This document serves as Sekisui House’s report on the status of implementation for the 10 Principles of the UN Global Compact (UNGC), which the group submits to the UN Global Compact Office.

Sustainability Report 2019
For the year ended January 31, 2019

Creating value for sustainable growth through ESG management

Sekisui House was the first company in the housing industry to be certified as an Eco-First Company by Japan’s Minister of the Environment (MOE).

For the year ended January 31, 2019
(Integrated, Environmental, and CSR Report)
People are born to be happy.
People can help others find happiness, too.
At Sekisui House, we embrace that truth in everything we do.
Our extensive track record in the housing sector, where we have built more homes than any other company across the globe, speaks for itself: we have the ability—and responsibility—to make home the happiest place in the world.
We strive to help people find happiness, be it enriching families’ lives through housebuilding projects and services or connecting people across the globe through business and procurement efforts.
In pursuing that aim, we look forward to finding solutions to social issues and making the world we inhabit a better, more sustainable place.

Make home the happiest place in the world.
I Value Creation Vision and Strategy (Integrated Report)

Messages from Top Management

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Editorial Policy

The purposes of this report are to educate the general public about the Sekisui House Group’s initiatives to help build a sustainable society, and to encourage communication with the community as a means to improve these initiatives going forward.

We referred to the 2018 Environmental Reporting Guidelines of Japan’s Ministry of the Environment when selecting topics to be reported and formulating our editing policy and layout; the selected topics are disclosed in accordance with ISO 26000, an international standard providing guidance on social responsibility. Furthermore, this report has been prepared in accordance with the Core items of the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards (GRI Standards).

Features of the Sustainability Report 2019

- The content of this report was decided by the CSR Committee, taking into account social conditions and the responses to a survey of the FY2018 report.
- This report conforms to the Core items of the GRI Standards; general disclosures topics that must be disclosed in compliance with the Core items and 17 (non-mandatory standard material topics have been disclosed mainly within the pages concerning Putting Value Creation into Practice (VCP)).
- As an annual report, this document organizes and discloses the results of initiatives implemented in FY2018. It also publishes achievements and self-evaluations for our goals.
- This report offers a key performance indicators (KPIs) of important areas, such as the progress of our Eco-First Promise.

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Scope of business

This report covers Sekisui House, Ltd. and 264 consolidated subsidiaries.

Scope of business activities

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

- Period covered: FY2018 (February 1, 2018 to January 31, 2019)
- Note: Some activities undertaken in FY2019 are covered in this report.
- Date of publication: This report is published annually in Japanese in May, versions in English and in Chinese are published annually in July.
- The Sekisui House Group is a member of the Japan e-Assurance Association of Assurance Organizations for Sustainable Information in terms of the reliability of greenhouse gas emissions data disclosed here.

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Our approach to reporting media

The information in this publication has been compiled based on its importance, and presented in a format that is easy to read and understand. Comprehensive information is disclosed on our website to fulfill our responsibility of full accountability to a wide range of stakeholders. We also issue a separate publication that focuses on activities of particular importance to customers. Note: Our CSR website is only available in Japanese.

Activities of High Importance to the Sekisui House Group

WEB https://www.sekisuihouse.co.jp/sustainable/
Tackling social challenges through stronger group solidarity

The Sekisui House Group has gradually expanded from a foundation in built-to-order housing into a structure encompassing supplied housing, development business, and overseas business. That breadth speaks to what we can do as a housing manufacturer in realizing a sustainable society, which goes beyond just building new ZEH units. We create top-quality housing and do the proper maintenance, remodeling, and renovations to keep the structures performing well—and better—for generations to come. Our mission is to extend housing life, provide long-term support to customers, form markets where housing constitutes a meaningful social asset, and minimize the impact of housing on the global environment, all in hopes of making a circular economy a reality. Vital to that process are the capabilities of the Sekisui House Group—the diversity of strengths that group companies like Sekiwa Construction, Sekisui House Remodeling, and Sekisui Real Estate leverages. From my perspective, synergizing that diversity of strengths will open doors to new business approaches, such as customer-asset management, and pave the way for ongoing growth.

The plethora of existing houses in Japan presents a wealth of new roles and a world of new possibilities for housing manufacturers. In that area, the Sekisui House Group is proactively promoting "SumStock"—an initiative to help customers pass their homes on to the next generation. At the core of the effort is the Provision of Quality Housing Stock Association, which Sekisui House and nine other leading housing manufacturers created as a joint project. Through SumStock, the member companies get access to a housing history database that facilitates the process of evaluating and selling their high-quality existing houses in accordance with clear, well-defined appraisal standards. Besides providing that valuable framework, the Japanese housing market has traditionally followed a pattern of building new houses and selling as many as possible (and then tearing them down when they get old). SumStock, however, is working to invigorate the market for high-quality existing housing to help curb the country’s growing numbers of unoccupied houses.

In diving SumStock forward, the Sekisui House Group is leveraging its impressive track record in supplied housing to stand at the industry forefront and accelerate the overall effort. Social problems are growing more diverse and increasingly complex as we march into the future. In the process of formulating solutions to those changing issues, individual companies and industries can only do so much. Making problem-solving a concerted, society-wide effort hinges on all-encompassing standpoints and bold, revolutionary ideas. Without those radical breakthroughs, new answers will lie out of reach.

Last but not least is governance reform, a crucial issue for the Sekisui House Group. Our efforts to tackle the six items for strengthening the corporate governance system that we laid out in 2018, the first year of the governance-improvement drive, have made solid progress and a sizable impact. In working toward the establishment of the Management Meeting and transparency and invigoration of Board of Director meeting operations, a new standard process has taken root: the Board of Directors deliberates on matters after the Management Meeting has discussed the topics, with outside officers present to diversify the talks. Forward progress has been made on clarifying directors’ responsibilities for the various departments, thereby facilitating the effective function of Director efficacy—another of the six items. These initiatives are open-ended; there are always improvements to make and deeper levels to probe. We have also added new efforts to our action plan ensuring independence and strengthening internal checks of chief managers in charge of general affairs, in sales administration headquarters and branches, as well as improving the integrity of branch managers. As we work to enhance training programs and make personnel evaluations more rigorous, we will also strive to foster future branch managers. The whole process will follow the Plan, Do, Check, Action (PDCA) cycle, just like our business activities do. On top of that, we plan to iron out new reform guidelines by 2020. The Sekisui House Group’s corporate philosophy encapsulates our beliefs. Our fundamental philosophy is “love of humanity,” and our stance is “trust and truth.” Those elements all play into our governance initiatives. Trust, for example, captures the sincere, high-minded morality of integrity that is at the core of our governance reforms. Trust, meanwhile, represents an interpersonal ideal: connections where individuals can be their true selves, make the most of their abilities, and have that individual worth recognized. “Love of humanity” and “trust and truth”—it all finds expression in how we strive to stay humble, uphold honesty, answer our call with a full heart, want the best for others, and have the philosophical roots form the cornerstones of our governance reforms as well.

Creating new standards with an eye to the world, our goal is clear, but our reforms—and evolution—are still works in progress. As we keep aiming higher, always training our sights on social issues, we continue to march on toward sustainable growth as a company.

How our collective diversity of strengths can transform the Japanese housing sector

The dynamism of the world, on full display at COP24

Japan is currently dealing with myriad social challenges: falling birthrate and aging population, climate change, large-scale natural disasters, and increasing numbers of unoccupied houses, to name a few. As a Japanese company, we at the Sekisui House Group have to address the challenges through our business pursuits and keep on growing amid the adversity. We also need to make steady, step-by-step progress on efforts to solve the problems at hand. One of the most pressing issues is the state of the environment. With typhoons, torrential rains, and other large-scale natural disasters wreaking havoc around the world at a startling frequency, extreme weather is quickly becoming an everyday occurrence—disaster could strike anywhere, any time. The prevailing discourse on global warming frames the environmental threat as an issue for the “future of our planet,” a concern for the “next generation.” That future, however, is on our watch; the effort to control global warming simply cannot wait.

At the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP24) in Katowice, Poland, in December 2018, I gave presentations on Sekisui House’s net-zero energy housing (ZEH) and other initiatives. As I took in my surroundings at the event, I got a real sense of how dynamically the global community is taking action. Countries around the world are tackling climate change in so many practical, progressive ways, but Japan is starting to fall behind. A look at the Climate Change Performance Index, a report that a leading international NGO releases at yearly COP meetings, shows that Japan sits in the “Very Low” rating category. At the top of the list, meanwhile, are Sweden, the United Kingdom, and other European nations; India is one of the higher-performing Asian countries on the list. Up until the mid-1990s, when the Kyoto Protocol was adopted, Japan was a world leader in the movement to cut greenhouse-gas emissions. Sekisui House blazed trails, too, releasing its “Environmental Future Plan”—a bold vision for a housing manufacturer—in 1999. Things have changed dramatically in the two decades since I recognized our mission as a housing manufacturer and knew that we needed to accelerate our efforts with a real sense of urgency. In 2008, the Sekisui House Group announced its “2050 Vision” aiming to eliminate CO2 emissions from housing and quickly shift management focus to decarbonization. ZEH currently accounts for 79% of our newly built detached houses, with total cumulative sales of roughly 40,000 units—both world-leading figures. In October 2017, we became the first construction company in Japan to join the RE100 initiative, a commitment to using 100% renewable energy for all business activities. With the purchase period under the Japanese government’s feed-in tariff (FIT) system for renewable energy gradually drawing to a close, we are also planning to launch the “Sekisui House Owner Denki” in November 2019. This is a framework through which we buy surplus power from home owners at competitive prices and use the electricity for our group activities. Countries and corporations abroad are setting ambitious numerical targets and timelines for renewable energy, embodying a dynamic attitude. Japan has to be in the thick of it all. For Japan to do its part amid that constant rush of activity, climate-change countermeasures in the housing sector can play a crucial role. Now is the time for the Sekisui House Group to showcase its true value. Having balanced industry-propelling advances in low-carbon technology and comfortable living, we are in prime position to seize business opportunities and drive further progress forward.

Step-by-step progress toward governance reforms

The Sekisui House Group’s corporate philosophy encapsulates our beliefs. Our fundamental philosophy is “love of humanity,” and our stance is “trust and truth.” Those elements all play into our governance initiatives. Trust, for example, captures the sincere, high-minded morality of integrity that is at the core of our governance reforms. Trust, meanwhile, represents an interpersonal ideal: connections where individuals can be their true selves, make the most of their abilities, and have that individual worth recognized. “Love of humanity” and “trust and truth”—it all finds expression in how we strive to stay humble, uphold honesty, answer our call with a full heart, want the best for others, and have the philosophical roots form the cornerstones of our governance reforms as well.

Creating new standards with an eye to the world, our goal is clear, but our reforms—and evolution—are still works in progress. As we keep aiming higher, always training our sights on social issues, we continue to march on toward sustainable growth as a company.

Messages from Top Management

Toshinori Abe
Chairman & Representative Director

Sekisui House Sustainability Report 2019
**Happiness: Our core concept for a bright future of ongoing business growth**

**Forming business strategies around social impact to create new value and make Sekisui House a leader in ESG management**

The turning point of 2020: Charting a new course for sustainable growth into the future

The Fourth Medium-Term Management Plan, rooted in the core policy of building the foundation for the residential-related business toward BEYOND 2020, is set to wrap up in 2019. For Sekisui House, the year 2019 also represents the 60th anniversary of the company’s founding. As we move closer and closer to 2020, which could prove a pivotal turning point for Japan as a whole, Sekisui House is constantly fostering innovations to drive sustainable growth and steadily expanding its business scope.

For us, innovation means expanding our strengths in the built-to-order business into non-housing areas and creating value with bold, forward-thinking concepts for housing. Sekisui House has spent its entire history as a company striving to create safe, secure housing of exceptional quality—shelters for families’ lives and property. Since releasing our Environmental Future Plan in 1999, we have concentrated on maximizing comfort and aimed to be a pioneering force in creating environmentally friendly housing. We want to stride onward along that path, translating our vision of “making home the happiest place in the world” into extraordinary housing. Our fundamental philosophy is a love of humanity. Operating from that foundation, we are now delving deeper into realizing customer happiness in a society where people will have a 100-year lifespan. That means creating new value as a partner in nourishing happiness for us.

In August 2018, we began to concretize that vision with the opening of the Human Life R&D Institute: Japan’s first-ever corporate research institution to specialize in happiness. Aiming to propose houses where happiness grows the longer you live there, the Institute is a hub of progressive inquiry. In October 2018, for example, we released the “Family Suite” concept model, which draws on institute research to break away from the conventional “LDK” (living-dining-kitchen) concept and propose a new mode of living. We also showcased our brand-new Platform House Concept at CES 2019, the world’s largest consumer electronics show, in Las Vegas (US) in January 2019. The Platform House, a conception of home as a platform for happiness, will utilize resident data to foster intangibles like health, connections, and learning through technologies and services that fuse the physical and the immaterial. The concept is moving along the pipeline, nearing its release in the spring of 2020.

Our first initiative centers on health. With health-related services in three areas—emergency response, health monitoring over time, and preventive care—we can provide new value to residents in the forms of houses that make health, Environmental controls and a bevy of sensing technologies will help users monitor day-to-day changes in their physical conditions, enabling early detection of sudden-onset diseases and life-threatening conditions, particularly those with a high likelihood of occurring at home (strokes and heart attacks, for example). By facilitating prompt medical care, our homes will not only help residents live healthier lives on an individual level but also benefit communities through reductions in medical expenses and other social costs. We look forward to forging alliances with outside partners, pursuing research backed by science and logic, and shaping those results into new services with roots in the home—offering those that will broaden our business domains and fuel sustained business growth.

Housing expertise as a difference-maker outside the housing sphere, benefiting communities on multiple levels

In the non-housing sector, we launched a community development project. The initiative makes use of resources like our original Flexible β System, which extends design freedom, expands our options for space proposals, and shortens construction times through the use of factory-shipped materials. Building on Sekisui House’s prowess in delivering quality physical housing at quick turnaround times, the project also lets our proposal capabilities shine by foregrounding comfort, eco-consciousness, and other elements of the liability expertise we have gained.

An effort along those lines began in November 2018, when Sekisui House joined forces with Marriott International, Inc., a hospitality-focused accommodation provider with locations in 130 countries and regions around the world, to create the Trip Base Michi-no-Eki*. Project. With local governments across Japan offering their assistance, the collaboration will open hotels to showcase a “journey through the attractions of each region” and empower roadside Michi-no-Eki areas as travel hubs. The plan is to have 15 hotels in 5 prefectures up and running by the fall of 2020, with nationwide expansion to follow. Sekisui House will offer high-quality accommodation experiences at lodging-only roadside hotels, and guests will visit Michi-no-Eki locations and local establishments for food, shopping, and more. As inbound demand continues to grow, modes of travel—both domestic and international—are bound to diversify. Working in tandem with regional communities will make the Sekisui-Marrriott tie-up a palpable force in benefiting people, economies, regional development, and community revitalization.

I look forward to seeing Sekisui House’s track record expand in other areas outside the accommodation sphere, as well, including medical facilities, educational institutions, and commercial establishments.

* Michi-no-Eki are highway rest areas where drivers and passengers can take breaks, get information on local and the local community, buy local specialties at shops, try local dishes, and even sleep overnight at on-site accommodation.

Nurturing a culture of innovation and communication, two key elements of leading the way in ESG management

To accelerate sustainable growth on a company level, we need to enable growth on an individual employee level. Innovation and communication are our goals in that regard. We want our workplaces to encourage and rejuvenate communication through day-to-day interpersonal contact and frequent, candid dialogue—key ingredients in cultivating the ideas that spark innovation. Welcoming, open environments lay the groundwork for effective information sharing and, as a result, stronger collaboration. If we want to make home the happiest place in the world, we need to make our systems, offices, and workstyles conducive to happy, healthy work. Effort spans a broad range of activities, including diversity-oriented measures to help women thrive professionally, workstyle reforms, and health management. In September 2018, we instituted a special program that encourages employees with children under the age of three to take month-long parental leave. Leave gives people time off, of course, but how employees use that extra time is a key factor. If people take those opportunities to spend more time engaging with their families, communities, and others both within and outside the company organization, the resulting value can be extraordinary—and the encounters and discoveries that emerge can even help shape new proposals to customers. With that awareness and a long-term perspective, we will strive to cement our status as a leading force in ESG management.

To keep growing into the future, we need to be a company capable of contributing to society through our business activities. The Sekisui House Group is determined to create new value via business strategies that align with the international community’s shared Sustainable Development Goals (SDGs), hold true to our long-standing legacy, and know when to break from convention in favor of fresh ideas. Our initiatives will continue to focus on steady, innovative progress.
Our growth strategy in four business domains

### Corporate profile (as of January 31, 2019)

- **Corporation name:** Sekisui House, Ltd.
- **Head office:** 1-1-88 Oyodonaka, Kita-ku, Osaka 531-0876, Japan
- **Date of establishment:** August 1, 1960
- **Capital stock issued:** 2,075,573,201,000
- **Employees:** 24,775 (consolidated); 14,616 (non-consolidated)
- **Total number of houses built:** 2,425,372

### Other businesses (as of January 31, 2019)

- **Branches and offices:** 115
- **Customer service centers:** 23
- **Model homes:** 370
- **Factories:** 5
- **R&D Institute:** 1
- **Consolidated subsidiaries:** 264

### Group companies

- **Trade, brokerage and lease of real estate:** Sekisui Real Estate Tohoku, Ltd., Sekisui Real Estate Kanto, Ltd., Sekisui Real Estate, Ltd., Sekisui Real Estate Chubu, Ltd., Sekisui Real Estate Chugoku, Ltd., Sekisui Real Estate Kyushu, Ltd.
- **Development business:** Sekisui House, Ltd., Sekisui House Umeda Operation Co., Ltd., Sekisui House Remodeling West, Ltd., Sekisui House Remodeling Central, Ltd.
- **Housing construction, remodeling and exterior business:** 18 companies under Sekisui Construction, Ltd.

### Overseas business

- **Condominiums:** Sekisui House (China) Co., Ltd., Woodside Homes Company, LLC
- **Supplied housing business:** Sekisui House Remodeling, remodeling, real estate management fees, supplied business, housing for sale, custom detached houses, rental business, rental housing, remodeling
- **Houses for sale:** Sekisui House Remodeling, remodeling, real estate management fees, supplied business, housing for sale, custom detached houses, rental business, rental housing, remodeling
- **Custom detached houses:** Custom detached houses, rental business, rental housing, remodeling, real estate management fees, supplied business, housing for sale, custom detached houses, rental business, rental housing, remodeling
- **Custom detached house sales:** 12,708 houses, No.1 in Japan, 65.5 billion yen
- **Total number of orders received for net-zero-energy housing:** 44,247 houses, No.1 in Japan
- **Total number of houses constructed:** 2,425,372 houses, No.1 in Japan
- **Total number of registered residential units in assisted-living complexes for senior citizens:** 14,883 units, No.1 in Japan

Note: Data on ranking in Japan or the world is based on Sekisui House survey of disclosure documents and other materials.
### Strategies for the custom detached houses business

We seek to expand orders in the custom detached houses business through high-value-added products, such as ZEH Green First ZERO, that ensure energy zero by saving energy using increased insulation and other features and generating energy using photovoltaic systems, fuel cells and other methods.

We are steadily working toward a target ZEH ratio of 80% by 2020 and will continue to accelerate activities to spread ZEH by harnessing our strength of balancing comfort and eco-friendliness. We will focus on increasing sales of its Series steel-frame houses, SHAWOOD wooden-frame houses and other products and selling three- to four-story houses that cater to various needs, such as multigenerational households, in cities with heavy steel-framed houses that offer higher flexibility in floorplans. We will strive to increase the order price per house and achieve sustainable growth by promoting high-value-added houses using original technologies.

### Business Focus 1

**Launched the Family Suite with a spacious living room using our happiness research and advanced technologies**

The Family Suite model propsoes the concept of a new kind of living room that breaks away from the conventional “LDK” (living-dining-kitchen) concept to enable the family to spend an exciting time together in any way they like. This model draws on the results of research on houses where happiness grows the longer you live there by the Human Life R&D Institute, Japan’s first-ever corporate research institution to specialize in happy living, and the company’s cutting-edge technologies.

We announced the Family Suite model in October 2018 and about 30%* of our customers have adopted it ever since. In April 2019, we announced the Family Suite model in October 2018 and about 30%* of our customers have adopted it ever since. In April 2019, we added the concept of a more relaxed lifestyle for families by working on providing a spacious area under the eaves in addition to a spacious living room that offers the happiness of connecting, the happiness of being oneself and the happiness of health. We have also made the Family Suite model available to all customers irrespective of the type of construction (steel frame/wood frame) and the interior and exterior design.

We will continue to provide new value to our customers with the company’s original happiness research and advanced technologies.

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### Strategies for the rental housing business

We are engaged in design, construction and contracting of custom detached houses and rental housing. We seek to take on fresh challenges in non-housing areas and other new fields, while leading the industry as a top brand.

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### Growing through area marketing and high-value-added rental housing

In our rental housing (Sha Maison) business, we seek to expand orders, mainly of three- to four-story rental houses, by proposing high-value-added rental housing based on thorough area marketing in urban and other areas and leading to long-term stable management. The order price per rental house has also been rising steadily. We will strive to respond to varied needs and resolve social issues with our new construction method, Flexible β System, which extends greater design freedom and expands our options for space proposals, and aim for further growth in the non-housing field, including houses used as commercial properties, hotels, childcare centers, medical facilities and assisted-living complexes for senior citizens.

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### Business Focus 2

Launched the Platform House Concept that considers “home” as a platform for “happiness”

Sekisui House exhibited its new project, the Platform House Concept, which is based on the concept of making home the platform for happiness, at the consumer electronics show CES 2019 held in Las Vegas, USA in January 2019. We seek to utilize the home as a base to expand our business by creating new services that assist the resident’s lifestyle.

The Platform House will use resident data as a base to develop and propose services for creating intangible assets such as health, connections and learning. In line with our vision to “make home the happiest place in the world,” the Platform House will assist the happiness of the homeowners belonging to a society where people will have a 100-year lifespan. The first step in our efforts is health. We will provide three kinds of services: emergency response, health monitoring over time, and preventive care. At CES 2019, we presented our efforts towards emergency response. If the house can help in early detection of certain conditions, like drowning or pathub, tumbling or falling, apoplexy or acute myocardial infarction, which have a high probability of occurring at home, and other domestic accidents, and lead to early treatment, then social cost can be reduced and quality of life can be improved. We will make wide alliances with specialized high-end companies to develop and provide services. Our efforts towards health will be continued together with NEC, NTT Comware, Faculty of Science and Technology at Keio University, Keio University Hospital, Konica Minolta, AIST and Hitachi. We will continue to expand our range of partners and complete various verification tests and clinical trials in line with our plan to launch the services of the Platform House by Spring 2020.

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### Trends in net sales in built-to-order business / Order price per custom detached house

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales in built-to-order business</th>
<th>Order price per custom detached house</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>825.5</td>
<td>10,000 yen</td>
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<tr>
<td>2015</td>
<td>794.1</td>
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<td>2016</td>
<td>823.4</td>
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<td>2017</td>
<td>814.0</td>
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<td>2018</td>
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<td>10,000 yen</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Order price per custom detached house</th>
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</thead>
<tbody>
<tr>
<td>2014</td>
<td>800 yen</td>
</tr>
<tr>
<td>2015</td>
<td>820 yen</td>
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<td>2016</td>
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<tr>
<td>2017</td>
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</tr>
<tr>
<td>2018</td>
<td>880 yen</td>
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### Strategies for the rental housing business

<table>
<thead>
<tr>
<th>Year</th>
<th>Order price per Sha Maison rental house / Ratio of three- to four-story rental houses (share in amount)</th>
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</thead>
<tbody>
<tr>
<td>2014</td>
<td>Order price per Sha Maison rental house / 10,000 yen</td>
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<td>8,361</td>
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<tr>
<td>2018</td>
<td>9,395</td>
</tr>
</tbody>
</table>

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### Biodata

- **β System**: A flexible construction method that enables the family to spend an exciting time together in the home.
- **Platform House**: A platform that uses resident data as a base to develop and propose services for creating intangible assets such as health, connections and learning.
- **Sha Maison**: A rental housing business that provides emergency response, health monitoring over time, and preventive care.
- **Flexibe β System**: A new construction method that facilitates design freedom and expands options for space proposals.
- **Emergency response**: Services that help in early detection of certain conditions, like drowning or pathub.
Business Focus

Started the Trip Base Michi-no-Eki Project under the regional revitalization business

Sekisui House and Marriott International have teamed up with various regional communities throughout Japan to propose and provide a journey through the attractions of each region by empowering the Michi-no-Eki* stations as travel hubs under the Trip Base Michi-no-Eki Project. In the first stage, 15 roadside hotels across five prefectures and offering a total of about 1,000 rooms are expected to open beginning in fall 2020. More properties are subsequently planned throughout the country. This project proposes a new experience-based traveling style that is conceptualized on a quest for unexplored Japan. It will provide a taste of the resources rooted in the community, such as culture, customs, lifestyle and food, in collaboration with the local people. It aims to provide a higher level of satisfaction to travelers by enabling them to feel the connection between the region and its people, while traveling by car, bikes or cycles to hotels located near popular Michi-no-Eki stations across the country. These roadside hotels will form the core of the project, will belong to the hotel brand Fairfield by Marriott and introduce the high usability Marriott International to Japan. The construction will be carried out by Sekisui House. The hotels will specialize in providing accommodation where travelers can enjoy a simple and comfortable relaxing time. They will also buy food and Souvenirs from the Michi-no-Eki stations and other shops in the region, enabling maximum interaction with the local community while cooperating with it. We expect further increase in inbound visitors and diversification in domestic and foreign travel styles. We will leverage Sekisui House’s strength of technologies that can build high-quality accommodations in short construction periods and Marriott International’s strength of superior hospitality and global networking to help promote regional revitalization through new traveling styles while closely working with alliance partners who share our cause.

* Michi-no-Eki Stations are highway rest areas where drivers and passengers can take breaks, get information on roads and the local community, buy local specialties at shops, try local eats, and even stay overnight at on-site accommodations.

Features of the Trip Base Michi-no-Eki Project

• Working with various regional communities throughout Japan, Sekisui House and Marriott International propose and provide a journey through the attractions of each region, empowering the Michi-no-Eki areas as travel hubs.
• This project will utilize Michi-no-Eki stations, which have been so far a place to rest and pass by for tourists, as hubs to create a network out of dispersed regional tourist attractions, maximizing their potential and empowering regional revitalization.
• Fairfield by Marriott is a global brand available all across the US and offering over 900 properties worldwide. Sekisui House will expand further into the non-housing sector by introducing this brand to Japan, combined with the superior quality and short construction periods possible with pre-engineered technologies developed through Sekisui House’s housing business.
• Sekisui House will be responsible for the project management.
• SPCs dedicated to this project funded by Sekisui House, Mizuho Financial Group and other tourism specialized funds will own the properties which will be operated by Marriott International.
• A Sekisui House subsidiary will be responsible for the hotel business management and will attract the growing numbers of inbound tourists by catering to overseas tourist needs and leveraging the strengths of the Marriott International’s brand.
• The Trip Base project aims to become a platform for regional revitalization by working together with local governments and proactively developing alliances with partners.

In the first stage, we will open roadside hotels at 15 locations in five prefectures, with about 1,000 rooms in total, from fall 2020 onwards. We also plan to open hotels in 10 other prefectures in the second and third stages.

Sekisui House Asset Management Ltd., sign the Principles for Responsible Investment (PRI)

Sekisui House Asset Management, Ltd. is responsible for the management of Sekisui House Real, Inc.’s assets, signed the Principles for Responsible Investment (PRI) in March, 2019. The PRI involve incorporating ESG issues in investment analysis and decision-making processes, with the aim of improving long-term investment performance and ensuring that the fulfillment of fiduciary responsibilities to beneficiaries is of a higher standard than is conventional.
Supplied Housing Business
Remodeling / real estate management fees

Our remodeling business engages in remodeling and renovating housing, while our real estate management fees business is expanding real estate subletting and subleasing, management, operations, brokerage, and more.

Both businesses are optimizing the entire housing lifecycle and contributing to the creation of a recycling-oriented society.

**Achieving business growth through the creation of a new market that makes use of existing housing**

Our real estate management fees business maintains high occupancy rates through business development that corresponds to the occupancy needs of our high-quality rental housing. Thanks to collaboration between Sekiwa Real Estate companies and the group, bulk leasing of Sha Maison rental housing and the number of rooms we manage are steadily increasing. We are also aiming to strengthen our profitability by making use of a price leader strategy for the rents we charge. Moving forward, we will enhance our real estate brokerage business, including SumStock, and contribute to the realization of a recycling-oriented society.

**Vision and Goals**

Strategy and Core Competencies

Achieving reliable growth through proposal-type remodeling and energy-saving remodeling

Moving beyond conventional maintenance-type remodeling, our remodeling business offers proposal-type remodeling, which proposes lifestyles to allow residents to live comfortably for longer; we also provide energy-saving remodeling, for which we carry out energy-saving renovations with the aim of creating a decarbonized society, and large-scale remodeling. All of these are expanding our business. Moreover, we aim to increase orders by proposing remodeling to the owners of Sha Maison rental housing that will contribute to stable, long-term management such as maintaining and improving rent levels and occupancy rates.

In December 2018, we launched idokoro Dan-netsu (location-based heating) Green First Renovations. This is the idea of partial insulation focused on the locations where the family spend most of their time, mainly the living, dining and kitchen areas. We will carry out insulation repairs and install comfortable facilities, which will contribute to the creation of housing that helps to ensure the health and longevity of the residents.

**Real estate management fees business strategies**

Our real estate management fees business maintains high occupancy rates through business development that corresponds to the occupancy needs of our high-quality rental housing. Thanks to collaboration between Sekiwa Real Estate companies and the group, bulk leasing of Sha Maison rental housing and the number of rooms we manage are steadily increasing. We are also aiming to strengthen our profitability by making use of a price leader strategy for the rents we charge. Moving forward, we will enhance our real estate brokerage business, including SumStock, and contribute to the realization of a recycling-oriented society.

**Changes in supplied housing business net sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Billion yen)</td>
<td>562.3</td>
<td>582.7</td>
<td>602.6</td>
<td>626.7</td>
<td>655.4</td>
</tr>
</tbody>
</table>

**Changes in remodeling net sales and the operating profit margin**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>(Billion yen)</td>
<td>134.1</td>
<td>134.4</td>
<td>133.4</td>
<td>136.8</td>
<td>141.4</td>
<td>152.0</td>
</tr>
</tbody>
</table>

**Changes in the number of rooms we manage and occupancy rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rooms)</td>
<td>545,750</td>
<td>565,471</td>
<td>584,096</td>
<td>601,582</td>
<td>619,494</td>
</tr>
<tr>
<td>(%)</td>
<td>98.0</td>
<td>98.0</td>
<td>98.0</td>
<td>98.0</td>
<td>98.0</td>
</tr>
</tbody>
</table>

**Business Focus**

Expanding the business by developing a hands-on facility for people to experience the Before and After

An alliance with TOKYO interior

The Sekisui House Group has formed an alliance with TOKYO interior to expand our business. TOKYO interior has opened renovation booths in their Osaka, Kobe, and Fukuoka Shingu stores. These booths enable visitors to experience facilities and housing layouts after remodeling. They also function as showrooms that can support general property remodeling as well as the remodeling of buildings constructed by Sekisui House.

Renovation showrooms

We have grown to have renovation showrooms in 21 locations around the country, where visitors can experience examples of the latest remodeling available for buildings constructed by Sekisui House. Visitors can see housing constructed around 25 years ago that has been renovated by three of Sekisui House’s remodeling companies and has now been reborn, appearing as a new build. We expect to open showrooms in five further locations.*

* As of May 1, 2019

**BERED: Brwon-to-four-story rental housing**

**Interior of rental housing (example)**

**TOKYO interior Fukuoka Shingu store renovation booth**

**Remodeling showrooms**
In the overseas business too, Sekisui House views housing value from the multidimensional perspectives of its four key values: environmental value, economic value, social value and homeowner value, and strives to increase the value of each. When developing business overseas, we thoroughly research the climate, natural features, culture and lifestyles in each country or region and aim to create sustainable houses and communities based on the specific requirements of the region. We will continue to respect the unchanging universal value of housing while responding to the needs of the changing times with advanced technologies to help achieve the SDGs by carrying out development (sustainable development) that will serve as an asset for the country or region.

Our goals

Contributing to sustainable development in every country and region from the perspective of the four key values

In the overseas business too, Sekisui House views housing value from the multidimensional perspectives of its four key values: environmental value, economic value, social value and homeowner value, and strives to increase the value of each. When developing business overseas, we thoroughly research the climate, natural features, culture and lifestyles in each country or region and aim to create sustainable houses and communities based on the specific requirements of the region. We will continue to respect the unchanging universal value of housing while responding to the needs of the changing times with advanced technologies to help achieve the SDGs by carrying out development (sustainable development) that will serve as an asset for the country or region.

Business strategies

Resolving social issues in each country by leveraging the technology and expertise developed in Japan

Sekisui House’s overseas business has been growing each year, and in our ongoing Fourth Medium-Term Management Plan (FY2017–FY2019), we have positioned it as the fourth pillar of our growth strategy along with our built-to-order, supplied housing and development businesses.

We operate our business in Australia, USA, China and Singapore and expect future expansion in sustainable and stable demand for housing in all the four countries. We aim to make full use of the strengths we have developed as a leading Japanese industrialized housing company to offer highly satisfying housing suitable for each country’s culture, lifestyle habits, and natural environment. We believe that our environmental technologies—including net-zero energy housing (ZEH), which take global warming and resource issues into consideration, and advanced community-building know-how, represented in the Gōkon no ki project that considers the ecosystem around the house—can contribute to resolving social issues faced by each country.

In our overseas business, we have mainly focused on the development business. However, we now seek to explore the possibilities of the built-to-order (e.g., custom detached houses, rental housing), and supplied housing (e.g., property management, rental housing management) businesses as well. In other words, our growth strategy for our overseas business here on involves applying our domestic strategy—expanding and strengthening these three areas: development, supplied housing and built-to-order. To expand these diverse businesses on a global scale, we will continue to focus on building trusting relationships with excellent local partners and promoting global training and education of superior local human resources that understand Sekisui House’s principles and ideas to further promote localization of our business.

Australia

Further improving the quality of houses and services to expand business

In Australia, we strive to create value for society and the region through our business. For this, we offer a high-value-added housing environment for the homeowners, while building townhouses with rich natural environments, mitigating the regions, saving energy and contributing in other ways. We are currently engaged in developing and selling residential land and condominiums, mainly in New South Wales (Sydney) in the southeastern part and Queensland (Brisbane) in the northeastern part of Australia. Apart from development of residential land, the custom detached houses business is also picking up in the suburbs of Sydney.

The high quality of the intrinsic basic performance of our houses and their environmental performances, as well as the high quality of our services, have been well received in the market and our brand recognition has been rising every year. With these achievements as stepping stones, we will focus on further improvement in quality and expansion in services to work toward sustainable business growth in the Australian market.

Areas of operation

Australia

Business Focus 1

SHAWOOD Shinka House based on ZEH specifications

In the residential land sales project, the Hermitage (230ha, about 1,800 plots), which is under development in the suburbs of Sydney, we are promoting sales of the Australian version of our ready-built SHAWOOD houses that meet local needs to spread the original SHAWOOD wooden-frame houses in the market.

We will maintain Japanese quality in all aspects of design, technology, construction and sales. Our standard specifications will significantly surpass the standard sustainability indicators expected in local houses, including high insulation and air tightness. We will also add photovoltaic systems and other features to the standard specifications to build Shinka House, a SHAWOOD model based on ZEH specifications, and work toward the commercialization of ZEH in Australia.

We will continue to strengthen the SHAWOOD brand in collaboration with the company’s and other domestic research institutions, local suppliers and the Product Design & Development Department.

Business Focus 2

Strengthening human resource development as a growth strategy

The employee turnover rate in Australia far exceeds that of Japan. With the working conditions of the country in mind, we not only disseminate information from Sekisui House in Japan, but also focus on encouraging communication within the company in our offices in Australia. We constantly share Sekisui House’s ideas on the housing business, the four key values to achieve them, details on our CSR activities and other information through email. We hold quarterly events in the company to nurture the Sekisui House mindset and business culture, visiting across various departments, including those at our Japan headquarters. This has integrated communication between employees, and employees and management, and expanded mutual understanding. The turnover rate has fallen significantly since we began operations.

Moreover, as part of our efforts to develop human resources recruited locally, we also started an education and training program in entire Australia. We design and offer local training programs for human resource development and skill improvement based on surveys about the needs of each department.
United States—Community business, multifamily business and homebuilding business

**Business Focus 1**

Promoting development of housing and residential land in response to climate change

The global impact of climate change (extreme weather) in recent years has increased people’s expectations for measures against natural disasters in houses and residential land. In our business in the US, we have been developing residential land where damage from natural disasters like heavy rainfall or hurricanes can be minimized. This has enabled us to limit damage to communities that comprise our houses, even in areas directly affected by the long spells of rainfall and hurricanes that occurred in recent years in the southern regions facing the Atlantic Ocean.

**Business Focus 2**

We received the Best Community Award in Florida and became the most trusted brand in all of US

We received the Grand Aurora Award for Best Community in the southeastern region for Bexley, which is in Tampa, Florida. Our community business has also been highly praised for Bexley Club, which serves as an oasis for the residents. Launched in fall 2016, this business offers various lifestyles, from townhouses to luxury houses. Woodside Homes featured among the top four brands in the US in the home builder category as the most trusted brand in the country. This has contributed to maintaining employee motivation and skill improvement in services.

China—Townhouse and condominium business

**Business Focus 2**

Building houses from the homeowner’s perspective

In China, we operate our townhouses and condominiums business under the brand “Yuqin” in the cities of Taicang, Suzhou and Wuxi on the outskirts of Shanghai and in the northeastern city of Shenyang. It is common in the Chinese housing market to sell just the skeleton of the house. We provide houses with high-quality interiors and storage because we thought it essential for housebuilding to take care of the interior design as well.

China has been focusing on environmental issues in recent years. Therefore, we are striving to reduce harmful chemicals, such as formaldehyde, using building materials that have cleared strict standards and technology for better ventilation to provide healthy and safe living environments.

We design projects from the homeowners’ perspective, using the strengths developed in Japan, such as high-quality construction, environmental technology and after-sales services, while respecting local culture and customs. Our brand is gradually gaining recognition in the local market for living comfort and high quality.

We will continue to offer safe, reliable and comfortable housing to protect the resident’s lifestyle and the buildings forever.

Singapore—Condominium business and building complex business

**Business Focus 2**

Generating new value in society along with local partners

We are engaged in the building complex business, including retail malls and offices, centered on condominium development, in collaboration with leading local developers. We will share our ideas on community and house building with local partners and offer them as added value.

We are working on three building complex projects—Wood Square, which is characterized by offices of unique designs and building complexes with commercial facilities; Seaside Residences, which incorporates our design ideas such as living room closet; and One Holland Village, a housing design that incorporates the idea of slow living. Water Town, which includes houses for sale, and Waterway Point, a commercial facility, are part of our building complex business in which we have sold out all houses and own and run commercial facilities with partner companies.

We will strive to create new value in Singapore by sharing our ideas, which focus on the homeowners’ perspective, with local partners.
Analyzing risks and opportunities from a sustainability perspective

The external environment surrounding businesses is becoming increasingly complex, with the speed of technical innovation and social system change accelerating. In these circumstances, a company’s existing and potential ability to create value is subject to a variety of influences. Having analyzed the risks and opportunities should these megatrends be accepted as part of the business environment, we are formulating measures from the perspective of sustainability and the SDGs, and focusing our efforts on these. In addition, in relation to climate change, in FY2018 we promptly endorsed the TCFD*, and analyzed scenarios according to its recommendations and are taking concrete steps to evaluate risks and opportunities, and reflect their impact on our business activities.

Risks and opportunities relating to the environment, and the economy and society

<table>
<thead>
<tr>
<th>Megatrend</th>
<th>Business environment</th>
<th>Risks</th>
<th>Opportunities</th>
<th>Policies and initiatives</th>
<th>The 2030 SDGs targeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>Acceleration of the trend of decarbonization due to concern about global warming</td>
<td>Impact on lifestyles caused by extreme heat •</td>
<td>Promoting the popularization of net-zero energy housing (ZEH) •</td>
<td>Strengthening occupational health and safety</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Impact on business (production and construction sites, etc.) caused by extreme heat. •</td>
<td>Promoting the popularization of net-zero energy buildings (ZEB) •</td>
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<tr>
<td></td>
<td></td>
<td>Impact of increasingly severe natural disasters •</td>
<td>Popularizing highly durable homes, etc.</td>
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<tr>
<td></td>
<td></td>
<td>Introduction of carbon tax</td>
<td>Introducing and expanding renewable energy •</td>
<td></td>
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<tr>
<td>Ecosystem conservation</td>
<td>Responses to ecosystem change due to global warming</td>
<td>Changes in vegetation regions and adaptive areas for plants used for afforestation</td>
<td>Proposals for effective arrangements for shrubs and trees</td>
<td>Increasing greening through the establishment of the Ginran no ki indigenous landscaping concept</td>
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<td></td>
<td></td>
<td>Demand for effective use and re-use of water resources</td>
<td>Popularization of water-saving housing facilities</td>
<td>Promoting and expanding environmental reforms</td>
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</tr>
<tr>
<td>Resource recycling</td>
<td>Demand for effective use and re-use of resources</td>
<td>Demand to realize higher quality recycling</td>
<td>Promotion of recycling business through the use of high-level, thorough sorting and “wide-area certification”</td>
<td>Expanding Zero Emissions</td>
<td></td>
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<tr>
<td>Climate change</td>
<td>Change in awareness, moving towards a society without plastic</td>
<td>Increased processing costs for plastic waste materials derived from fossil fuels</td>
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<tr>
<td>Economic and policy changes</td>
<td>Promotion of workstyle reforms</td>
<td>Reduced workforce due to declining employment satisfaction, turnover, and working-hour regulations should reforms not go ahead</td>
<td>Improved productivity due to better employee satisfaction, recruitment of talented personnel</td>
<td>Introducing IT, improving working environment by offering leave for men who want to care for their children</td>
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<tr>
<td></td>
<td>Accepting foreign workers</td>
<td>Turnover and reduced productivity due to worsening working conditions</td>
<td>Ensuring a good-quality workforce due to improvements in working environment</td>
<td>Workstyle reforms, promoting diversity</td>
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<tr>
<td></td>
<td>Extension of loan deduction, expansion of housing benefit</td>
<td>End of support measures to buy housing</td>
<td>Increased orders due to appropriate funding advice</td>
<td>Business strategy via four business domains</td>
<td></td>
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<tr>
<td></td>
<td>Increase in consumption tax</td>
<td>Reactionary fall due to rush demand, move away from home-owning</td>
<td>Development of international business</td>
<td>Overseas business strategy</td>
<td></td>
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<tr>
<td>Globalization</td>
<td>Acceleration of business globalization</td>
<td>Internship of competition</td>
<td>Development of international business</td>
<td>Development business strategy, Trip Base-related business</td>
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<tr>
<td></td>
<td>Increase in foreign visitors to Japan</td>
<td>Lost opportunities due to an inability to respond to needs</td>
<td>Capturing overseas visitor demand</td>
<td>Development business strategy, Trip Base-related business</td>
<td></td>
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<tr>
<td></td>
<td>Inadequate number of hotel rooms</td>
<td>Inability to respond to needs</td>
<td>Expanding digital marketing opportunities</td>
<td>Technological innovation and alliances</td>
<td></td>
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<tr>
<td></td>
<td>Social participation of the millennial generation</td>
<td>Lost opportunities due to an inability to respond to the needs of the new generation</td>
<td>Expanding Platinum Business, providing health-conscious housing</td>
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<tr>
<td>Changes in population movement</td>
<td>Coming of a super-aged society</td>
<td>Accidents in the home, lack of care support</td>
<td>Expanding Platinum Business, providing health-conscious housing</td>
<td>Assisting dementia and other care for elderly</td>
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<td></td>
<td>Total population reduction</td>
<td>Decline in the number of new home starts, decline in the occupancy ratio of properties under management, increased severity of all the problem of unoccupied houses</td>
<td>People selecting good-quality housing</td>
<td>High-value-added built-to-order business, supplied housing business</td>
<td></td>
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<tr>
<td></td>
<td>Concentration of population in urban areas</td>
<td>Decline of rural areas</td>
<td>Increased need for regional revitalization</td>
<td>Rental housing area strategy, Trip Base Aichi- no-ki Project</td>
<td></td>
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<tr>
<td></td>
<td>Population of the issue of daycare waiting lists</td>
<td>Delay in employees returning to work</td>
<td>Increased opportunities for preschool intake, improved child care support systems</td>
<td>Built-to-order business (non-housing), promoting diversity</td>
<td></td>
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<tr>
<td></td>
<td>Coming of a long-period/high death rate society</td>
<td>Increasing complications and difficulty with asset inheritance</td>
<td>Increased distribution of existing housing and need for real estate management trusts</td>
<td>Cooperation with Sekisui Real Estate and Sekisui House Trust, promoting SunFlux</td>
<td></td>
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<tr>
<td></td>
<td>Rising health consciousness</td>
<td>Premature competition over advanced health-related technology</td>
<td>Promoting the sale of housing that contributes to health</td>
<td>Platform House concept, alliances, deepening technological development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coming of an IoT/AI age</td>
<td>Loss of business opportunity, rising necessity for security measures</td>
<td>Providing highly convenient housing</td>
<td></td>
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<tr>
<td></td>
<td>Development of robotics technology</td>
<td>Discontinuation of passing on construction techniques</td>
<td>Improving construction efficiency</td>
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</tbody>
</table>

* TCFD

The TCFD (Task Force on Climate-related Financial Disclosures) is a subordinate organization of the Financial Stability Board (FSB), made up of the governors of central banks and Finance Ministers from different countries. It is a private-sector-led task force that recommends effective climate-related financial disclosures to companies to encourage investors to make appropriate investment decisions; the TCFD seeks to ensure that companies understand the scale of the impact of climate change risk, and the financial impact it will have on corporate management. When carrying out TCFD scenario analysis, we have constructed an internal, cross-organizational project and are clarifying high priority areas with the cooperation of outside experts (marked with • below).

Environmental Socio
Maximizing value for customers using our core competences

Unlike general consumable goods, the value sought from houses varies significantly from one customer to another. Sekisui House itself must continue to exist by engaging in sustainable management if it wishes to provide “comfortable living—now and always” to its customers in response to changes in housing environment, changes in the needs and mental or physical conditions of the homeowners and changes in buildings due to age. To this end, it must incorporate a business mechanism that can continue to provide services. All companies of the Sekisui House Group will strive to maximize value for customers by leveraging the group’s core competences (unique strengths) throughout the value chain.

Technical Capabilities

Housing innovation

Japan faces numerous natural disasters. Therefore, houses serve as shelters that protect our customers’ lives and properties and must be equipped with various basic features such as earthquake resistance, durability, shock resistance, and fireproofing. At Sekisui House, we constantly predict future trends and develop various features at our advanced research facilities to increase safety, reliability, and comfort for our customers. We develop technologies required for housing from all angles. These include safety in the event of major earthquakes, durability (carried out by checking the housing components), features that ensure a healthy and comfortable lifestyle, and universal design that is verified by ergonomic experiments. We also focus on building eco-friendly housing. For this, we have developed the Green First ZERO net-zero-energy housing and the Arks high-quality indoor air system. We actively propose the Go-to-kō indigenous landscaping concept to contribute toward protecting eco-systems.

Project accountability from wholly owned subsidiary Sekiwa Construction and partner building contractors

Controlling the quality of on-site construction is an extremely important process to ensure that our characteristic detached housing is designed, manufactured, and constructed to match each customer’s taste.

Therefore, we created a project accountability structure to ensure proper construction quality. The Sekiwa House Association, which includes the wholly owned 18 Sekiwa Construction companies and partner building contractors, constantly strive to improve their skills through training and other activities. The Sekiwa House Group’s proprietary IT system helps plan construction schedules and visualize information on inspections as well as progress in construction works. These are continually shared with the Sekiwa House Association to thoroughly manage quality.

Customer Base

Lifelong support for homeowners through post-handover services

Many housing companies consign after-sales services to an outside contractor after handing over a property. However, Sekisui House considers appropriate after-sales services that ensure security, safety and comfort for customers to be an intrinsic part of a house’s value. For this reason, we have established Customer Service Centers throughout Japan where 1,450 employees, about 10% of the total number, take care of after-sales services. We also centrally manage information related to customer housing in our company-wide system.

We use questionnaires and other tools to solicit customer feedback after they move in and harness the responses as an important source of information for product development and service improvements.

We also provide a wide range of services from small-scale remodelling to large-scale renovations to deal with aging buildings and changes in customer lifestyles. These services are provided for detached houses by the three companies that comprise Sekisui House Remodeling and for rental housing Sha Maison by the seven companies that make up Sekiwa Real Estate. We also respond to customer needs during rebuilding and relocation through in-group alliances.

An example of KidsDesign Kodomo idokoro

We have been conducting universal design research based on lifelong housing, a concept we initiated more than 30 years ago. This research helps produce a safe and comfortable living environment for everyone, underpinned by the achievements of ergonomic experiments. Our KidsDesign Kodomo idokoro houses were born from research to foster children’s healthy growth by considering space from their perspective. We are also looking into offering other new lifestyle concepts, such as Oishii; Shuuno 3 Shimai that attempts to resolve storage problems in houses; Dear One for those who live with pets, Tomoe for families where both husband and wife work; and Obina House awai for elderly couples.

Additionally, we opened the Human Life R&D Institute in August 2018, becoming the first Japanese company to study happiness. The institute began research on houses where happiness grows the longer you live there and strives to raise the intangible value of happy, manifested in familial bonds, health, life purpose, individuality and enjoyment.

An example of KidsDesign Kodomo idokoro
Creating economic and social value with unique business models

The Sekisui House Group is building business models to create value for various stakeholders. We invest the profits and value we generate by collaborating with group companies for future growth using our core competencies, which are our unique strengths, and the expertise of each company. We seek to create further value for society and stakeholders in each aspect of ESG.

We believe that we can achieve sustainable development by brushing up this business model. We invest the profits and value we generate by collaborating with group companies for future growth using our core competencies, which are our unique strengths, and the expertise of each company. We seek to create further value for society and stakeholders in each aspect of ESG.

About 720,000 requests and criticisms handled annually to ensure customer satisfaction

Approximately 10% of Sekisui House employees—1,450 people—work at the customer service center in the after-sales service division. The service center dispatches customer support desks and service engineers to 150 sites across Japan, conducting periodic inspections and responding promptly to requests and consultations from customers. We also make various proposals on maintenance and other matters and conduct monthly “LOHAS visits” during the first year after detached housing customers move in. This is to provide information on seasonal care so that customers can enjoy a long stay and experience “comfortable living—now and always.”

Additional training and education programs are conducted to ensure employees to carry out major operations on smart devices. This has led to greater work-life balance by increasing productivity and widening the range of operations that can be completed on the go.

We are also using the capabilities using IT for design, site supervision and other purposes.

Approximately 25,000 man-hours reduced by streamlining construction

We are striving to increase productivity at construction sites to cope with expected shortages of construction workers and diversifying workstyles on-site. We identified issues and took steps to deal with them using “things,” such as improvement in construction methods by developing new components and combining materials, and “structures and people,” such as improvements in process management and design as well as the environment of the construction sites. As a result, we drastically reduced man-hours in comparison to FY2017. We will continue to focus on reducing man-hours to achieve shorter construction periods and greater customer satisfaction.

We are receiving an increasing number of orders for constructions that contribute to resolving social issues. These include accommodations to cope with the increase in robust seniors and regional revitalization, care facilities for the growing needs of the elderly, assisted-living complexes for senior citizens, group housing to support the daily life of persons with disabilities, kindergartens for waterless children and medical facilities to support residents returning to Fukushima. We respond to varied needs through increased design freedom levels, space proposal capabilities and environmental technologies.

Additionally, our original construction method Flexible B System, with shorter construction time and lower costs as compared to RC constructions, got us orders worth ¥52 billion out of the ¥73.5 billion worth of orders received.

Sekisui House has about 405,000 existing houses that were constructed before 1996 and fall short in insulation capabilities. These houses do not have adequate insulation. Repairing the insulation function in these houses is not only important to increase comfort but also for decarbonization. We have conducted a total of 53,000 insulation reforms, achieving an insulation reforms rate of 13.1% (0.8-point increase year-on-year) for existing houses. We are promoting proposals such as idokoro Dan-netsu (medical facilities to support residents returning to Fukushima) and long-term plans to address such issues.

Customer satisfaction level 95.9%

In questionnaires submitted one year after moving in, the total ratio of very satisfied (42.3%), satisfied and somewhat satisfied homeowners has hovered around 95% for the past several years. The questionnaire results are analyzed in detail and incorporated into the PDCA cycle.

Number of employees acquiring qualifications 2,821

We are focusing on fostering professionals by establishing in-house standards for chief architect, chief constructor, platinum specialist, building and design specialist and others, in addition to first-class architect and other public qualifications, and encouraging employees to acquire them.

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Investment for future profits

We invest profits earned from business activities in human resource development, IT (for operational efficiency and cost reductions), overseas business and other forward-looking activities.

Primary value creation and impact on society

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Financial and Non-Financial Performance

Improving financial Indicators by creating value sought by society

We established four key values in 2005: environmental value, economic value, social value and homeowner value.

We have continued to grow ever since through business activities that pursue these values by creating products and services that solve the issues of the times and respond to customer needs.

The company’s growth trajectory in recent years is presented below in the form of major financial and non-financial data.

It shows that our efforts to create environmental and social values have led to improvements in financial indicators.

We will continue to generate values sought by society by striving for a balanced business with sustained growth.

| Financial and Non-Financial Performance |  |
|----------------------------------------|  |
| **Strategy and Core Competencies**     |  |
| **Vision and Goals**                   |  |
| **Non-financial data**                |  |
| **Financial data**                    |  |
| **Net sales (billion yen)**            |  |
| FY2010                                 |  |
| FY2011                                 |  |
| FY2012                                 |  |
| FY2013                                 |  |
| FY2014                                 |  |
| FY2015                                 |  |
| FY2016                                 |  |
| FY2017                                 |  |
| FY2018                                 |  |
| **Operating income (billion yen)**    |  |
| **Net income attributable to owners of parent (billion yen)** |  |
| **Shareholders’ equity ratio (%)**     |  |
| **Dividends per share (%)**            |  |
| **Dividend payout ratio (%)**          |  |
| **Net assets (billion yen)**           |  |
| **Operating income ratio to net sales (%)** |  |
| **Total dividends (billion yen)**      |  |
| **Average sales price of rental housing (10,000 yen)** |  |
| **Average sales price of detached houses (10,000 yen)** |  |
| **Total market value (billion yen)**   |  |
| **Ordinary income (billion yen)**      |  |
| **Total assets (billion yen)**         |  |
| **Operating income (%)**               |  |
| **Return on equity (%)**               |  |
| **Net income attributable to owners of parent (%)** |  |
| **Ordinary income (%)**                |  |
| **Ordinary income (%)**                |  |
| **Return on equity (%)**               |  |
| **Net income attributable to owners of parent (%)** |  |
| **Ordinary income (%)**                |  |
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| **Ordinary income (%)**                |  |
| **Ordinary income (%)**                |  |
| **Return on equity (%)**               |  |
| **Net income attributable to owners of parent (%)** |  |
## Promoting sustainable management through

The Sekisui House Group creates and provides value in response to societal changes and needs based on its corporate philosophy. Our value creation has always been based on our Sustainable Vision, which was established in 2005. With management that balances our four key values—environmental value, economic value, social value and homeowner value—based on the 13 guidelines that embody them, we confidently make use of synergies to generate a major driving force.

### Corporate Philosophy

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

### Four Key Values and SDGs

In 2005, we announced our Sustainable Vision targeting balanced management based on four key values that focus on sustainability as the cornerstone of our management. In 2006, we formulated 13 guidelines as guiding principles based on these four key values.

### The Four Key Values, 13 Guidelines and the SDGs (Direct and indirect contributions through our businesses)

The direction of the 4 Key Values and 13 Guidelines established in our Sustainable Vision in 2005 corresponds with the SDGs*, which are common goals for the international community adopted by the UN in 2015. We were one of the pioneering companies to deal with "sustainability" head on at the time and have been advancing it ever since. Social issues are expected to become even more global and complex in times to come. It will be increasingly important to achieve the SDGs and Society 5.0* to resolve those issues. We will continue to achieve the targets set in the SDGs through our businesses by carrying out steady and innovative activities to add value.

---

* SDGs: A popular name for the Sustainable Development Goals

* Society 5.0: A vision for a society that optimizes people’s lives and contributes to sustainability by making the most of new technologies, such as IT, AI and robotics.
Sustainability Vision 2050

Toward 2050: Creating Environmental and Social Value, Leading the Way to Sustainable Societies

In 2008, the Sekisui House Group announced its 2050 Vision that aimed to eliminate CO₂ emissions from housing and we quickly shifted management focus to decarbonization. Amid changing social systems and rapid technological innovations, we laid down a long-term vision in FY2016 to gear up for 2050, preparing for future environmental changes and being aware of the timeline of a wider range of business domains.

In FY2017, we announced medium-term initiatives for 2030 to share our path of progress with customers, employees, long-term investors, suppliers and other stakeholders who are interested in the group's achievements of long-term value.

Sustainability Vision 2050

<table>
<thead>
<tr>
<th>Our Goals</th>
<th>Main Actions Taken</th>
<th>2030 Goals</th>
<th>Corresponding SDGs</th>
<th>2050 Challenge Objectives</th>
<th>Measures for ESG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading the Way to a Decarbonized society</td>
<td>• Announced the Eco-First Promise (2008)</td>
<td>Achieving SBT Goals</td>
<td>Goal 1 Energy</td>
<td>Zero CO₂ Emissions</td>
<td>Goal 1 Energy</td>
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<tr>
<td></td>
<td>• Announced the Green First model of eco-friendly homes (2009)</td>
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<td>Goal 2 Sustainable</td>
<td>within the Housing</td>
<td>Goal 2 Sustainable</td>
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<td></td>
<td>• Launched the Net Zero Energy House Green First ZERO (2013)</td>
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<td>Goal 3 Production</td>
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<td>Goal 3 Production</td>
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<td></td>
<td>• Paris Agreement Compliance Declaration (2015)</td>
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<td>Goal 4 Climate action</td>
<td>Maximize Ecosystem</td>
<td>Goal 4 Climate</td>
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<td></td>
<td>• Jointed E 100 international initiative and announced commitment (2017)</td>
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<td>Goal 5 Partnerships</td>
<td>networks through</td>
<td>Goal 5 Partnerships</td>
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<tr>
<td>Leading the Way to Societies in which humans and nature coexist</td>
<td>• Launched Gohon no ki indigenous landscaping project (2001)</td>
<td>Leading the Mainstreaming of Biodiversity</td>
<td>Goal 6 Water</td>
<td>Expanding Zero Emissions</td>
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<td>...total number of trees planted: 15 million (2018)</td>
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<td>Goal 7 Sustainable</td>
<td>Initiatives within</td>
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<td></td>
<td>• Formulated Wood Procurement Guidelines (2007)</td>
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<td>Goal 8 cities</td>
<td>the Housing Lifecycle</td>
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<tr>
<td>Leading the Way to a Circular economy</td>
<td>• Initiated the Zero Emissions Project (2000)</td>
<td>Recycling Business System Development Acceleration</td>
<td>Goal 9 Sustainable</td>
<td>To cultivate housing</td>
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<td></td>
<td>• Achieved zero waste emissions at all our factories (2012)</td>
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<td>Goal 10 production</td>
<td>as a quality asset, the</td>
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<td>• Achieved zero waste at each stage of production, including new home</td>
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<td>Goal 11 partnerships</td>
<td>Sekisui House Group</td>
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<td>construction, and after-sales maintenance to remodeling (2005–2007)</td>
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<td>• Transitioned to a next-generation system compatible with big data utilization</td>
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<tr>
<td>Leading the Way to Society with advanced longevity and diversity</td>
<td>• Built Japan’s first model house for people with disabilities (1981)</td>
<td>Provision of New Value in Housing</td>
<td>Goal 12 Good Health</td>
<td>Maximizing Abundance</td>
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<td>• Defined lifestyle housing as an ideal for Sekisui housing (1980)</td>
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<td>Goal 13 Education</td>
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<td>• Established Sekisui House Universal Health (2002)</td>
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<td>Goal 14 Gender</td>
<td>Positioning the</td>
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<td>• Announced Human Resource Sustainability (2006)</td>
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<td>Goal 15 Recent work</td>
<td>absolute of safety,</td>
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<td>• Began proposing Smart Universal Design in pursuit of comfort (2010)</td>
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<td>• Launched the Airkis high-quality indoor air system (2010)</td>
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<td>Goal 16 Innovation</td>
<td>enjoyment of new</td>
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<td></td>
<td>• Began research on happy living (2018)</td>
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<td>Goal 17 Sustainable</td>
<td>technologies, health,</td>
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<td></td>
<td>• Joined RE 100 international initiative and announced commitment (2017)</td>
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<td>Goal 18 cities</td>
<td>long life, happiness</td>
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<td>• Joined First ZERO initiatives (2013)</td>
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Aiming to be a leading company in ESG management, and creating a sustainable society

The Sekisui House Group has specified that ESG (environmental, social, and governance) initiatives are important management topics. They have been incorporated in our Medium-Term Management Plan, and we are striving to create and develop a sustainable society as a management foundation. In addition, our long-term goal for ESG management is the realization of our Sustainability Vision 2050. This vision also establishes our medium-term goals for 2030, taking into account the 17 Sustainable Development Goals adopted by the United Nations, and we are making steady progress towards creating our ideal society.

### Main ESG Themes

<table>
<thead>
<tr>
<th>Environmental</th>
<th>Social</th>
<th>Governance</th>
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<tbody>
<tr>
<td><strong>Decarbonized society</strong></td>
<td><strong>Pursuing customer satisfaction through our value chain</strong></td>
<td><strong>Strengthening our corporate governance system</strong></td>
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<tr>
<td><strong>Society in which humans and nature coexist</strong></td>
<td><strong>Promoting diversity</strong></td>
<td><strong>Compliance and risk management</strong></td>
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<tr>
<td><strong>Circular economy</strong></td>
<td><strong>Workstyle reforms</strong></td>
<td><strong>Occupational health and safety management</strong></td>
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</table>

#### Material Topics

- Energy: Atmospheric emissions
- Biodiversity
- Effluents and waste
- Environmental assessments of suppliers
- Diversity and equal opportunities
- Employment
- Training and education
- Human rights assessment
- Biodiversity: Atmospheric emissions

#### Main Corresponding SDGs

- Environment: SDGs 7, 11, 12, 13
- Social: SDGs 8, 9, 10, 11, 13
- Governance: SDGs 16, 17

#### ESG Incorporated in the Fourth Medium-Term Management Plan (FY2017-2019)

- **E: Environmental Management**
  - Net-Zero energy housing
  - Promotion of Green First ZERO
  - Global warming prevention
  - Ecosystem conservation
  - Resource recycling
  - Joined the RE100 global initiative
  - Launched Sekisui House Owner Denki
  - Recognized by the SBT Initiative for greenhouse gas reduction

- **S: Improvement in Sociability**
  - Diversity driving growth
  - Workstyle reforms
  - Creating exciting workplaces
  - Improved productivity
  - Fair evaluations and visualization
  - Higher operational efficiency using IT
  - Achieving a work-life balance
  - Introducing a childcare leave system for men
  - Diversity promotion
  - Promoting active female participation
  - Support for people childrearing while working
  - Support for people providing nursing care while working
  - Creation of pleasant workplaces for people with disabilities

- **G: Governance**
  - Innovation and communication
  - Ranking corporate governance as an important management issue and promoting reforms
  - Further strengthening governance based on our Basic Policy on Corporate Governance

### Medium- and Long-Term Initiatives

The four key values and SDGs (2030) that we will continue to pursue

Sustainability Vision 2050
Decarbonized Society

We strive to create a decarbonized society by building eco-friendly houses that offer comfortable and healthy lifestyles, significantly reducing CO2 emissions, strengthening energy-saving activities in our company and harnessing renewable energy.

Background

The global goal of reducing greenhouse gas emission

Global warming is causing climate change and the impact has started to show in our lives. To curtail its advancement, we must reduce the emission of CO2 and other greenhouse gases at the global scale.

The 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) in 2015 adopted the Paris Agreement under which all countries are to aim to limit global warming to less than 2°C above pre-industrial times. Implementation of the agreement will begin in 2020.

Meanwhile, the Intergovernmental Panel on Climate Change (IPCC) released its special report Global Warming of 1.5°C in October 2018. The report suggests that limiting global warming to 1.5°C instead of 2°C will help achieve a more equitable and sustainable society.

Approach

Our goal

Aiming to eliminate CO2 emissions throughout the house lifecycle

Sekisui House aims to eliminate CO2 emissions from the entire house lifecycle, from the purchase of materials to manufacture, sales, occupancy and demolition, by 2050 (2050 Vision: announced in 2018) for all its newly built and existing houses. In the year after the vision was announced, we launched the Green First model of eco-friendly homes which reduce CO2 emitted from occupied houses by more than 50%. In 2013, we launched an upgraded version, Green First ZERO housing in anticipation of government plans to standardize net-zero energy housing (ZEH) by 2020.

In 2015, we endorsed the Paris Agreement, which aims to limit temperature rise to less than 2°C. We declared compliance and accelerated measures. In 2017, we became the first Japanese construction company to join the RE100 initiative, which aims to use renewable energy for all electricity needs in all business activities. In 2018, we also acquired certification from the Science Based Targets (SBT) initiative for setting scientifically sound goals for reduction of greenhouse gas.

We believe that our vision of aiming for decarbonization by 2050 is consistent with the global goals set forth in IPCC’s special report (October 2018). We will keep striving to take concrete action for decarbonization by 2050.

We also endorse the TCFD recommendations and have started to examine our business strategies with consideration to climate change in line with its framework (refer to pp. 21-22).

In 2018, we also acquired SBT certification, intensifying our efforts to actively promote remodeling and renovation of existing houses. In 2017, we became the first Japanese construction company to join the RE100 network. In 2018, Chairman Abe gave a keynote speech at the Sustainable Innovation Forum held on December 10 and talked about the group’s efforts to spread ZEH and reduce CO2 in its business activities.

Action policies

The Sekisui House Group is promoting net-zero energy through remodeling and renovation of existing houses, in addition to improving the ZEH ratio in newly built homes, to help reduce CO2 emissions throughout the group. It is also striving to reduce the CO2 emitted from business activities of group companies.

1. Expand net-zero energy housing (ZEH)

We will make proactive proposals to achieve the target sales rate of 80% for our ZEH product Green First ZERO in newly built detached houses by 2020. We will also strive for reduction in CO2 emissions by promoting ZEH in our rental housing Sha Maison and our condominiums.

2. Strengthen energy-saving and energy-generation proposals for remodeling and renovation

We will promote Green First Renovation for existing homes to provide comfortable, eco-friendly living. We seek to significantly reduce CO2 emissions by saving energy through renovations to improve insulation and installation of latest equipment, while creating energy using photovoltaic systems and fuel cells.

3. Reduce CO2 emissions in business activities of the Sekisui House Group

All companies of the Sekisui House Group are striving to reduce CO2 emissions generated from their business activities and will take proactive measures, such as switching to energy-saving equipment and facilities and introducing renewable energy.

How our activities impact society

ZEH housing significantly reduces CO2 emissions and utility expenses, while supporting more comfortable living and increasing healthy life years of homeowners. We strive to emphasize these merits to customers to expand sales of homes with high added value.

In addition, we seek to expand business and increase quality housing stock by stimulating potential demand through our efforts to actively promote remodeling and renovation of existing homes to make them energy-saving and energy-creating.
Progress

1 Expand net-zero energy housing (ZEH)

Activity report

Promoting the spread of Green First ZERO

We are striving to promote the spread of Green First ZERO homes, which are net-zero energy homes (ZEH), in detached housing. After the announcement of Green First ZERO in 2013, we have been conveying its merits to our customers by encouraging visits to our model homes, Housing Dream Factories and other facilities, organizing periodic seminars and conducting various other activities. This has led to an increase in ZEH ratio for our detached homes year after year. The total number of ZEH has reached 44,247 (as of March 2019), which is the highest in Japan. Our customers have also shown high appreciation for our products, with positive feedback from more than 90% of them on satisfaction with housing comfort as well as overall satisfaction.

2018 also saw a 3% increase in the ZEH ratio for our detached homes, achieving 79% as a result of active proposals made to customers, including use of subsidies for the net-zero energy housing support project. We will strive to keep spreading green housing further while maintaining a solid relationship of trust with our customers.

Green First ZERO model

We aim to build zero energy homes by improving insulation and installing energy-saving equipment, in addition to using photovoltaic systems and other advanced energy-generating equipment.

Promoting the spread of Green First ZERO

In January 2018, we constructed Japan’s first rental housing (Green First ZERO). We are striving to promote the spread of Green First ZERO for collective housing, in addition to detached houses meeting the ZEH standards. The exterior walls of the units are made of foam-based insulation material with thickness nearly double that of ordinary houses. The doors and windows use aluminum and resin composite frames and multi-layered glass filled with argon gas. This has raised insulation capabilities of the units by a factor of 1.4 to 1.5. Moreover, we have drastically improved energy-saving capabilities by adopting energy-saving equipment, such as fuel cells, hot water saving faucets, insulated tubs and LED lights, and achieved ZEH by installing photovoltaic systems of an average 4kW per unit. These efforts have enabled us to offer comfort and economy to customers in their daily life.

We have also made our condominiums disaster-ready by providing power generation by photovoltaic systems and fuel cells for each unit in case of a power cut and drinking water, private generators, toilets and other provisions in emergency supplies storage in common spaces to use during disasters.

Construction of the first net-zero energy building (ZEB) in Tohoku through industrialized housing

We completed the construction of Tohoku region’s first Nearly ZEB standard* office building, the new office of Sekisui Construction Tohoku, in Miyagi Prefecture’s Sendai City in September 2018. Net-zero energy buildings (ZEB) refer to buildings that maintain high-quality indoor environment by reducing environmental impact through building design, high-efficiency equipment and other measures, significantly increase energy savings and aim to eliminate yearly primary energy consumption by using renewable energy. The new office building achieves these using high insulation, high-efficiency air conditioners and lighting, Building Energy Management System (BEMS) and a high-capacity photovoltaic system (66.2kW). We also shortened the construction time to about 4.5 months by using the original “Flexible B System,” heavy-jauge steel structural frame construction.

We will strive to spread ZEB using our long-standing strength in industrialized housing technology and know-how developed in the ZEH field.

* Nearly ZEB is a ZEB rank indicating buildings that have achieved over 75% reduction in annual primary energy consumption.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green First ZERO</td>
<td>%</td>
<td>62</td>
<td>71</td>
<td>74</td>
<td>76</td>
<td>79</td>
<td>Ratio of Sekisui House detached housing (excluding Rokkaido)</td>
</tr>
<tr>
<td>Amount of CO2 reduction compared to 1990</td>
<td>tCO2</td>
<td>43,015</td>
<td>41,599</td>
<td>41,877</td>
<td>41,681</td>
<td>40,290</td>
<td>Reduction of residential CO2 emissions from new detached homes compared to 1990 levels (annual and %)</td>
</tr>
<tr>
<td>Rate of CO2 reduction compared to 1990</td>
<td>%</td>
<td>73.4</td>
<td>75.5</td>
<td>80.1</td>
<td>83.6</td>
<td>82.6</td>
<td>Reduction of residential CO2 emissions from new detached homes compared to 1990 levels (annual and %)</td>
</tr>
</tbody>
</table>

Evaluation

The ratio of Green First ZERO homes reached 79% in FY2018 and we are steadily working to expand it to the FY2020 target of 80%. We also began ZEB activities, while promoting ZEH in rental houses and condominiums, by leveraging the experiences gained through ZEH and our strengths in industrialized housing.

Future initiatives

We will strive to raise the sales ratio of comfortable, economic and eco-friendly Green First ZERO detached houses to 80% by FY2020. We will also promote ZEH in Sha Maison low-rise rental apartments and Grande Maison condominiums, work toward energy-saving and energy-generation in existing houses (remodeling) and further the concept of ZEB for non-residential buildings to help achieve decarbonization.
2 Strengthen energy-saving and energy-generation proposals for remodeling and renovation

Activity report

Promoting Green First Renovation for existing houses

We must promote energy-saving and energy-generation not only in newly built houses but also in existing ones if we wish to achieve a decarbonized society. For this, Sekisui House actively proposes Green First Renovation, mainly for existing customers with detached houses. This initiative contributes to a comfortable, healthy and happy lifestyle by remodeling to save and generate energy. We help customers lead a comfortable and healthy life by combining innovative technology to improve insulation of the floor, wall, ceiling, and window with installation of comforts such as floor heaters and air conditioning.

New proposal – Idokoro Dan-netsu based on Green First Renovation

We launched Idokoro Dan-netsu based on the Green First Renovation Concept in December 2018 as a new proposal for existing detached houses. This proposal is meant for existing houses built before 1999 when the energy-saving standards were revised. Until now, repairing existing houses built more than 20 years ago to match the insulation level of newly built ones entailed high costs and a long construction period. Under Idokoro Dan-netsu, however, the area of repair is limited to the living, dining and kitchen space, where families spend maximum time, enabling high-pressure insulation repairs in a shorter period. We offer two options for Idokoro Dan-netsu—the premium option that aims for comfort equivalent to newly built houses and the basic option that effectively provides insulation repairs in one day. We will continue to expand Idokoro Dan-netsu to all houses to provide a comfortable, healthy and happy lifestyle to our customers, prevent global warming and create quality housing stock.

Contributing to a comfortable, healthy and happy lifestyle for our customers

Improved insulation + comfort-enhancing equipment → Renovation that adds comfort

Idokoro Dan-netsu Premium that aims for comfort equivalent to newly built houses

Improved insulation and comfort in the living space (LDK/one floor) surrounding the living room

- Insulation equivalent to newly built houses for a limited area
- comfort-enhancing equipment that cover shortcomings
  - Floor heating
  - Air conditioner
  - Bathroom or dressing room heater

Easy installation in one day

- Insulation of the floor
- Insulation of window

One or more of the items below for small spaces
- 1-storied house
- Insulation of the floor
- Air conditioner

Idokoro Dan-netsu Basic that effectively provides insulation repairs in one day

- Insulation of the floor
- Insulation of wall
- Installation of comfort-enhancing equipment in spaces other than the living area

- Bathroom dryer
- Dressing room heater

Improved insulation and comfort in the living space (LDK/one floor) surrounding the living room

- Insulation equivalent to newly built houses possible for existing houses of any age
- Improved insulation in the living, dining, and kitchen areas where people spend more time
- Advanced insulation layer

Key performance indicators (KPIs)

Achievements in energy-saving and energy-generating remodeling*

<table>
<thead>
<tr>
<th>Energy-saving and energy-generating remodeling menu</th>
<th>FY2018 achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photovoltaic: system installations</td>
<td>265 units</td>
</tr>
<tr>
<td>Energy-efficient bath fixtures</td>
<td>3,692 units</td>
</tr>
<tr>
<td>Floor and window insulation remodeling</td>
<td>2,007 units</td>
</tr>
<tr>
<td>New fuel (residential fuel)</td>
<td>689 units</td>
</tr>
<tr>
<td>Hot water system heat recovery gas</td>
<td>2,765 units</td>
</tr>
<tr>
<td>Eco-Cute (heat pump water system)</td>
<td>1,344 units</td>
</tr>
<tr>
<td>Underfloor heat cover</td>
<td>883 units</td>
</tr>
</tbody>
</table>

Emissions to reduce CO2 emissions from existing houses. We seek to provide a comfortable and healthy lifestyle to our customers through energy-saving and energy-generating remodeling, including improvement in insulation and installation of high-efficiency equipment. We will promote Idokoro Dan-netsu renovation and make stronger proposals through our Housing Dream Factories, other interactive facilities and events held around the country.

Future initiatives

We will continue to promote Green First Renovation to help reduce CO2 emissions from existing houses. We seek to provide a comfortable and healthy lifestyle to our customers through energy-saving and energy-generating remodeling, including improvement in insulation and installation of high-efficiency equipment. We will promote Idokoro Dan-netsu renovation and make stronger proposals through our Housing Dream Factories, other interactive facilities and events held around the country.

Evaluation

We offer various remodeling options for floors, walls, ceilings, doors, and windows to improve insulation and reduce CO2 emissions. Our efforts to provide a comfortable and healthy lifestyle while saving energy have received high praise from customers. Although installation of our photovoltaic power system has declined partially due to a drop in the electricity feed-in tariff, installation of bio-farm fuel cells has seen a rise under energy-generating remodeling, including hybrid power generation.

Highlights

Floating solar system using irrigation ponds

There are about 200,000 irrigation ponds in Japan, mainly in the western regions of the country, and we have started the business of installing floating solar systems on them. The total power generation capacity created through this business exceeded 20MW in January 2018.

Unlike ordinary photovoltaic systems (installed on fields), floating solar systems do not require land development. They are also typhoon-resistant and did not suffer much damage despite the occurrence of many major typhoons in 2018.

Additionally, floating solar systems contribute toward payment of charges to irrigation associations that maintain the irrigation ponds. They are also considered to be effective in curbing green algae that grow when water temperature in the pond rises. Sprouting and blossoming of a rare breed of prickly water lily have also been sighted after construction, due to sludge dredging based on environment assessment.

Distribution of irrigation ponds in Japan

Source: Documents by the Ministry of Agriculture, Forestry and Fisheries (Surveyed by the Disaster Prevention Division in March 2014)

<table>
<thead>
<tr>
<th>Prefectures ranked by the number of ponds</th>
<th>Prefecture</th>
<th>Number of Ponds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hyogo</td>
<td>43,245</td>
</tr>
<tr>
<td>2</td>
<td>Hiroshima</td>
<td>19,800</td>
</tr>
<tr>
<td>3</td>
<td>Kagawa</td>
<td>14,819</td>
</tr>
<tr>
<td>4</td>
<td>Shiga</td>
<td>11,077</td>
</tr>
<tr>
<td>5</td>
<td>Yamaguchi</td>
<td>9,995</td>
</tr>
</tbody>
</table>
3 Reduce CO₂ emissions in business activities of the Sekisui House Group

Activity report

Launched Sekisui House Owner Denki to purchase post-FIT electricity and use it for corporate activities

The Feed-in-Tariff (FIT) system started in 2009 is a scheme under which renewable energy can be purchased at a specific price for a specific period. However, the specified period for purchasing electricity from residential or solar systems (less than 10kW) is 10 years and will start to expire from November 2019 onwards. Sekisui House Owner Denki will purchase excess electricity from post-FIT homeowners, whose specified period has expired, and use it in corporate operations of the group. The total capacity of photovoltaic systems installed by Sekisui House on its detached and rental houses until now is over 700MW, with annual generation of approximately 700 GWh. By purchasing 20-30% of post-FIT electricity, the group can cover its operating electricity needs of 120GWh annually. Sekisui House Owner Denki is the company’s innovative business model that provides greater satisfaction to post-FIT homeowners while enabling the company to meet its RE100 initiative targets.*

* The mid-term target of RE100 initiative is to meet 50% of the electricity needs for corporate operations with renewable energy by 2030 and aim for 100% by 2040.

Sekisui House launched Sekisui House Owner Denki for post-FIT homeowners

1. The purchase price of post-FIT electricity is ¥11/kWh
2. Purchased electricity will be used by the group to achieve the targets of the RE100 initiative

Total annual capacity of photovoltaic systems installed by Sekisui House 

- Approximately 700GWh

Sekisui House Group’s annual operating electricity needs 

- Approximately 120GWh

Excess electricity from photovoltaic systems 

- Purchase at ¥11/kWh

Effective use of electricity for corporate activities 

- Achieve RE100

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Unit</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emissions from fuels used by group companies</td>
<td>t-CO₂</td>
<td>126,209</td>
<td>130,482</td>
<td>126,337</td>
<td>140,125</td>
<td>131,226</td>
</tr>
</tbody>
</table>

Evaluation

We launched Sekisui House Owner Denki with the objective to achieve the targets of the RE100 initiative. We are ahead of our targets for reducing CO₂ emission from vehicles used by group companies and Scope 1 and 2 emissions of our group have decreased 6.6% year-on-year.

Future initiatives

We are preparing to start purchasing post-FIT electricity from November. We will continue to reduce CO₂ emissions from corporate vehicles and change office lights to LED to reduce Scope 1 and 2 emissions and work toward decarbonization.

Reducing CO₂ emissions and accidents using telematics-equipped commercial vehicles

From 2011, Sekisui House has been installing telematics* in the roughly 6,000 commercial vehicles used by about 200 offices across Japan. We are using the telematics data to run two PDCA cycles—one for improvements in daily work and the other for long-term, company-wide improvements, to promote eco-friendly and safe driving. We have been continuously organizing about 400 driving safety trainings annually at each worksite and creating handbooks, DVD study materials and stickers on safe driving, which has resulted in a yearly reduction of about 9,600 tons of CO₂ (40% less than 2011) and a decrease in the number of accidents (34.1% less than 2011).

The structure of telematics

- Sends vehicle operation data over communication networks
- Provides information of operation control
- Sends email notification for dangerous driving
- Verification of effectiveness using data

Highlight

Received the Minister of the Environment’s Award for Global Warming Prevention Activity for reducing CO₂ emissions from commercial vehicles

Sekisui House received the Minister of the Environment’s Award for Global Warming Prevention Activity (Advanced Implementation of Countermeasures Techniques category) for its efforts to reduce CO₂ emissions from commercial vehicle by using telematics to promote eco-friendly and safe driving. The award is part of the Ministry of the Environment’s initiatives to promote countermeasures for global warming. In 2016, 145 applications were received from companies, local public organizations, private organizations and others and 39 of them were awarded. Sekisui House has received the award three years in a row and five times in all.
Society in Which Humans and Nature Coexist

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

Background

The importance of biodiversity preservation in supporting all lifestyles and business activities

Biodiversity acts as an ecosystem service that supports our daily necessities. It is also strongly connected with business activities of corporations in supplying raw materials and other aspects. This is also clearly presented in the SDGs “wedding cake” illustration*, a model increasingly recognized for its representation of the relationship between the 17 goals of the SDGs.

In other words, the goals on Life Below Water (Goal 14) and Life on Land (Goal 15) as well as Clean Water and Sanitation (Goal 6) and Climate Action (Goal 13) support the earth’s biosphere, which supports society, which in turn gives shape to our daily economic activities. Our company, too, recognizes the following two points as challenges.

(1) Deterioration of the urban ecosystem

As green spaces shrink due to urbanization in recent years, effective planting will not only lead to ecosystem preservation but will also support our lifestyles in a variety of ways, such as creating spaces for relaxation, revitalizing regions, and reducing flood damage by storing rainwater. Many trees are planted every year when new living spaces are invited. However, cultivated and non-native trees tend to be extremely difficult to use for local birds and insects. Many of them are also unable to adapt to Japan’s climate and natural features and have low resistance to pests. It is necessary to carefully consider compatibility when selecting plant species in order to protect regional ecosystems.

(2) The importance of traceability in procurement

Lumber is an important renewable resource material that helps build our living spaces and Sekisui House uses approximately 300,000 cubic meters of lumber each year. However, functional degradation of environmental preservation and disruptions in our everyday lives due to practices like illegal logging present obstacles to sustainable forest management. Additionally, ensuring lumber traceability has also become an extremely important issue because distribution channels are complicated.

For this reason, initiatives have been spreading throughout the world to secure appropriate lumber procurement, including Japan’s Act on Promoting the Distribution and Use of Legally Harvested Wood (Clean Wood Act).

Approach

Our goal

Thinking ahead, promoting the preservation of biodiversity by working with our supply chain

The Sekisui House Group is Japan’s largest manufacturer and supplier of prefabricated housing. It is also one of Japan’s largest landscape gardeners, planting nearly one million trees each year.

From this standpoint, we have set a 2050 goal of expanding ecosystem networks through our business—this involves focusing efforts on planting to preserve local ecosystems and to procure sustainable lumber that would help protect global biodiversity.

Natural capital and ecosystem take time to mature or recover. Moreover, such initiatives cannot be completed by one company alone. While thinking long-term, we will work with our suppliers to provide customers with rich and comfortable lifestyles while helping to preserve the environment and creating a sustainable society.

Focus on management conscious of natural capital

If such living spaces spread throughout the country, the gardens in houses will become an ecosystem network that supports the lives and activities of various living beings.

1. Planting indigenous species suited to regional ecosystems through the Gohon no ki indigenous landscaping project

Since 2007, Sekisui House has been promoting gardening and landscaping activities through the Gohon no ki (five trees) project. “Select five native species. Three for the birds, two for the butterflies.”—guided by this concept, this project actively advocates planting native species that are beneficial to the ecosystem and capable of providing a high level of support to the local wildlife, as opposed to the frequent and exclusive use of cultivated or non-native species.

In terms of project implementation, we collaborate with a network of local tree growers and landscapers to ensure a stable supply of indigenous species, which were previously available in small numbers in the market. We will propose to consumers the richness of coexisting with other living beings and the significance of environmental conservation.

2. Promoting the use of legal and sustainable FairWood lumber

To enable the use of sustainable lumber, Sekisui House procures FairWood® lumber and wood products that are friendly to local communities and the forest environment in logging areas. FairWood procurement is legal and based on 10 Wood Procurement Guidelines established with consideration of ecosystems and resident lifestyles in logging areas. Each year, procurement surveys are conducted targeting approximately 50 suppliers of wood materials to ascertain where their timber is felled and milled and to confirm its legality. This information is then converted into numerical data used to manage ongoing progress in this area. When the traceability of some wood materials cannot be confirmed, we visit their production area to ensure due diligence through verifications and surveys.

These initiatives attempt to expand the use of FairWood by enhancing supplier consciousness of procurement routes while promoting awareness among trading companies further upstream in the supply chain.

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Focus on management conscious of natural capital

If such living spaces spread throughout the country, the gardens in houses will become an ecosystem network that supports the lives and activities of various living beings.
Progress

1. Planting indigenous species suited to regional ecosystems through the Gohon no ki indigenous landscaping project

Activity report

Building beautiful houses by continuously promoting the Gohon no ki project

In FY2018 too, we continued planting based on our Gohon no ki project while keeping the regional ecosystem in mind. In that fiscal year, we planted 930,000 trees in the gardens of detached homes and collective housing across Japan.

We have planted a total of 15.02 million trees since the project in 2001. Greening initiatives were earlier considered a contributing factor that increased maintenance costs at our collective housing, such as at our rental house, Sha Maison, and at our condominiums. Regardless, our group has been striving to increase the quality of planting.

We strongly believe that planting enhances the comfort of our living spaces and helps them to become more beautiful with age. It also intensifies their character and the attachment residents feel toward them, and helps to differentiate them from other companies’ properties.

Highlights

Meticulous support to individual properties by harnessing big data in planting

We have been striving to install a system to collect detailed data on planting in individual properties. The system established a stronger reach in our company in FY2018 and we are using the planting data collected through it in the following two scenarios.

1. When proposing planting: Planting and Raising Proposal Sheet

   This sheet enables us to inform our customers more specifically about the enjoyable season-based aspects of our gardens, such as the timing when flowers bloom, fruits appear or leaves take on autumn colors, when we propose planting in their homes.

2. At the time of handover: Maintenance Sheet

   Our Customer Service Centers share detailed information on the timing to apply fertilizers, the time for pruning and the damage caused by diseases and insects.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>Total from 2005 to 2018</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of trees planted annually</td>
<td>Trees</td>
<td>81</td>
<td>99</td>
<td>107</td>
<td>103</td>
<td>93</td>
<td>1,502</td>
<td>15 million trees by 2020</td>
</tr>
</tbody>
</table>

Evaluation

Although the falling number of detached housing has led to a decrease in the number of trees planted, we planted many trees at Sha Maison Gardens and other collective housing with rich common green spaces.

Windows and openings have become larger with the spread of well-insulated windows and frames. Therefore, gardens are adding value to the residences themselves by increasing tenant comfort. With this in mind, we trained our designers in greening, which has resulted in increasing the quality of greening proposals for buildings on the whole. The sales of our exterior construction work business touched 65.5 billion yen in FY2018.

We were also able to achieve our Eco-First Promise of planting a total of 15 million trees by 2020 before time.

Future Initiatives

Using planting data as a communication tool

We have been digitalizing data on plants while managing planting data for individual properties. We are also changing the composition of garden elements, such as adding sensory elements to the plantings, in response to customer requests.

In FY2018, the ratio of Rank 5 and Rank A lumber, which are set as a management goal, was 94%. We were able to approach our goal of 95% because of performance of due diligence and other efforts.

Promoting the use of legal and sustainable FairWood lumber

Activity report

Proactively procuring FairWood lumber with a view to zero deforestation

In line with our Wood Procurement Guidelines created in April 2007, we continue with FairWood lumber procurement initiatives, toward the fair procurement of wood sourced with consideration to the environment. These guidelines are divided into 10 wood procurement policies that take into consideration legality, biodiversity, economies of production areas, and lifestyles of residents of logging areas. Each wood product is classified into one of four ranks based on its total score from each policy. We are pushing ahead with FairWood procurement by using fewer low-ranked wood products and more Rank A products. In addition, in consideration of cultivating communities’ forestry we do not set procurement targets for the sole adoption of certified wood. Still, certified wood accounts for 63% of all of our wood materials, including those used for interior installation, and 97% of the structural lumber (including certified processed wood).

In FY2016, we formulated Zero Deforestation to clearly express the direction we are aiming for as a company. As part of our efforts to strengthen foundational support for the initiative, we completed registration in the System for Businesses that Deal in Registered Lumber, which was established under the Clean Wood Act, in March 2018.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>Target</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator</td>
<td>Unit</td>
<td>FY2014</td>
<td>FY2015</td>
<td>FY2016</td>
<td>FY2017</td>
<td>FY2018</td>
<td>Target</td>
<td>Definition and remarks</td>
</tr>
<tr>
<td>Ratio of Rank 5 and Rank A wood products as defined by the Wood Procurement Guidelines</td>
<td>%</td>
<td>91</td>
<td>93</td>
<td>95</td>
<td>92</td>
<td>94</td>
<td>95</td>
<td>Survey results of around 50% of our main wood suppliers</td>
</tr>
</tbody>
</table>

FairWood procurement volume and rank breakdown (10,300 m³)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>Target</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood product procurement rankings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total volume (million m³)</td>
<td>Rank</td>
<td>34</td>
<td>34</td>
<td>34</td>
<td>34</td>
<td>34</td>
<td>34</td>
<td>For each of our suppliers while promoting the spread</td>
</tr>
<tr>
<td>20-24</td>
<td>A</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>of legal and sustainable FairWood lumber</td>
</tr>
<tr>
<td>17-20</td>
<td>B</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>With the enforcement of the Clean Wood Act and broadening</td>
</tr>
<tr>
<td>11-16</td>
<td>C</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>Supplier awareness regarding procurement is growing in line</td>
</tr>
<tr>
<td>29,300 m³</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-24</td>
<td>A</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>with the enforcement of the Clean Wood Act and broadening</td>
</tr>
<tr>
<td>17-20</td>
<td>B</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>Supplier awareness regarding procurement is growing in line</td>
</tr>
<tr>
<td>11-16</td>
<td>C</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>with the enforcement of the Clean Wood Act and broadening</td>
</tr>
<tr>
<td>Percentage of wood products by region</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South America 0.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America 13%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Pacific 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Pacific 1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia 32%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe 40%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Future initiatives

Supplier awareness regarding procurement is growing in line with the enforcement of the Clean Wood Act and broadening concern for SDGs. We will use this opportunity to strengthen consulting for each of our suppliers while promoting the spread of CSR procurement.

* For more details, please see page 17.
The Circular Economy

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

Background

Achieving highly efficient use of resources and a circular economy to cope with pressing issue of resource depletion

The SDGs require companies ensure sustainable consumption and production patterns under Goal 12. Amid global increase in population and rising demand for resources and energy, it is essential that companies optimize the whole lifecycle of their products and improve resource efficiency to support a stable lifestyle for all the people. The housing industry is expected to spread and develop recycling techniques and at the same time, enhance services and support in line with social changes to improve the value of housing, which is also a social stock.

Approach

Building a circular business model through in-group alliances and business process innovations

The construction industry uses materials in large quantities. The Sekisui House Group is the first company in this industry to acquire certification by the Wide-Area Certification System. We will make utmost use of this certification and work toward efficient zero emissions* throughout the construction lifecycle to expand the recycling loop. Moreover, we will build a new business model and lead in creating new markets that can help maintain and expand the value of housing stock through the group’s collective capabilities, which stem from our involvement in a spectrum of business activities.

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

The Sekisui House Group is also promoting SumStock proposals using Co-Log, our original housing history information system. Our Customer Service Centers and all group companies, including Sekisui House Remodeling and Sekiwa Real Estate group work together to promote the spread of SumStock, which promotes circulation of quality houses.

Progress

Contributed to the creation of a circular economy through the effective use of resources related to housing

Aiming to invigorate the circulation of quality housing stock and create an appropriate market, 10 major housing manufacturers including Sekisui House participate in the Provision of Quality Housing Stock Association. Salespeople certified by the Association appraise a house’s basic structure “skelton” and its interior furnishings and facilities “infill” separately. The price of the building and the land is indicated separately and we are striving to combine this with our proprietary circulation system SumStock.

Spread of SumStock quality housing stock

Aiming to invigorate the circulation of quality housing stock and create an appropriate market, 10 major housing manufacturers including Sekisui House participate in the Provision of Quality Housing Stock Association. Salespeople certified by the Association appraise a house’s basic structure “skelton” and its interior furnishings and facilities “infill” separately. The price of the building and the land is indicated separately and we are striving to combine this with our proprietary circulation system SumStock.

Promoting recycling of wastes that are increasing due to the supplied housing business

In addition to increasing the physical and social lifespan of houses, we also focus on recycling waste generated due to expansion in remodeling, renovation and other activities. We have our own waste disposal system centered on 21 recycling centers throughout Japan and a cloud-based collection and management system that improves the efficiency of waste collection. Through these and other systems, we are creating a proper recycling structure for the whole group in collaboration with partner companies.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Life Quality Homes*</td>
<td>%</td>
<td>92.1</td>
<td>92.0</td>
<td>90.5</td>
<td>92.6</td>
<td>92.5</td>
</tr>
<tr>
<td>Sales of “very satisfied” customers in survey</td>
<td>%</td>
<td>41.9</td>
<td>42.0</td>
<td>43.3</td>
<td>42.3</td>
<td>42.3</td>
</tr>
</tbody>
</table>

* Certificates issued to houses that meet prescribed criteria, including durability of structural frames, fire resistance, ease of maintenance and remodeling, and amenity of living surroundings.

**Very satisfied” scale on a 0-5 scale of assessment
Eco-First Promise

Sekisui House was certified as an Eco-First Company by the Japanese Minister of the Environment in June 2008 for making three promises (Eco-First Promise) – global warming prevention, ecosystem preservation and resource recycling. We have been conducting environmental activities with a view to fulfilling these promises.

In 2012 and 2016, we updated our Eco-First Promise within the broad frameworks of the three promises while incorporating changes in social environment and the progress in our initiatives to intensify our efforts.

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

Our promises *
- To aim for over 27% reduction in primary energy consumption in the residential sector, including housing stock, by 2030, corresponding to Japan’s targets (39.3% reduction in CO₂ compared to 2013).

Major progress in FY2018* ZEH* ratio in custom detached houses

79%

*1 April 1, 2018 to March 31, 2019
*2 Net-zero energy housing

2. Proactive revival of ecosystem network

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

Our promises *
- To actively introduce energy-saving air conditioners, eco-friendly cars and LED to surpass the target values (10% reduction in CO₂ emissions in 2020 in comparison to FY2010) set by the Japan Prefabricated Construction Suppliers and Manufacturers Association for CO₂ emissions from business activities of the group.

Major progress in FY2018
Total number of trees planted

15.02 million

(2020 target achieved)

3. Proactive promotion of resource recycling activities

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

Our promises *
- To install a new collection system using resource recycling centers and accelerating zero-emission throughout the group.

Major progress in FY2018
Material recycling rate at the time of production, construction and after-sales maintenance

84.5%
Material Balance (Environmental Impact)

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

FY2018 environmental impact of corporate activities

<table>
<thead>
<tr>
<th>Resource/Output</th>
<th>Scope 1</th>
<th>Scope 2</th>
<th>Scope 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>215 thou. m³</td>
<td>215 thou. m³</td>
<td></td>
</tr>
</tbody>
</table>

We calculate and disclose our Scope 1–3 CO2 emissions in line with the methodology of the Greenhouse Gas Protocol.*3

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

We have a framework under which the head office receives reports of any violations of environmental laws or regulations at a factory. In FY2018, there were no major violations of greenhouse gas-related laws or regulations (no single case subject to criminal punishment, administrative penalty, or administrative guidance) nor any serious leaks of chlorofluorocarbons (CFCs).

Sekisui House recycles all waste resulting from the production of materials purchased by factories. Of that total, the material-recycling rate was 94.5%.

The water discharged from our factories into rivers meets the water-quality standards specified in Japan’s Water Pollution Control Law and other relevant regulations and agreements. The water from our Tohoku, Kanto, Shizuoka, Yamanashi, and Hyogo factory sites meet Sekisui House’s in-house standards, which are stricter than the legal requirements.

Notes on the data

Scope 1 and 2 emissions are attributable to “construction” and “demolition” under the Greenhouse Gas Protocol “Corporate Value Chain (Scope 3) Accounting and Reporting Standard.”

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

FY2018 CO2 emissions (Scope 1–3)

We calculate and disclose our Scope 1–3 CO2 emissions in line with the methodology of the Greenhouse Gas Protocol.*3

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

We offer long-term support for our customers’ living arrangements by collaborating with group companies to realize superior quality and leading technology through stakeholder cooperation and the use of Big Data as an intangible asset.

Background

The importance of responding to diversifying customer needs through the entire value chain

Increasingly diverse values are required for housing due to remarkable technological progress and rapidly changing social needs. Corporate approaches that aim to provide optimal value to customers are also changing significantly when compared to past examples, with an eye towards the changes in business environments of the future.

For example, when analyzing the optimal solution for consumers in terms of actual and potential needs, it is essential to make use of accumulated Big Data, and involve ourselves in joint development with equipment manufacturers and other suppliers.

Approach

Our goal

Applying Big Data, and creating long-term assets using performance, quality, and after-sales support

We must create a total business scenario to maximize customer value through our value chain. The key to this is our industry-leading Big Data, which has been accumulated through diverse channels, and allows us to anticipate customer needs and social change. Making use of this data throughout the group and sharing it with our suppliers allows us to provide performance, quality, and after-sales services that our competitors cannot match, as well as to create a market in which housing is a favorable social asset.

Main stakeholders:

Customers, employees, partner companies (procurement, production, logistics, and construction), factories, and residents of neighborhoods near construction sites

Action policies

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

We meet many people, including the 940,000 people who have visited the Morikubo Kobo Studio (Home Amenities Experience Studio), and we use Big Data gathered from these meetings to further our research and development of both tangible and intangible elements. In terms of the tangible, we create safety, security, and comfort through superior quality and leading technology which we have built up over half a century. On the intangible side, we carry out research on the intangible asset of “happiness,” aiming for value creation through innovation in areas such as health, connections, and learning.

2. Meticulous supply chain management for material procurement

Houses can use tens of thousands of structural components, and collaboration with suppliers who understand and instill our values in their products is an important factor in meeting diversifying needs. As interest in ESG investment rises, we are promoting highly sustainable procurement and other practices, and working to create long-term benefits for both our company and its suppliers, as well as strengthening our collaborative relationships.

3. Enhancing production and distribution quality and improving operational efficiency

We build-to-order by manufacturing all major structural components at our factories under rigorous quality control system. In order to regularly provide high-precision structural components with stable performance and quality, we are proceeding with the automation of our production lines and the utilization of AI, IoT and robotics technology, continuing to combine small lot, multi-variant and built-to-order production while maintaining efficient production systems.

4. Strengthening our construction management abilities and maximizing our construction capabilities

When we are conducting precision construction with high-performance and high-quality structural components produced in our factories, our great strengths are our close coordination with the invaluable Sekisui House Group companies and our partner building contractors (the Sekisui House Association), and our more than 9,000 construction technicians.

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

We must diversify the power of our group companies, offering asset management and maintenance optimized for each of our customers with the use of creating homes they can live in throughout the different stages of their lives. We provide repair and equipment refreshing, or renovations for improved comfort and convenience, but also renovations involving large-scale transformations and changes of purpose that meet customer needs, providing an extremely high level of safety, security, and comfort that heightens customer satisfaction. We are also creating a market in which housing is a favorable social asset, reducing our input resources and thus leading to more efficient use of resources.

Supporting activities in the different life stages of our customers through group collaboration

How our activities impact society

We have supplied a cumulative total of 2.42 million good-quality dwellings, pursuing superior quality and leading technology. Building on our task record, we have come to promote industry-leading initiatives, not just technology relating to basic housing performance but also CSR procurement, improved production technology, construction technologies that maintain our high quality while reducing the work burden on construction technicians, a long-term warranty program, and more. In addition, because we propose and provide after-sales services, remodeling, and renovations as a group, our houses retain their value and we have accumulated favorable social assets. We aim to enhance the property value of housing and lead the quality housing stock market by cooperating with the suppliers in our value chain and focusing our efforts on popularizing and improving good-quality housing.

Sekisui House Sustainability Report 2019

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Sekisui House Sustainability Report 2019

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Progress

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

Activity report

Pursuing further branding of detached houses using our unified management system for residence information

We are able to integrate information concerning customers, history (e.g. maintenance), design, structural components, and more by unifying our residence information. Using some of the best Big Data in the industry, we are able to create proposals that anticipate customer needs and social change. This Big Data is extremely effective in enabling us to continue providing good-quality housing, and we recognize that it is a valuable asset to our group as we take on the responsibility and mission of leaving exceptional social assets for the next generation.

In 2017, we established Residence Evaluation Guidelines to drive the construction of beautiful houses that will become an asset for the communities. These guidelines act as indicators to objectively evaluate the road-facing part of a house’s exterior design in terms of whether it has carefully considered the environment and townscape. They are made up of 10 points relating to the external appearance and planning design and exterior design of the building. We aim to enhance brand value by evaluating all of our detached houses.

Furthermore, we carry out evaluations of townscapes and exterior designs by making use of both the Residence Evaluation Guidelines and the townscape assessment system Commons, which has been in operation since 2014 with the aim of improving townscapes scenery. Through these evaluations, we are driving the creation of townscapes that are good-quality assets to both our customers and to society.

Developing new technologies and products in response to customer needs and expanding into the non-housing sector

Sekisui House has come to provide high-quality housing that offers safety, security, and comfort. We have accomplished this using advanced technology created through the promotion of research and development in both tangible and intangible elements. In 2018, we began proposing Our Own Family Suite, of research and development in both tangible and intangible elements. In 2017, we established Residence Evaluation Guidelines for building our homes, Process for building our homes, Creating our homes, and Developing our homes.

We have used IT to unify residential information, and in addition to researching and developing both tangible and intangible elements. At the same time, we will continue to produce industry-leading proposals while maintaining dialogue with stakeholders, further improving safety, security, comfort, and health for residents.

Starting to research “houses where happiness grows the longer you live there,” in addition to researching and developing both tangible and intangible elements

Pursuing the safety and comfort of housing and improving quality while responding to customer demand is a housing manufacturer’s mission. Our company established the Comprehensive Housing R&D Institute in 1995, and since then we have conducted investigative research into how lifestyles and housing best interact with one another, as well as research and development in pursuit of healthy and comfortable living, including inspection and assessment of basic housing features. Through in-house inspection and research, we quickly identify problems and find solutions, creating technologies that are unique strengths for Sekisui House, such as the heavy steel-framed II System, the SHEQAS seismic absorption system and the Ariks high-quality indoor air system.

We have also established the Nattoko Kobo Studio (Home Amenities Experience Studio) inside our Comprehensive Housing R&D Institute; this studio is a place where consumers and builders can consider ideal housing through dialogue, and where we exchange information with approximately 30,000 visitors per year. In addition, we have established the Sumufulumuki, a base for research and development and information exchange regarding living spaces and lifestyles inside of the Grand Front Osaka, in front of Osaka Station. There, we conduct joint research based on open innovation with various stakeholders.

In August 2018, we opened the Human Life R&D Institute, becoming the first Japanese company to study happiness, and began research into “houses where happiness grows the longer you live there.” Here, we are focusing our attention on research themes that pursue a sense of happiness, such as health and familial bonds, in addition to the themes that Sekisui House has continued to devote ourselves to for many years: safety, security, comfort, and health. We are also proposing “happy homes,” which allow residents to recognize and experience happiness, and are heightening the sense of happiness in housing and communities by scientifically and theoretically clarifying expertise relating to “houses where happiness grows the longer you live there.”

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHEQAS seismic absorption system evaluation ratio (steel-framed two-story detached houses)</td>
<td>%</td>
<td>87</td>
<td>89</td>
<td>94</td>
<td>96</td>
</tr>
<tr>
<td>Ariks high-quality indoor air system evaluation ratio (steel-framed two-story detached houses)</td>
<td>%</td>
<td>78</td>
<td>83</td>
<td>85</td>
<td>87</td>
</tr>
</tbody>
</table>

Evaluation

Installation rates for our SHEQAS and Ariks systems remain high. We have used IT to unify residential information, and in so doing have been able to improve productivity, operational efficiency and customer services. Additionlly, thanks to our research and development in terms of both tangible and intangible elements, we have launched new products through the development of new construction methods that have further increased our design freedom and spatial solutions. We have broadened our range of response to various construction needs.

Future initiatives

We will continue to actively propose our SHEQAS and Ariks systems to customers as strengths unique to Sekisui House. As well as further improving the way we use IT for each individual process, we will heighten our sensitivity to customer needs and the trends of the times, and continue our research and development in terms of both tangible and intangible elements. At the same time, we will continue to produce industry-leading proposals while maintaining dialogue with stakeholders, further improving safety, security, comfort, and health for residents.
The housing industry has a broad base and uses multiple materials in large amounts, and therefore has a significant impact on supply chains. We engage in proactive efforts to make ourselves aware of potential impacts on solutions to environmental and social issues through our supply chain; these efforts are considered an important strategy to maximize our long-term company value. At the same time, we are promoting activities that enable us to develop and coexist with our supply chains as key initiatives.

**Procurement policies**

Since 2007 we have set out, observed and promoted eight procurement policies to pursue procurement activities based on the Sekisui House corporate philosophy and code of conduct.

- **Procurement policies**
  - Governance
  - Human rights
  - Labor
  - Information security
  - Supply chains
  - Quality and safety
  - Local community
  - Environment
  - Fairness and impartiality
  - Trusting relationships
  - Optimal pricing
  - Fairness and impartiality
  - Supply chain optimization

Engaging with our partner companies

To maintain fair and impartial business practices, we conduct evaluations of our partner companies based on our procurement policies and inform each company of their results so that they can be used for improvements. At the same time, we believe that high-level procurement policies can only be implemented in the presence of a stable business structure and quality management, thus we continuously conduct factory visits and affirm quality management systems with our primary partner companies. Additionally, around 150 of our major partner companies participate in our annual policy briefings in order to ensure consistency in our procurement policies and deepen mutual understanding. We offer explanations of our newest management plans, procurement policies and product strategies at these briefings, providing information intended to act as guiding principles for our partner companies, honoring outstanding companies and sharing best practice.

**From CSR procurement to SDG procurement (sustainable procurement)**

To help encourage our suppliers’ initiatives relating to CSR, we carried out CSR evaluations using a check-sheet method, to ensure that they agreed with the intent of our CSR Procurement Guidelines. With these, companies evaluated themselves in advance from the perspective of the seven core subjects of ISO 26000 and scored and evaluated the results; the overall company average for this period was B6.2 (a 1.2 point increase compared to last year). Through the evaluation results, we also identified suppliers who should be monitored and conducted individual site visits. This applied to five companies in FY2018.

Following the signing of the UNGC (United Nations Global Compact) in August 2018, during this period we have revised our own standards to include 48 items based on the nine items of the procurement standards set out by GCN (Global Compact Network Japan). From FY2019, we will carry out evaluations based on these standards, move forward from procurement in a conventionally socially responsible manner and actively contribute to supply chains to help sustainable social construction (SDGs procurement).

**Strengthening cooperation to achieve sustainable procurement**

We believe that it is important for us to work more closely together in terms of supplier advice and cooperation to achieve sustainable procurement, and are strengthening our operations, including due diligence such as inspecting logging areas.

**Enhancing production and distribution quality and improving operational efficiency**

At Sekisui House, we make use of Big Data, carrying out built-to-order production using structural components custom-made for each residence. We continue to combine production efficiency across multiple products with small production lots, automating the production of key construction materials and installing robotic technology so that we can consistently provide high-precision structural components with stable performance and quality.

We are also prioritizing health and safety management to prevent work-related accidents and other damage to employee and contractor welfare. At the same time, we endeavor to create comfortable working environments, facilitate operations and improve productivity.

**Introducing a quality inspection system that uses AI technology**

Our original BelBurn earthenware exterior wall panels, used on over 80% of Sekisui House’s SHADWOOD wooden houses, are a high-class exterior wall material with superior weather-resistance, durability, and strength.

Up until now, skilled technicians carried out visual inspections in the final checking stage, looking for any hollows and swellings caused by glazing and firing the clay. We have recently introduced a quality control system that uses specialized image-processing AI in the production process; we are now able to control the volume of high-quality products in real-time, and have reduced costs by improving production efficiency and quality management, enhancing quality, and reducing inventory by 40%.

**In-house development of an AI-enabled smart production system**

We have introduced a smart system that makes excellent use of IoT, Big Data, and AI to the steel beam production lines of our B System, a construction method for three-to-four-story steel-frame houses. The AI learns from the past production information (Big Data) that we have accumulated and automatically makes decisions that are appropriate to the situation. By making use of this smart system, we have become able to automate adjustments to our production volume and work scheduling that until now had been carried out with the expertise of our supervisors. We have also increased operational efficiency and carried out power-saving operations in production lines that use AI, and as a result we have realized a 31% improvement in productivity, reduced working hours by 9%, and decreased power usage by 12%.

**Improving working environments**

We carry out necessary health and safety management at each of our factories to prevent accidents and health problems that may arise during work operations. As well as securing safety and health for our employees, we endeavor to create comfortable working environments, facilitate work performance and improve productivity. We hold a Health and Safety Committee meeting once per month and a Production Department Health and Safety Promotion Council meeting at all factories once per quarter to share information regarding the current condition of each factory, items for improvement and visions for the future.

**Future initiatives**

To contribute to increased work efficiency and labor saving at construction sites, we will continue to pre-process and assemble structural components inside our factories and endeavor to improve the state of parts delivered to sites.

Additionally, we will continue to prioritize workstyle reform in production departments, including those of our subcontractors, recognizing that this will result in more comfortable work environments that will raise work efficiency, which in turn will increase productivity.
Providing long-term support for customer lifestyles and maintaining and improving housing property value

Activity report

Mustering the group’s diverse power to offer long-term support for customer housing

As housing is subject to long-term use, the quality of support after customers have moved in is crucial. The dedicated staff at our Customer Service Centers make up 10% of all our employees. They support the lifestyles of customers living in approximately 810,000 detached houses and around 20,000 rental housing units, using their expert perspective, from routine maintenance and remodeling consultations to asset management. Our unique organizational structure enables us to quickly reflect customer feedback in our product development and management structure.

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

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

Introducing virtual reality technology for remodeling and renovations

The Sekisui House Group is introducing VR (virtual reality) technology when considering new construction, and is also making use of this technology for remodeling and renovation plans, conveying a detailed image of the space to customers. A 360-degree image is displayed on a computer or smartphone screen using the Internet, and the viewing direction can be freely changed. This gives customers a virtual experience of a 3D image with a sense of realism, also allowing them to form a realistic image of the planned design. This was introduced through the Sekisui House Remodeling Group and Sekiwa Construction Group in 2018, when we offered opportunities to experience VR at events such as house tours. VR is being used more and more as a tool to enhance communication with customers and more concretely understand customer requests.

Operation of Sekisui House educational training centers

Sekisui House directly operates vocational skills development schools accredited by the Ministry of Health, Labour and Welfare, with the goal of cultivating young human resources who can play active roles at the forefront of the industry. We have established three schools. At these schools, we conduct training that allows technicians from each company in the Sekiwa Construction Group, as well as those hired by our partner building contractors, to learn about techniques and acquire skills. These schools also aim to teach and refine manners necessary for members of society.

Those who have completed the course work actively in regions throughout the country as construction technicians or construction managers. Even after completing the course, technicians are able to continue participating in a variety of training programs aimed at improving technical knowledge and skills according to their practical experience and levels.

Reducing the work burden of our construction workers

We have improved the Ekso Vest, that aids work requiring upward motion, and introduced it sequentially from December 2018. We are promoting the reduction of workers’ burdens and ensuring their safety. In general, exoskeletons that reduce work burden are worn mainly on the lower body, with many products that aid simple operations such as lifting and holding objects. However, considering that there are many challenges in construction work that involve complex movement, we focused on an exoskeleton with the aim of maintaining a posture for work requiring upward motion.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
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<th>FY2015</th>
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<th>FY2017</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Construction workers (foundations, construction, carpentry)</td>
<td>people</td>
<td>10,518</td>
<td>10,393</td>
<td>9,843</td>
<td>9,351</td>
<td>8,792</td>
</tr>
<tr>
<td>Participants at education training centers (total)</td>
<td>people</td>
<td>2,385</td>
<td>2,408</td>
<td>2,568</td>
<td>2,638</td>
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</tr>
<tr>
<td>Employees who passed the Sekisui House Senior Technician exam (total)</td>
<td>people</td>
<td>14,067</td>
<td>14,908</td>
<td>15,012</td>
<td>15,214</td>
<td>15,462</td>
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<tr>
<td>Certified Construction Meister</td>
<td>people</td>
<td>318</td>
<td>365</td>
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</table>

Evaluation

We ensure reliable construction quality through our responsible construction system, carried out with the 18 companies that make up our wholly owned subsidiary Sekiwa Construction and our partner building contractors. We have a mutually supportive and prosperous relationship with the Sekisui House Association, built up over a long period of time; this is one of our company’s strengths and actively supports our business activities.

Future initiatives

Moving forward, we will further strengthen our collaboration with the Sekisui House Association. Additionally, we will cooperate with each worksite and department to maximize our construction capabilities by leveling construction work, increasing construction productivity and introducing cutting-edge technologies. Finally, we will make use of educational training centers aimed at securing and retaining new construction technicians and focus our efforts on workstyle reforms.

Activity report

4 Strengthening our construction management abilities and maximizing our construction capabilities

The Sekisui House Group is working to strengthen our construction technologies so that we can continue to ensure stable construction management abilities and to improve quality and customer satisfaction. We are reinforcing our organizational strength together with our partner building contractors while utilizing all of our systems, and promoting initiatives in order to make the most of our existing construction capabilities.

Cooperation with the Sekisui House Association

The Sekisui House Association, made up of the 18 Sekiwa Construction companies and partner building contractors, is cooperating with each Sekiwa House office, and together we are pursuing a variety of initiatives including improving construction quality, safety measures, making our sites beautiful, fostering human resources, and improving working environments.

Even in the case of restoration and reconstruction work when a natural disaster has taken place, local Sekisui House Associations will make use of the strength of the national organization and send large numbers of technicians to disaster-stricken areas. We are responding to the increasing demand for construction by continuing to guarantee stable construction management abilities and using them to the utmost.

Construction Meister system

We established the Construction Meister System to honor superior technicians involved in Sekiwa House construction sites. We anticipate that they will strengthen the “community with a common destiny” mindset that we share with our partner building contractors and boost the motivation of all our construction technicians by actively becoming role models for other technicians, passing on high-level skills, and contributing to enhanced construction quality across the entire company.

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<tr>
<td>3</td>
<td>Twenty five-years inspection (free)</td>
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<td>Forty-five-years inspection (free)</td>
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Promoting Diversity

Aiming to become a sustainable corporate group that generates high added value by responding sensitively to diverse customer needs and thinking creatively

Background

Diversity: An essential business strategy for enhancing a company’s existential value

Recent years have seen Japan’s falling birthrates and aging population shrink the workforce and globalization churn ahead, accelerating changes in market environments. For companies to grow in a sustainable way and be vital assets for society, the concepts of diversity management are becoming more and more crucial. By giving a diverse mix of human resources opportunities to make the most of their dynamic skills, companies can harness diversity into groundbreaking innovation and new value. Success hinges on weaving employees’ broad array of unique, individual qualities into corporate activities. That means promoting diversity as a management strategy to fill the organization with greater variety and emphasizing inclusion to help employees embrace one another’s personalities and value systems.

Approach

Our goal

A corporate group that the world needs, enabling employees to be the best they can be

In its Fourth Medium-Term Management Plan, Sekisui House positioned the promotion of diversity as a component of its ESG management policy—a key management foundation. Embracing our fundamental philosophy, a love of humanity, and our mission, we are working to create a welcoming, enabling environment for a broader diversity of employees by cultivating an accepting mindset and establishing new systems.

Action policies

Promoting diversity

In 2006, Sekisui House declared its basic personnel policy of Human Resources Sustainability, whose three main pillars are encouraging participation in shaping proposals and technological development for solutions to social issues. The perspectives and sensitivities of people with disabilities, for example, can make a big difference in shaping proposals and technological development for universal designs.

Every employee needs to be able to take full advantage of their strengths in a mutually respectful, appreciative environment. Always aware that Sekisui House is the product of all its individual parts, we will continue to embrace diversity and spark innovations that meet society’s needs and make Sekisui House a corporate group that the world needs.

Participation and Advancement in the Workplace and a enhancing related activities. We are always working to lay out concrete policies, make focused efforts, and establish effective frameworks so that women and human resources from a variety of different backgrounds can flourish in every part of the building process. As we push those initiatives forward, we also strive to showcase our industry-leading efforts to the world and promote diversity throughout the entire construction community.

How our activities impact society

With a diverse mix of human resources on board, we can create a broader range of proposals with firm roots in the consumer standpoint and leverage a variety of skills into better technologies—benefits that help pave the way toward solutions to social issues. The perspectives and sensitivities of people with disabilities, for example, can make a big difference in shaping proposals and technological development for universal designs.
Workstyle Reforms

Becoming the world’s happiest company by creating exciting workplaces

**Background**

Accelerating efforts to make the “dynamic engagement of all citizens” a reality

Under the Work Style Reform Bill, which the Japanese government enacted in June 2018, a host of new policies— including limits (with penalties) on overtime hours and the principle of “equal pay for equal work” —took effect in April 2019. The new legal structure serves to address numerous issues, from Japan’s falling population and dwindling workforce size to improvements in corporate competitiveness and new approaches to work-life balance in the “100-year life society.” To grow in a sustainable way, companies need to accelerate patterns of long working hours, enable employees to balance work with family care, and create environments where a diverse mix of human resources can utilize their skills in a holistically healthy way. The need for workstyle reforms is clearer than ever—and vital to innovation.

**Approach**

**Our goal**

Providing happiness to customers depends on happy, healthy employees

With the “100-year life society” now dawning and values continuing to diversify, customers are looking for more than what the traditional approaches to product development and service delivery can offer. The Sekisui House Group knows that its ability to boost customer satisfaction and provide customers with happy homes hinges on the satisfaction and happiness of each and every employee. Meeting that need means fostering exciting workplaces, environments where employees can find a fruitful, energizing work-life balance for optimal physical health and emotional wellbeing. As we work to open customers happy homes at an even higher level of sophistication, we will continue to focus on the key elements of health, interpersonal connections, and family so that every employee can take full advantage of their unique experiences.

**Action policies**

Driving sustainable growth through “innovation and communication”

Innovation and communication are essential to ensuring sustainable growth for the Sekisui House Group. Open, effective workplace communication deepens mutual understanding and enhances collaboration, which continues to foster an array of innovations—the drivers of workstyle reforms.

**How our activities impact society**

For years, the housing industry has adhered to a labor-intensive dynamic. The Sekisui House Group is breaking that mold, however. By pushing forward-thinking initiatives like IT-driven “smart work” methods and health management, along with full-scale utilization of parental leave by male employees, we are blazing trails for workstyle reforms across society as a whole.

**Main stakeholders:**

- Customers, employees, students, and job applicants

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**Progress**

**Activity report**

Encouraging all male employees to take parental leave for at least one month

In September 2018, Sekisui House launched a special childcare-leave program that encourages male employees with children under the age of three to take at least one month off work to focus on childcare (ikumen leave). Leave is paid for the first month, and the system lets employees divide a month of leave up into as many as four separate portions to ensure an optimal fit with their individual circumstances. We are making a concerted effort to motivate all eligible male employees to take full advantage of the new system.

As of January 31, 2019, five months after the system went into effect, a significant segment of the company’s roughly 1,400 eligible male employees have explored opportunities for ikumen leave: over 500 of more than 700 applicants have taken leave. Not only is the innovative program enriching communication both at home and on the job, but workplaces are developing a more cooperative environment and a stronger awareness of effective time management. Seeing how it helps men experience childcare and housework firsthand, ikumen leave can also be important departure from the commonplace “sole parenting” mindset.

We will continue to gather feedback from employees coming off ikumen leave and look into how men’s experiences in the childcare process might impact efforts to reform workstyles and encourage women to pursue career development. When those analyses are complete, we plan to make the results public for use in problem-solving initiatives around the globe.

**Promoting health management for the entire workforce**

To make sure that every employee gets the most out of life, the Sekisui House Group lays out health-management policies and makes efforts to reduce working hours, encourage employees to take paid leave, and promote better health overall.

Sound physical health and mental health are both vital to active, effective work. Aiming to deepen awareness of health on those two fronts, especially the mental side, we conduct training programs for managers and employees in their second and third years. We also organize regular meetings of the CSR Committee, which includes four representative directors, other internal representatives, and two experts from outside the company. Under the CSR Committee is the Social Improvement Committee, a group that focuses on the “health management” component by taking measures to encourage exercise, establish separate smoking areas, and discourage people from smoking, among other activities.

The Sekisui House Group’s “happiness” health management

**Health management policy**

The fundamental philosophy at the heart of the Sekisui House Group is a “love of humanity.” In addition to cultivating systems and workplace climates that help employees find fuller happiness through physical and mental health, we embrace that core ideal by promoting workplace changes where employees take the initiative in forming healthy lifestyles.

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**Employee testimonial**

The liberating power of understanding and cooperation

**Norobu Hosokawa**

Manager, Tokyo Michino Regional Branch

Until I took “ikumen leave,” I never thought a branch manager would be able to take a considerable amount of time off work. When I did, however, my colleagues and friends were extremely understanding and made up for my absence with aplomb. Not only did my subordinates make tremendous professional strides while the extra work they took on, but our branch won a Presidential Award for sales performance. The experience proved so rewarding, both personally and professionally.

At home, I gained a deeper appreciation of how hard my wife works and how incredible it is to experience a child’s formative growth firsthand. I look forward to the fulfilling days and years ahead—at home and on the job—as my family’s bonds continue to grow deeper and happier.

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**Prominent performance indicators (KPIs)**

**Key performance indicators (KPIs)**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of male employees taking parental leave %</td>
<td>10</td>
<td>23</td>
<td>14</td>
<td>70</td>
<td>95</td>
<td>100</td>
<td>100% in FY2020</td>
</tr>
<tr>
<td>Percentage of employees taking annual paid leave %</td>
<td>31.7</td>
<td>32.8</td>
<td>35.0</td>
<td>39.7</td>
<td>42.2</td>
<td>166.66 hours in FY2020</td>
<td>100% in FY2020</td>
</tr>
<tr>
<td>Total monthly work hours per person</td>
<td>168.22</td>
<td>171.37</td>
<td>170.02</td>
<td>168.32</td>
<td>170.26</td>
<td>168.32 hours in FY2020</td>
<td>166.66 hours in FY2020</td>
</tr>
</tbody>
</table>

* Number of employees taking parental leave/number of births; the value for FY2019 is 100% as the number of employees taking parental leave exceeded the number of births (655)
Human-Resource Development

Creating value for customers and society through human resources—an ongoing effort to nurture trailblazers

Background

Responding to rapid environmental changes

Japan continues to contend with falling birthrates and an aging population. Natural disasters are becoming more frequent and destructive. The 100-year life society is dawning. Artificial intelligence and the IoT are constantly expanding. The acronym VUCA* is quickly becoming part of the vernacular—and for good reason, given the myriad changes and unpredictable environmental shifts characterizing our modern-day reality.

Approach

Our goal

Developing independent human resources to grow as a sustainable, beneficial company

At the Sekisui House Group, we pour our energies into optimizing our personnel systems and helping employees develop their skills. The focus is on nurturing independent human resources—employees who can perceive customer needs and deliver high-quality homes amid an ever-changing environment. As we emphasize that adaptability and work to tap into the full potential of every employee, we will keep our sights set on becoming a sustainable company that contributes to society as a whole.

Action policies

Using education to cultivate independent human resources capable of innovation and communication

We want our management-level employees to go beyond simply relying on their past experience. Incorporating new input helps broaden perspectives, which fosters new value standards, opportunities for self-improvement, and creative output. That ideal shapes our management-education initiatives.

Our new Human Resources Development Office, which launched on February 1, 2019, systematically trains and selects other dimensions.

How our activities impact society

Our commitment to human-resource development helps us provide higher-quality homes and services, making the Sekisui House Group a growth leader in the housing industry and a valuable contributor to society.

Key performance indicators (KPIs)

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<tr>
<td>Average annual hours of training per person*a</td>
<td>Hours</td>
<td>22.9</td>
<td>21.0</td>
<td>19.7</td>
<td>18.1</td>
<td>14.5</td>
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</tr>
<tr>
<td>Training investment</td>
<td>Million Yen</td>
<td>692</td>
<td>734</td>
<td>704</td>
<td>873</td>
<td>848</td>
<td></td>
</tr>
<tr>
<td>Total number of people obtaining qualifications*b</td>
<td>People</td>
<td>4,544</td>
<td>6,427</td>
<td>4,332</td>
<td>3,064</td>
<td>2,821</td>
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</table>

Notes:

*a and b Only for the management-level basic training (exclusive of job-specific training).
*b Total number of qualifications acquired within the corresponding fiscal year (Three qualifications obtained by an individual employee in a single fiscal year are counted as “3” qualifications.)

Human-Resource Development

Developing independent human resources to grow as a sustainable, beneficial company

Approach

Action policies

Using education to cultivate independent human resources capable of innovation and communication

New Value Creation and Innovation, where learners look to “create the future” by exploring problems with no clear-cut answers. Through these types of programs, learners have valuable opportunities to gain the knowledge, personal qualities, management skills, and leadership they need to guide regional branches into the future. Opportunities are just opportunities, of course; the learners are the ones responsible for making something out of those chances to reconstruct their value systems and produce results accordingly. The Sekisui House Group management team also works to optimize the program, which makes it possible to locate exceptional human resources from standpoints outside the field itself through direct, open dialogue.

Better construction capabilities through better training

To make the most of a team’s construction capabilities, an onsite supervisor—the person responsible for organizing and managing construction work—has to collaborate with a wide range of different professionals and deal flexibly with whatever challenges might come along. In addition to issuing clear instructions for optimal management, onsite supervisors also need to balance that administrative side with leadership in facilitating the entire effort and steering everyone toward common goals.

At the Sekisui House Group, we use interactive training programs to propel innovation and communication and help employees hone the management skills so vital to collaborative efforts with partner building contractors. We have also created a system that makes practical experience at Sekisui House, Ltd. (a group company) a prerequisite for any aspiring design director (who heads up an architecture department). We are always working to bolster our collective construction capabilities through our connections with partner building contractors, as well.

In FY2018, we also refreshed our training programs by complementing the existing level-based training with elective training—planned and developed based on issues and needs that people in the field have pinpointed. Elective training is open to all, regardless of service time or experience, and lets employees focus on the skills that they want to learn. Through training sessions on human error, owner relations, and more, learners can chart their own personal growth and gain capabilities that they can put into practice.

Progress

Activity report

Sekisui House Management Training: Locating the leaders of tomorrow and creating a brighter future

To train and select promising candidates to lead the Sekisui House Group forward as regional branch managers, we launched Sekisui House Management Training in November, 2018. Future approaches to regional branch management will have to go beyond simply relying on past experience; in today’s world, where unprecedented change is common, creating new value entails embracing new perspectives and embarking on self-motivated personal transformations. Participants in the Sekisui House Management Training tackle Integrity Management, which involves nurturing a solid base of general knowledge and enriching individuality, Strategy Planning and Organizational Management, which fuses theory and practical case studies for insights into organizational leadership; and Environmental Management, which is quickly becoming part of the vernacular—and for good reason, given the myriad changes and unpredictable environmental shifts characterizing our modern-day reality.

Now, more than ever, we need to cultivate independent human resources: people who can think for themselves, make independent decisions, and give life to new value in the face of change.

* VUCA, which stands for volatility, uncertainty, complexity, and ambiguity, refers to today’s increasingly chaotic socioeconomic climate.
Respect for Human Rights

The Sekisui House Group has addressed a variety of human rights issues, including those pertaining to the workplace inclusion of women, non-Japanese nationals, and people with disabilities, to create a corporate culture with zero tolerance for infringements on human rights.

The Sekisui House Group Corporate Code of Conduct and Corporate Ethics Guidelines—the explicit foundations of our corporate activities—spell out our commitment to respective human rights, as well. Always striving to stay in close compliance with international rules on human rights, such as the United Nations’ Universal Declaration of Human Rights, the 10 principles of the UN Global Compact, and the SDGs, we will seek to ingrain a corporate culture where employees recognize mutual human rights.

Basic policy on human rights

To create a corporate culture with zero tolerance for infringements on human rights, all of our employees need to have a solid, accurate grasp of the Sekisui House Group Corporate Code of Conduct and Corporate Ethics Guidelines. While we enhance our internal structures for sustaining the PDCA cycle so central to our basic policies, the Legal Department’s Human Relations Office—which specializes in human rights—strives to create welcoming, comfortable workplace environments through annual Human Relations Training programs for all employees at all group companies, among other internal education efforts.

Enhancing the framework for internal consultations

The Sekisui House Group has established a sexual and power harassment hotline, which operates out of the Sekisui House Head Office. Fielding consultations on all types of harassment—from sexual harassment and power harassment to issues concerning pregnancy, childbirth, parental leave, and family-care leave—and a variety of input on optimizing working environments for people with disabilities, the hotline serves as an in-house hub for important solutions. The hotline handled 190 consultations (of which 81 dealt with harassment) in FY2018, which represents a year-on-year rise, but that increase may be due to a growing sense of reliability on using the hotline via consultation personnel at all work locations across the group. Overall, the sexual and power harassment hotline is solidifying its position as a valuable, helpful resource that people can trust.

Human rights due diligence

We also conduct field consultations on harassment and other human rights-oriented issues in collaboration with work locations. We are also working to establish a mutually accepting, human rights-aware corporate culture through strict compliance with international rules on human rights, such as the United Nations’ Universal Declaration of Human Rights, and a thorough understanding of the SDGs and the 10 principles of the UN Global Compact.

Governance Awareness Survey scores

The Sekisui House Group conducts annual Governance Awareness Surveys of all group employees in hopes of turning that feedback into better, more open working environments (see page 76). The surveys contain sections on human rights, whose scores for the last three years are depicted in the table to the right.

Monitoring human rights along the supply chain

In FY2015, the Sekisui House Group laid out CSR Procurement Standards in line with the eight procurement policies and uses it as the base for procurement of materials. The framework expanded in FY2017, when the group incorporated CSR evaluations into its supplier evaluations. These new components involve partner companies performing self-assessments of various items, including matters concerning human rights and labor, which we then tabulate, score, and evaluate.

If the evaluation results turn up evidence of potential issues at a given supplier, we visit the supplier and do the necessary monitoring to assess the actual conditions. We have also created a Supplier Subcommittee under the CSR Committee, adding another piece to our ongoing efforts to establish a stronger awareness along the supply chain.

Upholding the human rights of non-Japanese nationals at construction worksites

In today’s world, where the competition over high-caliber human resources is only bound to intensify, the Sekisui Construction Group (a wholly owned subsidiary) and some of the partner building contractors affiliated with the Sekisui House Association are accepting non-Japanese workers in accordance with the government’s Technical Intern Training Program. We at Sekisui House have three educational training centers (in Ibaraki Prefecture, Shiga Prefecture, and Yamaguchi Prefecture), which offer early-stage development programs that help accepted workers gain the necessary technical skills at the request of their destination employers. Looking to provide initial acceptance training on a rolling, as-needed basis, we have also set up a dedicated section in the Sekisui House Construction Department to handle the planning effort. The Sekisui Construction Group and partner building contractors submit timely reports on non-Japanese workers, as well, to lay out a clear picture of acceptance status, wages, and other relevant details.

The Sekisui House Group will continue to conduct its corporate activities with respect for the human rights of non-Japanese workers, adhering to its Corporate Code of Conduct and Corporate Ethics Guidelines.

Employment of non-Japanese nationals (as of February 1, 2019)

<table>
<thead>
<tr>
<th>Technical trainees</th>
<th>Construction workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sekisui Construction Group</td>
<td>37</td>
<td>33</td>
</tr>
<tr>
<td>Partner building contractors</td>
<td>25</td>
<td>1</td>
</tr>
</tbody>
</table>

Total: 62, 34, 96
Contributing to Society

The Sekisui House Group engages in businesses that touch people’s lives and local communities. Therefore, we not only base our main business activities on our fundamental corporate philosophy of Love of humanity, but also refer to it in our efforts to contribute to society in various ways. As a member of the local community and society, we strive to create frameworks that enable every individual to act independently.

The four policies of social contribution activities

The group carries out our community-based activities, such as volunteer activities by employees, charity participation, cooperation with and support to NPOs and NGOs, and educational support in collaboration with educational institutions, based on the four pillars of training the next generation, environmentally conscious, housing culture improvement, and support for areas and people affected by disasters.

Environmental education programs and school visits

To promote prevention of global warming and other environmental conservation activities, we consider it important to raise awareness among children, the major players in the next generation. As an Eco-First company, we are committed to the three premises of reducing CO$_2$ emissions, restoring ecosystem networks, and resource recycling initiatives. Based on these premises, we hold elementary school visits, events, and other activities, conducting three experiential education programs focused on the importance of saving energy in everyday life, preserving ecosystems, and effectively utilizing resources.

In one of our school visit programs, known as the House-cology seminar, students learn about the relationship between global warming and lifestyle through experiments, quizzes, and other activities that enable them to experience the issues while enjoying a playful atmosphere. These activities use the familiar subject of housing to help them understand how they can lead an eco-friendly lifestyle and encourage them to think about what actions they can take.

At the Sekisui House Eco First Park in Baraki’s Koga City, children can learn about our environmental activities that are based on the three themes of the Eco-First Promise. Apart from that, they can also learn in a fun way the roles housing can play in protecting the global environment.

The Shin-Satoyama initiative

Our head office is located in the Umeda Sky Building, the main attraction of Osaka’s landmark, and extremely popular Shin Umeda Business building complex. On the north side of this building complex, we have built the Shin-Satoyama (about 8,000 m$^2$), which recreates in the city center Japan’s original Satoyama landscapes that are fast disappearing. Based on our Gisdon no i indigenous landscaping concept that shows our concern for ecosystems, we have recreated the landscapes of a wooded area, bamboo forest, rice terrace, vegetable farm and tea garden in the small area of the Shin-Satoyama. After its opening in 2006, it has become home to a large variety of plants, bird, butterflies and other creatures, and is loved by residents and office workers alike as a place to feel the ecosystem.

We are also striving to support child-raising through our Kids-First initiative. In this program, we collaborate with elementary schools and kindergarteners to enable children to experience rice planting and other agricultural activities at the Shin-Satoyama.

The Sekisui House Matching Program —support for NPOs and other organizations tasked with resolving social issues

Since FY2006, we have been implementing the Sekisui House Matching Program, under which the company matches employee donations (joined by approximately 5,200 employees) to NPOs and other organizations engaged in resolving social issues. This system enables employees to have an amount of their choice (1 unit = ¥100 yen) withheld from their salaries for donations, and Sekisui House matches the donations and contributes an equal amount in the form of grants. We have established four funds: The Sekisui House Children’s Fund, the Sekisui House Eco Fund, the Housing Community Fund and the Momo-Kaki Orphans Fund Program. An administrative board comprised of employee representatives selects the organizations to support.

In FY2019, ¥30.24 million from our Children’s Fund, Eco-Fund and Housing Community Fund was donated to a total of 31 organizations. In addition, the Momo-Kaki Orphans Fund Program donated ¥14.30 million (a cumulative total of ¥96.81 million) in FY2018 to the Momo-Kaki Orphans Fund (Chairman: Architect Tadao Ando), which provides economic support for children orphaned by the Great East Japan Earthquake. Up to now, more than ¥300 million has been donated to 317 organizations by these four funds.

Collaborations with the recipients of the Sekisui House Matching Program grants

We hold a grant presentation ceremony (for a specified area nearby) every year for organizations supported by the Sekisui House Matching Program. We introduce the recipient organization’s activities at our office near it and strive to spread recognition of its work. We also actively promote initiatives undertaken jointly with the organization, seeking to contribute to regional revitalization by executing projects of mutual interest and working for the betterment of the society and the region.
A base for spreading housing culture and art

Sekisui House - House of Dialog, a collaborative program with Dialogue in the Dark (DID)

We have been periodically organizing the House of Dialog program at Sumufumulab (Grand Front Osaka), our base for spreading information. This program, held in collaboration with Dialogue in the Dark (DID), welcomed its fifth year in 2018, with Sumufumulab serving as DID’s only permanent venue in the Kansai region.

The concept of DID was founded by German philosopher Dr. Andreas Heinecke in 1988. It is a social entertainment program that has been held in over 40 countries around the world and experienced by more than 8 million people. Participants are guided in groups through different settings in absolute darkness by visually impaired guides, and make discoveries and learn a different way of communication—something they do not experience in their everyday life.

In 2013, we built the House of Dialog, the only program in the world that is based on the theme of house and family. Ever since, it has been offering original programs focused on the family and its lifestyle in different seasons and has been experienced by more than 18,000 people in these five years. We have received a lot of feedback from the participants about the warmth of the human voice, the different settings of communication and the feeling of comfort that is nurtured by senses other than vision. Some people said that they would like to convey the experience of talking with their heart to others as well. The initiative is highly popular, with over 80% of the visitors who responded to our survey saying that they would like to visit again.

Under our concept of lifelong housing, through research on smart universal design and more, we will continue to provide platforms for people to experience this form of communication through DID. We also hope to expand the reach of such valuable experiences for society as a way to foster a renewal of relationships, a recognition for diversity, and in people, the ability to feel.

Koji Kinutani Tenku Art Museum, a new base for art and culture

We opened the Koji Kinutani Tenku Art Museum in Umeda Sky Building (West Tower 27F), where our headquarters is located, to exhibit the artworks of world famous western-style painter and Japan’s top classic fresco painter Koji Kinutani. The museum, which seeks to contribute to society by promoting art and culture, continued two years in December 2018. It incorporates the world’s first attempt at allowing the viewer to delve into the artwork through the use of 3D visuals promoting art and culture, completed two years in December 2018, with

In FY2018, we focused on spreading art education. We held art appreciation lessons in cooperation with elementary schools in the neighborhood and organized fresco painting workshops once a month to help numerous children gain deeper understanding into Kinutani’s works and feel invigorated through art.

We also held special exhibitions at the museum three times. Each special exhibition comprised artworks that were displayed for the first time and attracted 61,407 visitors in total, far exceeding the numbers from the previous fiscal year.

Post-disaster restoration and reconstruction

Being a business that promotes strategies focused on protecting the life, properties and lifestyles of homeowners, the Sekisui House Group recognizes its social responsibility to prevent and minimize damage from natural disasters.

Prompt initial response to natural disasters in each region

Japan faced various natural disasters in 2018, including typhoons, heavy rains and earthquakes. On June 18, an earthquake of a seismic intensity of lower 6 occurred, with the northern parts of Osaka as the epicenter. Then, from June 28 to July 8, western Japan struggled with heavy rains and Typhoon No. 21 raged in September. These and other natural disasters caused extensive damage across the country. Although houses built by our company were neither totally nor partially damaged by the earthquake in northern Osaka, many employees had trouble reaching their workplaces because the earthquake occurred during commuting hours. We promptly set up a relief line* after the earthquake took place and made phone calls to the affected regions from our Customer Service Centers to check the safety of homeowners and the conditions of the buildings. We devoted ourselves to recovery activities, including inspection and repairs, with the Customer Service Centers in Kansai region in the forefront and support from centers in other regions.

During the heavy rainfalls in western Japan, flooding above and below floors was experienced at many Sekisui House homes in Chugoku and Shikoku, Kyushu and other areas. Many homeowners were forced to evacuate. To cope with the situation, we set up a relief line to make phone calls from the Customer Service Centers and conducted home visits. We helped in recovery activities by removing furniture from the houses, cleaning below the floors, dismantling the interiors and other

In FY2018, we have also been carrying out similar activities in areas affected by the Kumamoto Earthquake. After the earthquake, we cleaned the train stations of the Minami-Aso Railways, which had suspended operations, and cleaned the fans, tables and window blinds in the coaches. We used the old gymnasium of the Tatenoe Elementary School, which was closed from before the earthquake, as an evacuation center, and cleaned its windows, walls, and floors to ensure that it can continue to be used during emergencies.

Participation in reconstruction support activities in disaster-stricken areas by all new employees

Since the year after the Great East Japan Earthquake, all new employees at Sekisui House go to disaster-stricken areas to assist in reconstruction work. Aside from providing the affected areas with needed assistance, the goal of this reconstruction effort is to deepen our employees’ understanding of the significance of the housing business and have them think and act from other people’s perspectives based on the Sekisui House Group corporate philosophy and code of conduct. A total of 3,021 people have participated in the activities over these seven years and about 460 are estimated to participate in 2019.

Employees work with NPOs active in areas affected by the disaster, listening to needs for support and taking action after considering what they can do to make local residents happy.

In the Tohoku region, we assisted with the relocation of the Ogatsu Rose Factory Garden and conducted cleanup activities at temporary housing and public housing for disaster victims. From FY2017, we have also been carrying out similar activities in areas affected by the Kumamoto Earthquake. After the earthquake, we cleaned the train stations of the Minami-Aso Railways, which had suspended operations, and cleaned the fans, tables and windows in the coaches. We used the old gymnasium of the Tatenoe Elementary School, which was closed from before the earthquake, as an evacuation center, and cleaned its windows, walls, and floors to ensure that it can continue to be used during emergencies.

We also consider it necessary, as housing makers, to act promptly in the event of a natural disaster to confirm the safety of the victims and establish a support system.
**Corporate governance is an aggregate of corporate governance frameworks that are necessary to increase the corporate value sustainably while ensuring the trust of shareholders, investors and other stakeholders. In accordance with the corporate philosophy espousing the underpinning philosophy of love of humanity, the group has put in place a system that enables speedy management marked with integrity and released a Basic Policy on Corporate Governance* that establishes the basic concept and framework on this subject.**

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The Sekisui House Group positioned 2018 as the year of one corporate governance reforms, adopting six items for strengthening the corporate governance system. We are promoting steady and concrete measures to take timely and accurate management decisions while building a sound corporate culture. We also announced new actions and future considerations to further strengthen the system.

* Please refer to our website for detailed information. [https://www. Sekisuihouse.co.jp/gs/Plshth/Governance_Guideline.pdf](https://www.sequisuihouse.co.jp/gs/Plshth/Governance_Guideline.pdf)

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**Corporate governance structure (as of January 31, 2019)**

**General Shareholders’ Meeting**
- Board of Directors (11, of which 3 are external)
- The Personal Affairs and Remuneration Committee (7, including 2 external directors and 2 external Audit & Supervisory Board members)
- CSR Committee (includes 2 external members)
- Management Meeting (external directors, full-time Audit & Supervisory Board members)
- Office of Audit & Supervisory Board members

**Audit & Supervisory Board**
- (6, of which 4 are external)
- 5 men, 1 woman

**System strengthening**

**Implemented in fiscal 2018**
- Introduction of a mandatory retirement age of 70 for representative directors
- Appointment of women as outside officers
- Transparency and invigilation of Board of Director meeting operations
- Establishment of the Management Meeting
- Clarification of departments under the control of directors
- Evaluation of Board of Director efficacy
- New actions
  - Ensuring independence and strengthening internal checks of chief managers in charge of general affairs in sales administration headquarters and branches
  - Improving the integrity of branch managers
  - Introduction of restricted stock remuneration plan
  -Absolving officers’ bonus system for external directors
- Future considerations
  - Revision in directors’ term of appointment to one year
  - Development of executive directorships
  - Appraisal and disposal of senior management

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**Updates on measures taken for strengthening governance**

1. **Establishment of the management meetings**
   - We initiated management meetings with the objective of contributing to appropriate decision-making related to the execution of important operations by thoroughly exchanging opinions from the perspective of consistency with management policies and strategies before approval at the meetings of the Board of Directors or through the collective decision-making system on important operations, such as key investments, management policy of the whole group and formulation of management strategies and plans.
   - In fiscal 2018, we held discussions on investments in international business and development business, as well as evaluation of the effectiveness of work by outside directors and measures to deal with restiveness in the Corporate Governance Code. While internal directors and full-time Audit & Supervisory Board members are required to join these meetings, external directors and outside Audit & Supervisory Board members can also attend them if they request. Many external directors and outside Audit & Supervisory Board members took part in the management meetings and enabled constructive discussions and exchange of opinions.

2. **Clarification of departments under the control of directors and structural reforms of the company**
   - In April 2018, we reorganized the corporate structure of the head office into six divisions (Business Strategy, Supplied Housing Business, Transaction Promotion, Investor Relations, Administration and Technology) and carried out structural reforms to share information and coordinate between departments. This structural reform has enabled us to clarify the reporting structure of corporate governance and work more efficiently.
   - As a result of this reform, we also established the Management Meeting with the objective of contributing to appropriate decision-making related to the execution of important operations, as well as for supervising and evaluating the execution of duties by directors and executive officers and establishing systems, such as internal control and risk management, to ensure the soundness of management.

3. **Reform of approval system**
   - We revised our approval rules in July 2018, determined responsible departments for screening in each category and clarified the roles of each department. The person who makes the proposal as well as the screening department must also consider countermeasures and take other steps to raise awareness. We report projects that entail risk and are conditionally approved by our officers to the Board of Directors.

4. **Transparency and invitation of Board of Director meetings and operations**
   - In the general shareholders’ meeting held in April 2018, we appointed women external directors and outside Audit & Supervisory Board members to diversify the Board of Directors and Audit & Supervisory Board. We also revised the Board of Director composition to ensure independence.

5. **Succession plan for senior management**
   - We introduced a mandatory retirement age of 70 years for representatives directors to encourage generational change in senior management and worked to build a structure that is always conscious of strengthening development of managerial human resources. We decided to hold periodic hearing surveys of representative directors in the Personnel Affairs and Remuneration Committee about the status of implementation of the succession plan for representative directors based on the Corporate Governance Code.

6. **Revision of the remuneration system**
   - To share more value with our shareholders, we decided to abolish the existing stock option-style stock option system and introduce the restricted stock remuneration plan in the general shareholders’ meeting held in April 2019.

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**Management structure**

**Board of Directors**

In principle, the Board of Directors meet once per month. To improve corporate value over the moderate and long term, the Board of Directors shall be responsible mainly for establishing management policies, strategies, plans and making decisions on the execution of important operations, as well as for supervising and evaluating the execution of duties by directors and executive officers and establishing systems, such as internal control and risk management, to ensure the soundness of management.

To promote constructive exchange of opinions, we decided not to combine the positions of the chairman of the Board of Directors and the convener. Therefore, the vice chairman serves as the chairman of the Board, while the chairman serves as the convener. The Board of Directors comprises members who are well-informed and knowledgeable about the company’s business, and those who are well-versed in financial accounting and legal compliance. It balances diversity, including that of gender, and an appropriate number of people, with three or more external directors.

In the fiscal year ended January 2019, the Board of Directors met 12 times and had attendance of 98.0% (including supplementary attendance by 96.8% of external directors and 93.3% of external Audit & Supervisory Board members). Moreover, we are striving to launch self-evaluation activities conducted in cooperation with attorneys and other experts to analyze and evaluate the efficacy of the Board of Directors and promote ongoing reforms and improvements to strengthen its function.

**Board of Director composition (as of April 25, 2019)**

We also made external directors ineligible to receive performance-related remuneration (bonus/stock remuneration) with the objective to leverage them as auditors and monitors of the Board of Directors.

We will continue to discuss revisions in the overall remuneration system for officers: basic remuneration (fixed remuneration), bonuses (short-term performance-related remuneration) and stock compensation (long-term performance-related remuneration, KPIs for performance-related remuneration; process for fixed remuneration of officers (standard and method of evaluation)) with the Personnel Affairs and Remuneration Committee at the center.

**Notes:** There are no members belonging to minority groups that require special mention.
Audit & Supervisory Board

The Audit & Supervisory Board formulates audit plans, regularly inspecting offices and conducting hearings regarding risks and other issues pertaining to the assigned duties of directors and executive officers based on those audit plans. In addition, Audit & Supervisory Board members exchange opinions and work in close coordination with the Internal Audit Department, hold regular meetings with accounting auditors and engage in mutual cooperation to ensure that all audit activities are carried out efficiently and effectively.

Furthermore, we established the Office of Audit & Supervisory Board Members as a dedicated organization to which several employees, including full-time staff are allocated for assisting Audit & Supervisory Board operations. If said employees are concurrently assigned other duties, they must not be influenced by guidance and commands from the other division to which they are concurrently assigned and, with regard to human resource matters pertaining to these employees, the opinions of auditors must be considered to ensure the independence of their duties with regard to Audit & Supervisory Board operations.

Audit & Supervisory Board composition (as of April 25, 2019)

<table>
<thead>
<tr>
<th>Audit &amp; Supervisory Board members</th>
<th>Of which are non-Audit &amp; Supervisory Board members</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Under 30</td>
<td>30–50</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>80</td>
</tr>
</tbody>
</table>

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

Training for directors and Audit & Supervisory Board members

Directors and Audit & Supervisory Board members are provided with opportunities to acquire necessary knowledge to fulfill their respective duties and responsibilities on an appropriate and ongoing basis. In the fiscal year ended January 2019, newly appointed directors took part in external seminars for new directors to conduct familiarization with internal directors, executive officers and others, invited external instructors to conduct study groups for directors and Audit & Supervisory Board members, and took other initiatives.

Selection of outside directors

To ensure objectivity and fairness in company management and corporate governance, we follow the criteria for the selection of outside directors stipulated by the Law for the Independence of Outside Directors.

Personnel Affairs and Remuneration Committee

As a consultative body to the Board of Directors, the Personnel Affairs and Remuneration Committee provides opinions on matters relating to the directors and executive officers and their remuneration to ensure the fairness and transparency. A majority of the members of the committee are either external directors or external Audit & Supervisory Board members. At present, it comprises three representative directors, two external directors and two external Audit & Supervisory Board members. The president serves as the head of the committee.

Management Meeting

We established management meetings with the objective to contribute to appropriate decision making related to the execution of important operations, such as key matters related to officers, management policy of the whole group and formulation of new business policies. While internal directors and full-time Audit & Supervisory Board members are required to join these meetings, external directors and external Audit & Supervisory Board members can also attend them if they request.

Risk Management Committee

As a consultative entity to the Board of Directors, the Risk Management Committee creates appropriate risk management systems and provides opinions to the Board of Directors on matters relating to the maintenance of risk management systems with the aim of ensuring effective operating conditions.

In principle, the committee meets once per month. In fiscal 2018, it focused on the deliberation of medium to long-term issues including (1) maintaining and strengthening compliance, (2) enhancing quality management systems and (3) BCP formulation. It also revised screening and decision-making rules and suggested and executed the establishment of the Quality Control Committee.

In addition, the main departments are monitored regarding (1) compliance with labor laws, (2) compliance with operational rules, (3) IT security and other issues to grasp and verify the operational status of risk management systems in each division.

Internal control systems

Based on the Companies Act and the Ordinance of Enforcement of the Companies Act, Sekisui House created and manages internal control systems, with system basic policies delineated by the Board of Directors.

The Auditing Department, a specialized internal audit department, conducts investigations to confirm whether internal controls and internal management are being conducted appropriately and properly based on laws and regulations and internal rules to ensure effective management, and when necessary suggests corrective actions. Results of these audits are reported to directors and Audit & Supervisory Board members as well as related departments. Moreover, the Auditing Department and accounting auditors cooperate to execute effective internal audits.

Sekisui House dispatches directors and others for internal audits to strengthen the audit system for overseas group companies.

Accounting auditors

The accounting auditor evaluates whether the Audit & Supervisory Board possesses independence and expertise in accordance with the selection criteria for accounting auditors as well as internal rules and determines items for election based on relevant assessments.

If the accounting auditors discover fraud, a report will be made to the Audit & Supervisory Board, and if they discover deficiencies or problems, a report will be made to the Board of Directors, who will then take corrective actions.

Governance awareness survey

Every year, a governance awareness survey is conducted targeting all group employees. Regularly conducting surveys on corporate ethics awareness and workplace environments provides an opportunity to exchange opinions in organizational units and focus efforts on creating a more open work climate.

Remuneration and incentives

Policies and procedures for determining remuneration for directors

Policies for determining remuneration for directors, the total amount of remuneration and individual amounts shall be resolved at the meetings of the Board of Directors with due regard for the opinions of the Personnel Affairs and Remuneration Committee. Remuneration for directors shall consist of basic remuneration, bonuses as short-term performance-related remuneration and restricted stock remuneration as medium- and long-term performance-related remuneration whose aim is to grant incentives to sustainably boost corporate value and share more value with shareholders.

Remuneration amount

The type of remuneration and the total amount of consolidated remuneration for each director and Audit & Supervisory Board member are disclosed in the Securities Report. The total amount of consolidated remuneration and the type of remuneration are reported individually for individuals with a total amount of consolidated remuneration of 100 million yen or more.

Capital policies

Aiming to maximize shareholder value

Sekisui House regards the maximization of shareholder value as one of its most important management issues. Accordingly, we strive to enhance shareholder return by increasing earnings per share through sustainable business growth and improving asset efficiency. So doing, we take into account the overall status by an active exchange of opinions from the perspective of consistency with management policies and strategies before approvals at the meetings of the Board of Directors or through the collective decision-making system on important operations, such as key matters related to growth investments, implementing a shareholder return targeting asset efficiency. So doing, we take into account the overall status by an active exchange of opinions from the perspective of consistency with management policies and strategies before approvals at the meetings of the Board of Directors or through the collective decision-making system on important operations, such as key matters related to growth investments, implementing a shareholder return targeting asset efficiency.

Carbon dioxide (CO2) emissions (FY)

We started facility tours for shareholders from fiscal 2014 and held it at our Comprehensive Housing R&D Institute in Kyoto for fiscal 2018. Shareholders mainly visited and experienced Nattoku Kobo and territorial offices of Sekisui House, among other things, as well as visited various centers related to housing and housing materials. We also publish the summary of briefings on financial results and management plan on the Corporate Information Site*. Anyone can now check the details of the question-answer sessions and other contents of the briefings for institutional investors.

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The type of remuneration and the total amount of consolidated remuneration for each director and Audit & Supervisory Board member are disclosed in the Securities Report. The total amount of consolidated remuneration and the type of remuneration are reported individually for individuals with a total amount of consolidated remuneration of 100 million yen or more.
Messages from External Directors and Corporate Auditors

The Sekisui House Group has been working to bolster and reform its corporate governance since 2018, a year that also saw the group welcome a new external director and two new corporate auditors. In addition to energizing the board of directors, their diverse perspectives are propelling the group’s governance reforms forward.

Yukiko Yoshimaru (External Director)

What are your impressions of the Sekisui House Group? When I think about what the Sekisui House Group was right in the middle of its governance reforms, it was easy to see how serious the group was about it, too. At the general meeting of shareholders, all the important issues from attendance to governance and gave answers with an earnest sincerity. In terms of business, I think the group is doing a great job of meeting needs and providing added value that goes beyond what competitors can offer. From my experience in international business, I would definitely say that Sekisui House has a competitive advantage on the global stage. The group also sees ESG as business itself, which is distinctive. Having taken part in the UN Framework Convention on Climate Change and the Dow Jones Sustainability World Index for three years running, the group is in position to showcase itself to a global audience—and I hope to see that happen.

What are your thoughts on how the Sekisui House Group plans to continue building its governance structure? I think the board of directors might need to move down its agenda to help clarify functions and roles with management meetings. As a corporate auditor, I plan to address whatever needs attention—be it strengthening and rebuilding the auditing framework or optimizing the size of the personnel force. Sekisui House is cultivating diversity and encouraging female employees to take on more active roles, but it needs to flesh out the efforts on a deeper level. As Sekisui House pushes onward, I look forward to offering the company an objective perspective.

Hisako Makimura (Corporate Auditor)

What are your impressions of the Sekisui House Group? For most of my career, I have been studying community- and city-building companies, both from the group and global environments. When you explore changes in communities and lifestyles, you find that gender is one of the key issues. Sekisui House is remarkable in that regard, the company has been tackling diversity and encouraging female employees to pursue career development. In my opinion, there are three things to consider: the relationship with nature, an element evident in its green, eco-friendly housing. The group’s collective strengths are impressive. Sekisui Real Estate and Sekisui Construction are great examples. Seeing the successes of the group’s luxury hotels, condominium business, and international business, too, shows me that company employees are driven to create business where needs are.

What are your thoughts on how the Sekisui House Group’s new external director and corporate auditors are playing out? The 2018 governance reforms were the most important developments at the Sekisui House Group in FY2018. The company set out to make the board of directors a group of “well-balanced members, such as those familiar with the company’s business and owning knowledge and expertise specializing in finance, accounting or statutory compliance and others, ensuring both the compatibility with diversity and different industries, and a group that is in line with the board’s strategic ambition.” That approach is uncommon and, in my opinion, extremely beneficial. Boards normally do Q&A sessions on matters that come up at executive councils and the like before making decisions. Management meetings, however, help bring practical management issues into the discussion—and that enhances meetings of the board of directors. A big part of that is the input from outside officers, who enrich discussions by expanding the overall conversation. I think the board of directors might need to narrow down its agenda to help clarify functions and roles with management meetings.

What kind of role do you want to play as an outside officer? What do you hope to see from the company? As a corporate auditor, I want to see Sekisui House make the SDGs targets part of its management approach, weaving tangible approaches to new social value into operations. The potential is huge. Efforts to meet RE100 goals are already underway. As a corporate auditor, I plan to address whatever needs attention—be it strengthening and rebuilding the auditing framework or optimizing the size of the personnel force. Sekisui House is cultivating diversity and encouraging female employees to take on more active roles, but it needs to flesh out the efforts on a deeper level. As Sekisui House pushes onward, I look forward to offering the company an objective perspective.

Ryuichi Tsuruta (Corporate Auditor)

What are your impressions of the Sekisui House Group? As a personnel administrator at Nifco Inc. and gave answers with an earnest sincerity. In terms of business, I think the group is doing a great job of meeting needs and providing added value that goes beyond what competitors can offer. From my experience in international business, I would definitely say that Sekisui House has a competitive advantage on the global stage. The group also sees ESG as business itself, which is distinctive. Having taken part in the UN Framework Convention on Climate Change and the Dow Jones Sustainability World Index for three years running, the group is in position to showcase itself to a global audience—and I hope to see that happen.

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Compliance and Risk Management

The Sekisui House Group positions compliance and risk management as important issues to be addressed at all times. In addition to establishing the Risk Management Committee as a consultative body to the Board of Directors, in 2017, we revised our CSR promotion system and established the Governance Committee under the aegis of the CSR Committee. In 2018, we formed the Management Meeting to promote compliance and handle risk management. This body engages in vigorous exchanges of opinion about important investment projects before resolutions are made by the Board of Directors or decisions are approved internally.

Sekisui House Group attempts to promote thorough compliance, which it positions as an ongoing management concern that includes not only an adherence to laws and regulations, but also the promotion of CSR initiatives as important issues to be addressed at all times.

The Risk Management Committee, established in 2016 as a consultative body to the Board of Directors, and the Governance Committee, established in fiscal 2017 under the aegis of the CSR Committee based on a CSR promotion system, work together to improve issues pertaining to the promotion of compliance incorporated into the PDCA cycle.

The Sekisui House Group formulated the Sekisui House Corporate Ethics Guidelines in October 2003 and currently applies these guidelines as common items related to corporate ethics. These ethics must be observed by the company, its directors and employees to promote the corporate activities of each group company.

We are moving ahead with broadening the Sekisui House Corporate Ethics Guidelines’ scope of application and revising the information contained within from the standpoint of changes in social environment, development in corporate activities and group management (In 2018, we added items on improving and improving employee health). Additionally, since 2005, we have held a Compliance with Corporate Ethics Check every October in which all executives and employees submit a Pledge Regarding Compliance with, and the Essentials of, Corporate Ethics. This submission is made to thoroughly enforce our policy on corporate ethics throughout the entire group.

Moving forward, we will continue to work together to proactively apply our corporate ethics policy.

Statement on compliance in the Sekisui House Corporate Ethics Guidelines (excerpt)

Chapter 2 Relationship with society
2-3 Compliance with various business laws and related regulations
1. The company shall comply with regulations related to houses, housing materials and manufacturing, development, import, storage, design, construction, sale, transport, export and repair of housing-related equipment as well as sale and purchase, renting, mediation, trading partnership, management, residential land development and urban development of real estate. Apart from properly executing all procedures for acquiring permits and submitting documents, it shall take due care to ensure that there is no violation in any business activity.
2. The company shall comply with related regulations for other connected businesses also and ensure that all activities follow the law.
2-4 Rules for political and other donations
1. When donating to political parties or other organizations, the company shall comply with the Public Office Election Law, Political Funds Control Law and other regulations and follow regular methods.
2. The company shall receive prior approval for all donations following internal regulations.
3. The company shall strictly refrain from bribery, interest-sharing and illegal political donations, along with any act that can cause misinterpretations, such as close connections with the government or authorities, and build sound and transparent relationships.
2-7 Compliance with import and export regulations
1. The company shall carry out appropriate import, export and customs procedures in accordance with related regulations for importing and exporting products or materials.
2. The company shall not export or import prohibited products.
3. The company shall not deal in products or raw materials produced, manufactured or transported in conditions, such as child labor and forced labor, that violate human rights.
Chapter 3 Relationships with customers, suppliers and competitors
3-3 Compliance with Antimonopoly Law
In no circumstances shall the company indulge in any act, such as cartels or rigging, maintaining resale price or abusing superior status, that violates the Antimonopoly Law. It shall engage in fair and free competition with other companies.
1. The company shall not consult or fix prices, quantity or production equipment with other companies or organizations in the same industry or engage in unfair trading restrictions such as bid rigging.
2. The company shall not reject transactions with a specific company or new company in cooperation with other companies or organizations in the same industry or engage in unfair dealing methods, such as restricting the sellers’ selling price.

Legal compliance status

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

Penalty for non-compliance of the anti-corruption policy
No disciplinary action or dismissal took place against any employee for non-compliance of the anti-corruption policy in the relevant fiscal year. To the best of our knowledge, no cost was incurred on penalties, surcharges or settlement related to corruption.

Infractions and penalties related to the environment
In the fiscal year under review, there were no major infractions of environmental laws or regulations. There were no accidental spills or other incidents impacting the environment surrounding our factories.

Infractions and penalties related to products and services, safety and hygiene
In the fiscal year under review, there were no legal or regulatory infractions or penalties paid related to the provision and use of our products and services. There were also no infractions of health and safety-related regulations or voluntary standards.

Infractions and penalties related to customer privacy
In the fiscal year under review, there were no substantiated petitions for redress related to customer privacy infringements or customer data loss.

Concerning Legal Action Related to Monopolistic Practices
During the fiscal year ended January 31, 2019, Sekisui House Group faced no legal action, substantial fines or punitive measures in connection with violations of laws or regulations related to competition and monopolistic practices.

Fair business practices

In the third chapter of the Sekisui House Corporate Ethics Guidelines, “Relationships with customers, suppliers and competitors,” the group specifies appropriate business practices, adherence to the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors and prohibition of entertaining and gifts to ensure business practices are thoroughly fair.

We also established a checklist item related to the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors as one of the internal audit checklist items to confirm business practices are conducted fairly.

Statement on fair transactions in the Sekisui House Corporate Ethics Guidelines (excerpt)

Chapter 3 Relationships with customers, suppliers and competitors
3-4 Fair transactions with business partners and compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors
The company shall deal fairly and sincerely with partner building constructors and cannot pay for or just transactions with them.
1. When selecting a business partner from among multiple businesses, the company shall make a fair comparison of their quality, price, delivery time, technical development abilities, stability of supply and various other factors, evaluate them and select the best deal.
2. The company shall not use any power that grants special treatment to any business partners regarding selection and evaluation.
3. The company shall ensure adequate understanding of the Construction Business Act and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors and refrain from delayed payments and other acts in its contracts and transactions with business partners.

Personal information protection initiatives

Sekisui House Group worksites, such as housing exhibitions and land sales offices, handle customers’ personal information. We created a system corresponding to the Personal Information Protection Law, regularly implement e-learning and repeatedly conduct educational training for employees to ensure the proper handling of customer information. The e-learning activities include tests to confirm how well employees understand the proper protection of personal information. We also established the Customer Information Service Office, a dedicated department unifying responsibility for the protection of personal information led by the CS Promoting Department manager who is also a Compliance Officer. This structure enables the entire group to comply with the Personal Information Protection Law. On the other hand, in the event of the loss or theft of customers’ personal information, in addition to issuing immediate announcements about the issue immediately, we post information concerning what information was lost or stolen, and notices regarding our future handling of the situation on our website. At the same time, we make every attempt to recover this information.

Going forward, we will continue the implementation of personal information protection-related e-learning and repeated educational guidance on the handling of personal information, while making efforts to heighten knowledge and awareness regarding personal information protection.

We will also strengthen personal information protection initiatives corresponding to each region overseas in line with the expansion of international business.
Internal reporting system and whistleblower protection

The Sekisui House Group has an internal reporting system, known as the Sekisui House Group Compliance Support (SCS System), based on the Securities and Exchange Law and the Corporate Governance Code. It 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 of the Legal Department by phone, e-mail, or other channels. Our SCS System guidelines on internal reporting explicitly stipulate that the identity of whistleblowers and the detail of their reports shall not be used against their interests. In October 2016, we added our corporate law office as an external point of contact. We also provide helplines that provide counseling on labor management issues in general and hotlines dedicated to consultation regarding sexual and power harassment.

Sekisui House Group internal reporting system

<table>
<thead>
<tr>
<th>Contacts</th>
<th>Method</th>
<th>Content of report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sekisui House Group Compliance Support (SCS System)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance Office, Legal Department</td>
<td>Phone</td>
<td>Witness account of an unlawful act or any conduct that violates our corporate ethics policy</td>
</tr>
<tr>
<td>Sekisui House Group Supplier Company Corporate Ethics Helpline</td>
<td>Phone</td>
<td>When partner building contractors or supplier companies suspect illegal activities, they report them to the Sekisui House Group and its transactions and business activities</td>
</tr>
<tr>
<td>Corporate Ethics Helpline</td>
<td>Phone</td>
<td>When partner building contractors or supplier companies suspect illegal activities, they report them to the Sekisui House Group and its transactions and business activities</td>
</tr>
<tr>
<td>Sexual and power harassment hotline</td>
<td>Phone</td>
<td>Consultation pertaining to sexual or power harassment and other human rights issues, including concerns and problems related to interpersonal relationships. Consultation aimed at creating a comfortable workplace for disabled employees, etc.</td>
</tr>
<tr>
<td>Personnel related hotline</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: We also provide an extended outside the company contact for counseling by a professional for group employees and their families.

Risk management system enhancement

Sekisui House Group’s risk management is conducted by the head office and in all departments, with initiatives conducted according to work duties within technical department and administrative department manager meetings. Throughout our structural reforms in April 2018, we set up departments that include multiple head office departments and clarified the responsibilities and authorities of directors and executive officers. The Risk Management Committee (headed by the Vice President), which we established as a consultative body to the Board of Directors, collects and inspects information on the condition of risk management systems in each Sekisui House Group division; however, when a risk incident occurs and verifying recurring countermeasures in an effort to strengthen risk management. We also established the Management Meeting, which, in order to offset risk, vigorously discusses opinions regarding the consistency of management policy and business strategy before resolutions are made by the Board of Directors or decisions are made via circular letter. Furthermore, under the aegis of the CSR Committee, the Governance Committee discusses independent countermeasures from the top of the company.

Activities of the Governance Committee under the CSR Committee

Based on our system for promoting ESG management, we established the Governance Committee under the aegis of the CSR Committee (refer to p.54) and are conducting top-down activities, middle-up activities by managers and leaders, and bottom-up activities by young employees to ensure risk management and establishment of corporate ethics from these three directions.

Major activities in FY2018

Theme: Promoting governance reform – Creating positive, open workplaces –

1) Top-down

Provided information related to the top-management’s message and the company’s vision on the internal website.

2) Middle-up-down

Added Integrity Management to the curriculum of the Sekisui House Management Training.

3) Bottom-up

Created a corner on the internal website for receiving emails with suggestions on creating positive, open workplaces. Based on the results of the Governance Awareness Survey, we created opportunities for discussion to build good workplaces at each worksite and formulated action plans. Progress in the action plans is confirmed in the Compliance with Corporate Ethics Check held every October.

Business continuity planning (BCP) maintenance

Sekisui House maintains preparedness for business continuity planning (BCP) to cope with major natural disasters. We revised traditional guidelines emphasizing recovery and released and began implementation of a disaster manual in February 2013 for the Sales Divisions and head office circulation. A focus on the continuation of business activities. In August 2018, we concluded the Emergency Fueling Agreement and are also securing gasoline for commercial vehicles in disaster-stricken areas.

Additionally, in the increasingly likely event of a Nankai Trough Megathrust Earthquake in the near future, enormous damage is expected in Osaka, where our head office (UMeida Sky Building) is located. In preparation for the likelihood of business continuity challenges at our head office, we are creating a manual to establish and operate a disaster countermeasures office at our head office and formulating BCP. In the event of a disaster at the head office, we will continue business activities with the Tokyo office (Akasaka, Minato-ku) and the Comprehensive Housing R&D Institute (Kagawa, Kyotō) as substitute head offices. We will continue to regularly conduct training and drills to verify and revise manuals.

We are also focusing efforts on business continuity management (BCM) at supplier companies that provide components and parts necessary for the manufacturing of houses and conducting disaster response system drills. These drills enable us to confirm the BCM status of supplier companies while attempting to enhance systems able to quickly gather information and formulate countermeasures.

We conduct business activities at the global level, which puts our local staff and employees on international business trips at risk of natural disasters, terror attacks and riots. In such event, the related divisions of the head office will promptly gather information and take initial action.

Response in the event of a natural disaster

The Sekisui House Group recognizes that it is the mission of housing manufacturers to quickly restore the lives of customers affected by large-scale natural disasters and provide new housing, including emergency temporary housing. To this end, we have established the Action Program for Handling Natural Disasters that describes company-wide policies and measures. The first step toward recovery is to quickly ascertain the condition of employees and their families in the affected region. The speed of initial responses is linked to the formation of support systems for victims and the rapid response to company-wide needs, which turn enables us to promptly provide support to customers. For this reason, we not only conduct periodic evacuation drills at each worksite, but also require all employees to always carry an initial response card to be used when natural disaster strikes. This card contains information on measures to be taken and safety reporting in the event of a natural disaster.

Fiscal 2018 was fraught with various natural disasters throughout Japan, including typhoons, heavy rains and earthquakes. However, we took prompt initial action and responded based on experiences and lessons learned from the Great East Japan Earthquake (2011). There was extensive damage from heavy rains in west Japan, which lasted from June to early July. More than 1,300 of our houses were also damaged due to flooding under and above the floor. We ascertained the condition of our employees and their families, while promptly setting up local response headquarters and checking the safety of the house owners and damage caused to the buildings. We also quickly transported stockpiles from our Yamaguchi factory as relief supplies to Okayama and Hiroshima Prefectures that acted as the base for recovery activities. Relief teams arrived from different part of the country and helped repair or remove mud from customer houses that had been flooded.

In addition, we also set up reception centers for holidays in Osaka and Yokohama to respond to repair requests from house owners on days when our offices are closed. We carried out integrated and complementary operations to ensure that worksites can fill-in for each other in the event of a large disaster and support customers by serving as Disaster Reception Centers coordinated with the Customer Service Center in the affected region and remodeling offices.
Occupational Health and Safety Management

At the Sekisui House Group, nothing is more important than the health and safety of employees, subcontractors, and everyone else who plays a role in the group’s business activities. If a worker-related accident ever occurs in the administrative, production, or construction departments, we provide the relevant details to the Health and Safety Committee and incorporate the corresponding information into its PDCA cycle for improving workplace health and safety.

Accidents resulting in lost worktime and occupational-illness frequency rates

While the production department was free of any occupational accidents or illnesses resulting in lost worktime in FY2018, the construction department saw a year-on-year increase in such accidents and illnesses. We will continue to make thorough analyses of causal factors to improve safety and health awareness, prevent unsafe conduct, and minimize long working hours, which can lead to accidents and illnesses.

Accidents resulting in lost worktime and occupational-illness frequency rates

<table>
<thead>
<tr>
<th>Department</th>
<th>Frequency rate accidents resulting in lost worktime</th>
<th>Frequency rate occupational illnesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration (department employees)</td>
<td>0.10</td>
<td>0.19</td>
</tr>
<tr>
<td>Production</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Engineering</td>
<td>0.20</td>
<td>0.00</td>
</tr>
<tr>
<td>Construction (subcontractors only)</td>
<td>1.89</td>
<td>2.42</td>
</tr>
</tbody>
</table>

Initiatives for FY2019

Our efforts for FY2019 will focus on avoiding serious accidents and slowing the rise of accident occurrence. Coming off a year that saw an increase in our total number of occupational accidents, our Annual Company-Wide Construction Health and Safety Plan for this year will concentrate on preventing accidents through three core measures: preventing recurring accidents, enhancing awareness of basic rules, and eliminating unsafe conduct.

Annual Company-Wide Construction Health and Safety Plan essentials

- Devote even more attention to tracking trends in and taking measures against major (life-threatening) accidents.
- As certain types of accidents, such as falling, cutting and rubbing, flying and falling objects, and toppling, remain common despite widespread awareness, re-analyze the relevant accidents that have occurred at business sites, implement preventive measures, work to help the measures take root, and establish a framework that eliminates accidents before they occur.
- Strive to prevent unsafe conduct, which is gradually becoming a more conspicuous contributor to accidents occurring at our sites, by emphasizing and enforcing basic rules more thoroughly.
- To safeguard against heatstroke, work even harder to encourage the use of air-conditioned clothing and enhance on-site working environments.

Occupational health and safety activities at worksites

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

These efforts helped prevent any major accidents from occurring in FY2018, but the overall number of occupational accidents over the course of the year surpassed the FY2017 total.

Accidents in FY2018

- Occupational accidents at worksites rose 30% from FY2017 to FY2018, with a rise in the number of falling-related accidents contributing to the increase. As a large number of accidents were attributable to human error, we will address the issues in full recognition of the needs both to safeguard against unsafe conduct through instructions and to encourage workers to take independent action as the situation dictates.
- We continued to encourage workers to wear air-conditioned clothing through the provision of subsidies and other measures in order to help prevent heatstroke, a policy that we instituted in 2017, but cases of heatstroke increased in FY2018 due to record-breaking summer temperatures. Considering that outdoor workers accounted for over 90% of the heatstroke cases, our action plan focuses on improving working environments for outdoor workers.
- Efforts to curb increases in external-scaffolding accidents have proved successful thanks to improvements in scaffolding installations (on the equipment side) and scaffolding-assembly training programs (on the human side).
- The risks of heavy machinery toppling affect workers and the surroundings alike. In order to minimize these risks, we train our employees in selecting the optimal equipment during planning, adhering to rated-load standards, and other safety measures.

Corporate philosophy and CSR policies

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

CSR Policies and the ESG Management Framework

Positioning ESG management as a foundation of company operations, in line with its corporate philosophy and CSR policies, the Sekisui House Group pursues its goal of becoming a leading company in ESG management through its everyday business activities. The group’s concrete action plans take shape through the efforts of the CSR Committee and its three subordinate ESG committees.

The CSR Committee includes four representative directors from within the company organization and two outside experts (outside members) to enrich the relevant initiatives from a diversity of perspectives. Operating under the CSR Committee, three ESG committees and various CSR department subcommittees serve to help initiatives take root within the company structure.
Identifying Material Topics

The Sekisui House Group is committed to fostering sustainable development with a focus on fulfilling ESG management through our core business and creating value—while maintaining the expectations of stakeholders and society in accordance with its CSR policies.

In 2015, we selected 30 of the 46 Specific Standard Disclosure items in the GRI Sustainability Reporting Guidelines (GS4) as material aspects. The CSR Committee, on which representative directors serve as Committee Chair and Vice Committee Chairs, validates the selection process. To reflect changing social conditions, needs, and other factors, we then prioritized the material aspects the following year by reanalyzing their impact on stakeholder assessments and decision-making and also the company’s impact in economic, environmental, and social contexts.

As a result of that reanalysis, the group identified 19 topics as material aspects.

To us, value creation is all about molding our activities around what matters to stakeholders and society. Through dialogues with all of our stakeholders, we work to address issues and meet expectations—an effort that hinges on staying connected and engaged through meaningful, active communication.

Material Topics (Critical Issues) as Seen from Effects on Stakeholders and Impacts on Society

Material Topics

- Supplier Materiality Assessment
- Employee Health and Safety
- Training and Education
- Environmental Compliance
- Human Rights Assessment
- Biodiversity
- Energy
- Marketing and Labeling
- Customer Privacy
- Economic Performance
- Diversity and Equal Opportunity
- Labor Management
- Water
- Child labor
- Public policy
- Women’s rights

The Magnitude of the Impact on Stakeholder Evaluation and Decision-Making

The Remarkable Impact of the Organization on the Economy, the Environment, and Society

- Supplier Materiality Assessment
- Customer Health and Safety
- Training and Education
- Environmental Compliance
- Human Rights Assessment
- Biodiversity
- Energy
- Marketing and Labeling
- Customer Privacy
- Economic Performance
- Diversity and Equal Opportunity
- Labor Management
- Water
- Child labor
- Public policy
- Women’s rights

Impact on Regional Economies

- Supplier Materiality Assessment
- Customer Health and Safety
- Training and Education
- Environmental Compliance
- Human Rights Assessment
- Biodiversity
- Energy
- Marketing and Labeling
- Customer Privacy
- Economic Performance
- Diversity and Equal Opportunity
- Labor Management
- Water
- Child labor
- Public policy
- Women’s rights

Identifying material topics with stakeholders and social impact in mind

Stakeholder Engagement

The Sekisui House Group’s main stakeholders include customers, consumers, business partners, employees, shareholders, investors, and communities.

Main stakeholders and overview of actions

<table>
<thead>
<tr>
<th>Main stakeholders</th>
<th>Overview of actions</th>
<th>Examples of proposed themes</th>
<th>Response for such themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers (owners)</td>
<td>Maintain communications with customers and business partners</td>
<td>Customer survey</td>
<td>Operating “Commonds” or a similar assessment system</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commercials (sales)</td>
<td>Strengthening group-wide collaborations to refine the exterior business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Selling of goods</td>
<td>Purchasing customer satisfaction through our value chain (Sustainability Report: Social)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Advertising (annual)</td>
<td>Advertising (annual)</td>
</tr>
<tr>
<td>Suppliers (partners)</td>
<td>Procure materials from suppliers</td>
<td>Supplier dialogue</td>
<td>Recruiting Sustainable material suppliers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supplier social assessment</td>
<td>Opening research facilities to the public</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supplier social assessment</td>
<td>Conducting workshops and events for parents and children at the Sekisui House Eco First Park</td>
</tr>
<tr>
<td>Suppliers (partners)</td>
<td>Support suppliers in disaster areas</td>
<td>Supplier disaster support</td>
<td>Sustainability Report: Social</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supplier disaster support</td>
<td>Sustainability Report: Social</td>
</tr>
<tr>
<td>Employees (potential customers)</td>
<td>Support employees in disaster areas</td>
<td>Employee support</td>
<td>Promoting diversity, encouraging workplace reforms, training human resource professionals</td>
</tr>
<tr>
<td></td>
<td></td>
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Sekisui House Sustainability Report 2019
Comments from External Members of the CSR Committee

The CSR Committee meets regularly to develop and promote important CSR policies and verify the relevancy and effectiveness of current CSR activities. During these meetings, two external members are asked to share their opinions, which provide the basis for discussion among Committee members.

Fiscal 2018 CSR Committee recommendations are as follows.

Sekisui House seeks to become the leading company in ESG management. With this vision at the helm and the strength of a high ZEH ratio, the company should devise ways to break through various constraints and aim for greater heights.

As a company, it is essential to display a stance of making improvements in work hours and acquisition rate for paid leaves. Although the people working on-site understand the company’s stance, they have their own difficulties. Therefore, monthly follow-ups are important.

Stakeholders are focused on the company’s actions in the “year one” of governance reforms. Fiscal 2019 is crucial and it is important to tackle it with a solid PDCA cycle.

It is important to properly manage overseas subsidiaries and deal with cyber-attacks. The company must set up and strengthen mechanisms for this purpose.

The middle management feels stuck between its superiors and subordinates. This is a challenging issue that the management must resolve. The company also needs the strength of young employees to take on challenges in new domains. It is important from the viewpoint of governance for the middle management to listen to the opinions of young employees.

The company must consider how it can harness IT, IoT and AI in management to raise productivity.

Haruo Tsuji
Former President
Sharp Corporation

Hiroya Masuda
Former Minister of Internal Affairs and Communications
Former Governor of Iwate Prefecture

CSR Committee recommendations

- Sekisui House seeks to become the leading company in ESG management. With this vision at the helm and the strength of a high ZEH ratio, the company should devise ways to break through various constraints and aim for greater heights.
- It is important to convey the company’s painstaking efforts to the customers. The company should further promote the cutting-edge initiatives it takes for the environment because common people are yet unaware of them.
- As a company, it is essential to display a stance of making improvements in work hours and acquisition rate for paid leaves. Although the people working on-site understand the company’s stance, they have their own difficulties. Therefore, monthly follow-ups are important.
- Stakeholders are focused on the company's actions in the “year one” of governance reforms. Fiscal 2019 is crucial and it is important to tackle it with a solid PDCA cycle.
- It is important to properly manage overseas subsidiaries and deal with cyber-attacks. The company must set up and strengthen mechanisms for this purpose.
- The middle management feels stuck between its superiors and subordinates. This is a challenging issue that the management must resolve. The company also needs the strength of young employees to take on challenges in new domains. It is important from the viewpoint of governance for the middle management to listen to the opinions of young employees.
- The company must consider how it can harness IT, IoT and AI in management to raise productivity.

Independent Third-Party Assurance Report

KPMG AZSA Sustainability Co., Ltd. was engaged to provide assurance on Sekisui House, Ltd.'s Sustainability Report 2019 and verify that the report provides reliable information on the company’s energy consumptions, waste, greenhouse gas emissions, water use in factory production and social reporting (frequency of accidents resulting in lost worktime and occupational illnesses).
## GRI Content Index for “In Accordance” Items

The Sekisui House Sustainability Report 2019 has been prepared in accordance with the Core options of the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards (GRI Standards).

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**References**

- [WEB] Stakeholder Engagement
- [WEB] Corporate Profile
- [WEB] Industry Proposals
- [WEB] Corporate Profile
- [WEB] Communicating with Business Partners
FY2018 Accolades and Achievements

**Environment**
- The “Higashi-Matsushima, Disaster-Ready Smart Eco-Town” project, an environmentally friendly, resilient community revitalization initiative
- 27th Grand Prize for the Global Environment Award
  - **Organizer:** Fujisankei Communications Group

**Products and technology**
- Otona HOUSE “awai”
  - **IAUD Award 2017**
  - **IAUD Award (Housing and Architecture Category)**
  - **Organizer:** International Association for Universal Design

**Community building and landscape**
- Community-building efforts in Teriha, Island City, Fukuoka
  - **Organizer:** UN-HABITAT Regional Office for Asia and the Pacific – Fukuoka, Asian Habitat Society, Fukuoka Asian Urban Research Center, Asia Townscape Design Society
  - *Joint entry with Fukuoka City and related organizations*
- Grand Maison Misonoza Tower
  - **Prize winner at the Chubu Architecture Awards (General Category)**
  - **Organizer:** Chubu Architecture Awards Conference
  - *Joint entry with Sakakura Associates architects and engineers*

**Social and other initiatives**
- Sekisui House limited
  - **Selected as a “Nadeshiko Brand 2018” company by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange**
  - **Organizer:** Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange
- †Sekisui House constructed in 1963 Yamazaki house and Usui Family Villa (Sekisui House Model A)
  - **Evaluation of collaboration with suppliers**
  - **Organizer:** Sekisui House and suppliers
  - *Joint entry with Shimizu Corporation and Fujisash Co., Ltd.*
  - *Joint entry with Sekisui House Commercial Co., Ltd.*

**Kids Design Awards**
- Condominium [Minato-Ku Kaigan 2-chome Project]
  - **Organizer:** Ministry of the Environment
  - *Joint entry with Sekisui House, Inc.*
  - *Joint entry with Sekisui House Commercial Co., Ltd.*

**Wood Design Award**
- Condominium [TAICANG YUQIN GARDEN] in China
  - **Organizer:** Japan Institute of Design Promotion
  - *Joint entry with Sekisui House Commercial Co., Ltd.*

**CSR Management**
- **CSR and other initiatives**
  - **Sustainability Report 2018**
  - **22nd Environmental Communication Awards**
  - **22th Environmental Communication Awards**

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**Environment**

- 3R activities at small-scale construction sites through coordinated efforts with clients/outstanding waste-disposal operators and proprietary checklists
  - **FY 2018 3Rs (Reduce, Reuse, and Recycle) Promotion Merit Awards MILT Minister’s Prize**
  - **Organizer:** MILT Promotion Council
  - *Joint entry with Kumagai Gumi Co., Ltd.*

- Reductions in CO₂ emissions from commercial-use vehicles: Using telematics to promote safe, eco-friendly operations
  - **2018 Environment Minister’s Award for Global Warming Prevention Activity (Implementation of Countermeasures Category)**
  - **Organizer:** Ministry of the Environment

**Community building and landscape**

- Community-building efforts in Teriha, Island City, Fukuoka
  - **Organizer:** UN-HABITAT Regional Office for Asia and the Pacific – Fukuoka, Asian Habitat Society, Fukuoka Asian Urban Research Center, Asia Townscape Design Society

**Products and technology**

- Otona HOUSE “awai”
  - **IAUD Award 2017**
  - **IAUD Award (Housing and Architecture Category)**

**Social and other initiatives**

- Sekisui House limited
  - **Gold Award in work with Pride’s “PRIDE Index 2018,” a system for evaluating companies’ LGBT-related initiatives**
  - **Organizer:** work with Pride

**Kids Design Awards**

- Condominium [Minato-Ku Kaigan 2-chome Project]
  - **Organizer:** Ministry of the Environment
  - *Joint entry with Sekisui House, Inc.*

**Wood Design Award**

- Condominium [TAICANG YUQIN GARDEN] in China
  - **Organizer:** Japan Institute of Design Promotion
  - *Joint entry with Sekisui House Commercial Co., Ltd.*

**CSR Management**

- **CSR and other initiatives**
  - **Sustainability Report 2018**
  - **22nd Environmental Communication Awards**
  - **22th Environmental Communication Awards**
Summary of Initiatives

Environmental management

There was hardly a day in 2018 when we did not see the icons for Sustainable Development Goals (SDGs) in the media. This shows that incorporating SDGs in corporate management was not a passing trend among a large number of companies, but a sign that minimizing negative impact on the environment and society and growing sustainably had become essential for them.

Additionally, even institutional investors are evaluating the response to SDGs through ESG management to determine where to invest. Response to the Task Force on Climate-Related Financial Disclosures (TCFD) on climate change is considered particularly important. The Sekisui House Group has already implemented net-zero energy house (ZEH) in a high 79% of its newly constructed detached houses and is working actively toward achieving the SDGs. In FY2018, the company became part of the highest ranking A List in CDP Climate Change, which rates companies for ESG.

We are aware that we must not stop at delivering houses with improved environmental performance, but also maintain a balance between building a roadmap to ensure corporate growth that incorporates climate change and other issues in our business model and ensuring happiness for our customers and society, so that we can remain a company the society needs.

Our Sekisui House Owner Denki proposal, under which we purchase excess electricity from customers whose specified time for selling renewable energy has expired, is part of our lifelong support to customers who have bought houses from our company. At the same time, using the renewable energy purchased from them helps make the company's operations more eco-friendly, leading to co-creation of value.

In FY2019 too, we will continue to work on new proposals to improve sustainability in society.

Improvement in sociability

Improvement in sociability is an important factor for becoming a leading company in ESG management. We are engaged in various activities with the objective to contribute to building a happy 100-year life society. To build a happy society and provide houses to our customers where they can be happiest in the world, the Sekisui House Group must become a company where employees are happiest in the world. To achieve this, we wish to continue focusing on promoting diversity, reforming workstyle and developing human resources, while working on health management as well. In FY2018, we steadily increased the number of women managers in the effort to promote diversity, declared that male employees must take more than one month off for childcare and gradually raised their number to aid workstyle reform. In the field of health management, we started a “walking challenge” to encourage employees to improve their health by making conscious effort to walk. These activities meant to make employees aware of health management, also lead to improved productivity and sustained growth of the company.

We also continue to hold activities for the community under our Sekisui House Matching Program and for environmental education of children, who are the major players of the next generation, under our Eco-First and Kids-First concepts. We believe that steady efforts such as these will help achieve SDGs, improve the company’s brand value and build a happy society.

We will continue to listen to our stakeholders’ opinions and intensify activities to become a company the society needs.

Governance

We positioned 2018 as “year one” of governance reforms, adopting six items for strengthening our corporate governance system. We have also started new initiatives for strengthening governance in 2019 and are considering the direction for 2020, while working to spread the governance reforms throughout the group.

We think that creating positive, open workplaces is important. The Sekisui House Group must become a company where employees are happiest in the world. To achieve this, we wish to continue focusing on promoting diversity, reforming workstyle and developing human resources, while working on health management as well. In FY2018, we steadily increased the number of women managers in the effort to promote diversity, declared that male employees must take more than one month off for childcare and gradually raised their number to aid workstyle reform. In the field of health management, we started a “walking challenge” to encourage employees to improve their health by making conscious effort to walk. These activities meant to make employees aware of health management, also lead to improved productivity and sustained growth of the company.

Additionally, as the leader of the Investor Relations Division, I would like to keep enhancing the transparency and timeliness of information disclosure and explain to various stakeholders in an easy-to-understand manner how the Sekisui House Group’s financial and non-financial information as well as initiatives for ESG and SDGs are connected to the sustainable development of the enterprise.