy houses (ZEH), a product that has accounted for nearly 50% of the homes we have sold since we introduced our Green First ZERO products.

A strong employee base is an integral part of a solid growth strategy: employees need a workplace conducive to rewarding work so that they can help their company provide society with greater added value. In February 2014, we established the Diversity and Inclusion Promoting Office. Sekisui House was chosen for inclusion on the *Nadeshiko* list of companies that empower women and their careers in 2013, the first year of this designation program. Being selected from among the housing

and construction industry has instilled us with greater pride and confidence to step up efforts to empower women and to give employees an improved work-life balance.

It’s been three years since the Great East Japan Earthquake. In 2013, we installed production lines at our Tohoku Factory for Bellburn ceramic exterior wall tiles, which is creating more local jobs and boosting local production for local consumption. We are doing our best to purchase products made and sold by companies affected by the disaster. While reconstruction still has a long way to go, we are striving to do all we can as a housing company by pooling our significant resources to meet the needs of residents in the disaster-stricken areas.

This fiscal year, we will keep CSV front and center while continuing to make CSR a linchpin of our management as we make our company an instrument for social improvement.



Hitoshi Kuroyanagi

Chief Manager of Corporate
Communications Department, Chief
Manager of Investor Relations Office

Honors from Third Parties during FY2013

Environment

Kankan kyo

April 2013 Finalist in Integrated Design category, Environmental and Equipment Design Awards
Organizer: Association of Building Engineering and Equipment



Environmental awareness contributing to Island City community

October 2013 Cooperation Category Prize, Fukuoka Mutual Community Building Commendations
Organizer: Fukuoka Prefecture

Joint entry with Betta Kai; Camelia Garden Club; Residential Energy Sales Department of Saibu Gas Co., Ltd.; Faculty of Management of Kyushu Sangyo University; and Planning and Coordination Section of Island City Management Planning Department, Port and Harbor Bureau, Fukuoka City

Rakuen: Design using flowers and greenery for an enriched lifestyle

October 2013 Tokyo Governor's Award, Garden category, Hibiya Park Gardening Show 2013
Organizer: Executive Committee of Hibiya Park Gardening Show

For garden created jointly with Sekiwa Construction Higashi-Tokyo and Sekiwa Construction Kanagawa

For prototype design and feasibility project for City Ecox, an urban low-rise collective housing that will achieve zero energy consumption

January 2014 Grand Prize at Enemane House 2014
Organizer: Executive Committee of Enemane House 2014

Joint project with University of Tokyo (received award as University of Tokyo Consortium)

Community Building, Landscape

Gotenyama Project

April 2013 Prize for Excellence in Environmental Design category, Environmental and Equipment Design Awards
Organizer: Association of Building Engineering and Equipment



October 2013 Special Judges Panel Award, Planning and Creativity category, Urban Parks Competition
Organizer: Parks & Open Space Association of Japan

Joint entry with Nikken Sekkei Ltd. and first-class architect office of Taisei Corporation

Grande Maison Momochihama Villa

May 2013 Good Lighting Award
Organizer: Illuminating Engineering Institute of Japan

Green Hills Yunoyama

June 2013 Residential Townscape Award, Residential Townscape Competition
Organizers: National Executive Committee for Community Building Month, Housing Production Promotion Foundation, Institute for the Promotion of Housing and Community Building
Entry by Townscape Landscape Committee of Green Hills Yunoyama Community

C Amille Yotsugi assisted living complex for senior citizens

October 2013 President's Commendation for Outstanding Rental Apartments
Organizer: Japan Housing Finance Agency

Maison Mast Aramachi

November 2013 Award in Modern category, Yonezawa City Landscape Awards
Organizer: Yonezawa City, Yamagata Prefecture

Mast Town Uedahara

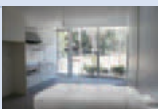
November 2013 Ueda City Urban Landscape Award
Organizer: Ueda City, Nagano Prefecture

Grand Front Osaka large-scale commercial complex

January 2014 Grand Prize, Nikkei Marketing Journal Award, Nikkei Awards for Excellent Products and Services
Organizer: Nikkei Inc. Joint entry by 12 companies

Child Chemo House

January 2014 Construction and Culture Award, Urban Design category, Kobe Urban Design Awards
Organizer: Kobe City, Hyogo Prefecture
Received award jointly with Child Chemo Support Foundation and Tezuka Architects



Good Design Award

Housing & Housing Equipment category

■ β system steel rigid-frame construction
■ SHAWOOD wooden-frame construction

October 2013

Organizer: Japan Institute of Design Promotion



Overall CSR

Sekisui House, Ltd.

February 2013
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



Products, Technology, etc.

Classes by Doctor Universal Design in elementary schools

Gold Award in Future Generations category, IAUD Awards 2013



■ Smart universal design for children—Designing with the user a home for the sound development of children
Silver Award in Future Generations category, IAUD Awards 2013

November 2013 Organizer: International Association for Universal Design

Corporate serial advertisement: "Sekisui House—Always there for you"

April 2013 Grand Prize in Newspaper Advertisement category, Media section, Fujisankei Communications Group Advertising Awards
Organizer: Fujisankei Communications Group

April 2013 Award in Housing and Real Estate category, Mainichi Advertising Design Awards
Organizer: The Mainichi Newspapers

June 2013 Prize for Excellence in Living category, readers' choice section, Yomiuri Advertising Awards
Organizer: Yomiuri Shimbun

October 2013 Honorable mention in Serial Advertisement category, Business Advertising Awards
Organizer: Fuji Sankei Business i.

Advertisement: "Some people climb. Others look up."

September 2013 Grand Prize in Advertisers category, Shizuoka Newspaper Advertising Awards
Organizer: Shizuoka Shimbun

Internal magazine Sekisui House

February 2013 Overall Prize in Magazine and Newspaper category, Keidanren Recommended In-House Newsletters
Organizer: Business Services for Internal Communications, Keidanren (Japan Business Federation)

Kids Design Award

Prize for Excellence (Minister of Economy, Trade, and Industry Prize), Learning & Comprehension section, Children's Future category

■ Kodomo Satoyama Lab—Forest in the Heart of Tokyo: Community development centered on hands-on learning facility

Joint entry with Actus Co., Ltd.; Kokuyo Co., Ltd.; Jakuetsu Co., Ltd.; and Panasonic Corporation



Encouragement Prize (Kids Design Association Chairman's Prize), Children section, Children-Centered Safety category

■ Child Chemo House: Ideal environment for children to receive cancer treatment while being with their families

Joint entry with Child Chemo Support Foundation, NPO Child Chemo House, and Takaharu and Yui Tezuka of Tezuka Architects

Encouragement Prize (Kids Design Association Chairman's Prize), Reconstruction Support Design category

■ Community Greening Project in disaster-stricken areas restore nature and bring smiles to residents

Joint entry with Sekiwa Construction Tohoku

Award in Children section, Child-Centered Safety category

■ Platama Powder field chalk: Safe, economical, and environmentally friendly

Joint entry with Green Techno 21



Award in Creativity & Sensibility section, Children's Future category

■ Grande Maison Komae condominium, which fosters children's sensibilities and creativity

Award in Learning & Comprehension section, Children's Future category

■ Green Hills Yunoyama: Creating a 'hometown' for today's children
Joint entry with Townscape Landscape Committee of Green Hills Yunoyama Community

■ Nationwide environmental education making use of Gohon no ki project

Award in Individual & Household section, Design for Raising Children category

■ Sha Maison low-rise rental apartments designed for babies and children

■ "Mobility Life": a concept of enjoyment as a family

Future-Oriented Consumer Design category

■ Classes by Doctor Universal Design in elementary schools

Joint entry with Osaka Industrial Design Center and Toyonaka Municipal Ueno Elementary School

July 2013 Organizer: Kids Design Association

Sustainability Report 2013

February 2014
Prize for Excellence in Environmental Report category, Environmental Communication Awards (Global Environmental Forum President Award)
Organizer: Ministry of the Environment, Global Environmental Forum



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 environment 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.

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 electrical and chemical reaction between oxygen and hydrogen (oxidation of fuel). In Japan, it is commonly known by the name Ene-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 to 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 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.

K	
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.

L	
LED lighting	LED lighting employs a light emitting diode (LED), which is characterized by high energy-saving efficiency and extended life. LED lighting also emits less heat and ultraviolet rays compared to conventional incandescent light bulbs.
Low-carbon society	A low-carbon society is a society with low greenhouse gas emissions.

M	
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.

N	
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.

P	
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.

R	
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.

S	
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, eczema, 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 and 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.

U	
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.

Z	
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.

Editors' Note

The fourth-generation GRI guidelines (G4) were issued in May 2013. From January 2016, all corporate organizations must comply with G4. Since our overseas business is gradually expanding, we recognize the need to fulfill global expectations regarding the disclosure of CSR-related information. We created the Sustainability Report 2014 as one means of preparing for G4 compliance. This turned out to be a difficult task.

A key point for G4 is to identify materiality. The material aspects in this year's report can be found in the CSV strategies numbered one to five. Although the content may be a little hard to understand, we hope that you take the time to review it.

The Sustainability Report 2013 was awarded a Prize for Excellence at Japan's Environmental Communication Awards, which helped us to maintain our motivation during the latter half of our editing work on the current report. In order to properly disclose information, we must further clarify and enhance our CSR activities. Based on a belief of "Change Society by Changing Housing," we will continue our earnest efforts throughout FY2014.

Last but not least, we would like to extend our deep gratitude to all the people who kindly cooperated with us in producing this report. Thank you very much.



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Sekisui House was certified as an Eco-First Company by the Minister of the Environment (MOE) in Japan—the first in the housing industry.



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