

For the year ended January 31, 2019

# Sustainability Report 2019

(Integrated, Environmental, and CSR Report)

Creating value for sustainable growth through ESG management



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.

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# Make home the happiest place in the world.

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.





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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).

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### 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 itemized standard material topics have been disclosed mainly within the pages concerning Putting Value Creation into Practice (ESG).
- As an annual report, this document organizes and discloses the results of initiatives implemented in FY2018. It also publishes achievements and self-evaluations regarding our targets.
- This report discloses the 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.
- Direct inquiries about this report to:  
Corporate Social Responsibility Department; tel: +81-6-6440-3440  
Environment Improving Department; tel: +81-6-6440-3374  
[Online inquiries] > <https://www.sekisuihouse.co.jp/mail/>

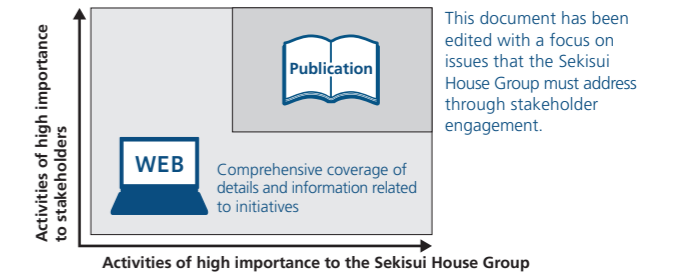
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### Our approach to reporting media

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.



WEB <https://www.sekisuihouse.co.jp/sustainable/>

The energy usage, waste and greenhouse gas emissions, water used in factory production, and social reporting (accidents resulting in lost worktime and job-related illness frequency rates) disclosed in the Sustainability Report 2019 are assured by third-party institutions to heighten reliability (see the Independent Third-Party Assurance Report on page 88). Furthermore, the symbol on the right indicates that this report meets the greenhouse gas reporting examination and registration mark standards established by The Japanese Association of Assurance Organizations for Sustainability Information in terms of the reliability of the greenhouse gas emissions data disclosed herein.





## Messages from Top Management



**Toshinori Abe**  
Chairman &  
Representative Director

## Tackling social challenges head-on with an eye to the global context

### 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 now; the effort to control global warming simply cannot wait. The risks are real and present today, imperiling the world we inhabit at this very moment. The need for action is an urgent one.

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 CO<sub>2</sub> emissions from housing and quickly shift management focus to decarbonation. 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.

#### 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 Sekiwa Real Estate bring to the table. 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 driving 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.

#### Step-by-step progress toward governance reforms

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 evaluation of Board 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 “truth and trust.” Those elements all play into our governance initiatives. Truth, for example, captures the sincere, high-minded morality of integrity that is at the crux 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 “truth and trust”—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 take joy in others’ joy. Those 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



**Yoshihiro Nakai**  
President &  
Representative Director

# 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 through housing. 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—offerings 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  $\beta$  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 livability 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-Marriott 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 roads and the local community, buy local specialties at shops, try local eats, and even stay overnight at on-site accommodation.

### Stable, balanced business growth abroad

We have now been active in overseas business for nine years since our initial foray in Australia, and we are finally starting to reap benefits in valuable know-how. Business is on a solid trajectory, too, with the debut of our "SHAWOOD" wooden-frame houses in the Australian market and our acquisition of Woodside Homes in the United States. As we take overseas business to a new stage, we will foster our development business and start applying all the environmental technologies, production and construction systems, expertise, and real-estate management fee background that we have amassed. The goal is to use those assets to foster balanced growth in the industry—from development business to built-to-order and supplied housing—from a medium- and long-term perspective.

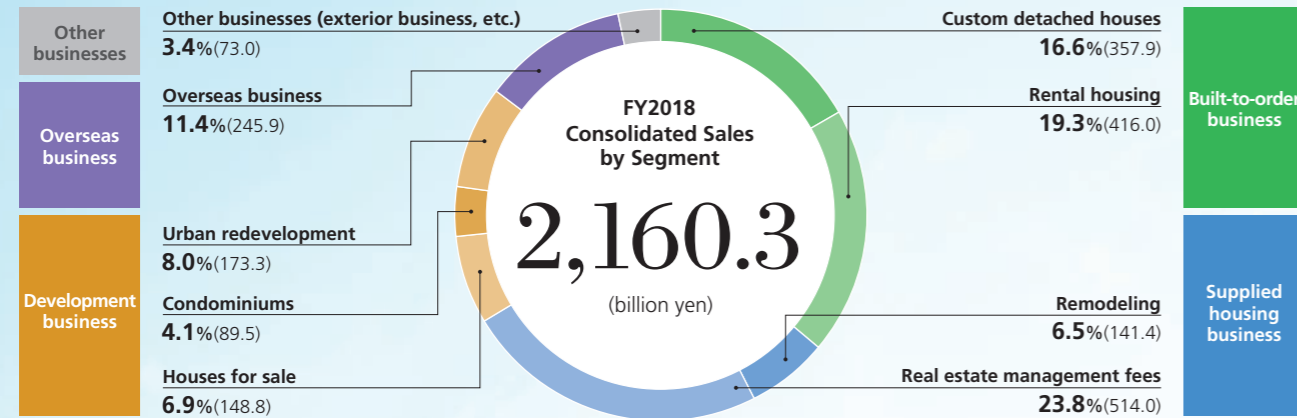
### Nurturing a culture of innovation and communication, two key elements of leading the way in ESG management

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 free, 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 governance. If we want to make home the happiest place in the world, we need to make our systems, offices, and worksites conducive to happy, healthy work. That 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 male 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 531-0076, Japan
Date of establishment	August 1, 1960
Capital stock issued	¥202,591,200,000
Employees	24,775 (consolidated); 14,616 (non consolidated)
Total number of houses built	2,425,372

## Sales and service offices (as of January 31, 2019)

Branch and sales offices:	115
Customer service centers:	29
Model homes:	370
Factories:	5
R&D institute:	1
Consolidated subsidiaries:	264
Companies accounted for under the equity method:	33

## Group companies

### Trade, brokerage and lease of real estate

Sekiwa Real Estate Tohoku, Ltd.  
Sekiwa Real Estate Kanto, Ltd.  
Sekiwa Real Estate, Ltd.  
Sekiwa Real Estate Chubu, Ltd.  
Sekiwa Real Estate Kansai, Ltd.  
Sekiwa Real Estate Chugoku, Ltd.  
Sekiwa Real Estate Kyushu, Ltd.  
Sekiwa Grand Mast, Ltd.  
Sekisui House Umeda Operation Co., Ltd.

### Remodeling

Sekisui House Remodeling East, Ltd.  
Sekisui House Remodeling Central, Ltd.  
Sekisui House Remodeling West, Ltd.

### Housing construction, remodeling and exterior business

18 companies under  
Sekiwa Construction, Ltd.  
Sapporo, Tohoku, Kita-Kanto, Saitama, Higashi-Kanto, Higashi-Tokyo, Nishi-Tokyo, Kanagawa, Shizuoka, Chubu, Niigata, Shinsyu, Hokuriku, Kinki, Kansai, Chugoku, Shikoku, Kyusyu

### Overseas subsidiaries

Sekisui House Australia Holdings Pty Limited  
Sekisui House Australia Pty Limited  
Sekisui House US Holdings, LLC  
North America Sekisui House, LLC  
SH Residential Holdings, LLC  
Woodside Homes Company, LLC  
Sekisui House Singapore Pte. Ltd.  
Sekisui House(China) Co., Ltd.  
Sekisui House Construction Engineering (Beijing) Co., Ltd.  
Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.  
Sekisui House(Shenyang) Co., Ltd.  
Sekisui House No.1 (Shenyang) Co., Ltd.  
Sekisui House • Changcheng (Suzhou) Real Estate Development Co., Ltd.  
Sekisui House • Changcheng (Suzhou) Real Estate Development Co., Ltd.  
Sekisui House (Taicang) Co., Ltd.  
Sekisui House No.2 (Taicang) Co., Ltd.  
Sekisui House (Wuxi) Co., Ltd.

### Others

Sekisui House Financial Services Co., Ltd.  
Sky Rail Service Co., Ltd.  
Sumainotoshokan, Ltd. (Housing Library, Ltd.)  
Sekisui House Asset Management, Ltd.  
Sekisui House Trust, Ltd.

## Built-to-order business

Custom detached houses, rental housing



### Custom detached houses

Design, construction, and contracting of detached houses  
Main affiliates  
© 18 Sekiwa Construction companies (housing construction, etc.)



### Rental housing

Design, construction, and contracting of rental housing, medical and nursing care facilities, and non-housing such as commercial facilities and hotels.  
Main affiliates  
© 18 Sekiwa Construction companies (housing construction, etc.)

## Custom detached house sales 12,708 houses

No.1 among prefabricated house manufacturers (FY2017)

Source: Housing Industry Express, Jutaku Sangyo Kenkyusho Co., Ltd.

## 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 the world

## Remodeling business sales 141.4 billion yen

No.1 in Japan

## Total number of registered residential units in assisted-living complexes for senior citizens 14,883 units

No.1 in Japan

## Supplied housing business

Remodeling, real estate management fees



### Remodeling

Remodeling and renovation of houses, etc.  
Main affiliates  
© 3 Sekisui House Remodeling companies (expansion and renovation of Sekisui House detached housing, etc.)  
© 18 Sekiwa Construction companies (remodeling and extension of housing and condominium, etc.)  
© 7 Sekiwa Real Estate companies (remodeling and extension of rental housing, etc.)



### Real estate management fees

Subleasing, management, operation, and brokerage of real estate, etc.  
Main affiliates  
© 7 Sekiwa Real Estate companies (trade, brokerage and lease of real estate)  
© Sekiwa Grand Mast, Ltd. (operation and management of rental housing for senior citizens)

## Development business

Houses for Sale, condominiums, urban redevelopment



### Houses for sale

Sale of houses and residential land; design, construction, and contracting of houses on residential land for sale  
Main affiliates  
© 7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)  
© 18 Sekiwa Construction companies (housing construction, etc.)

### Condominiums

Sale of condominiums  
Main affiliates  
© 7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)

### Urban redevelopment

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

## Overseas business



### Overseas business

Condominium and building complex business, sales of ready-built detached houses and residential land, and detached housing business in overseas markets  
Main affiliates  
© Sekisui House Australia Holdings Pty Ltd.  
© Woodside Homes Company, LLC

## Other businesses



### Other businesses

Exterior construction work, etc.  
Main affiliates  
© 18 Sekiwa Construction companies (exterior construction, landscaping, etc.)

### Exterior business sales 65.5 billion yen

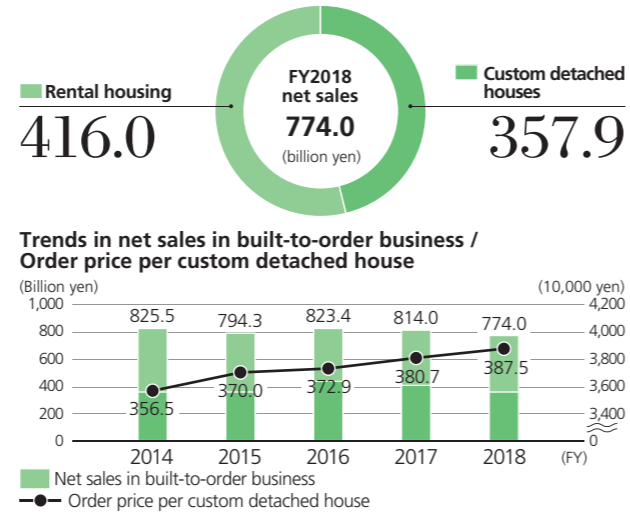
No.1 in Japan



## Built-to-Order Business

Custom detached houses, rental housing

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.



### Strategies for the custom detached houses business Providing high-value-added houses that balance comfort and eco-friendliness

We seek to expand orders in the custom detached houses business through high-value-added products, such as ZEH Green First ZERO, which 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 IS 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.



IS ROY+E steel-framed two-story house

## Business Focus 1

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

The Family Suite model proposes 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 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.

\* The proportion of customers who adopted Family Suite among all the IS ROY+E contracts made from October 2018 to February 2019 (five months)

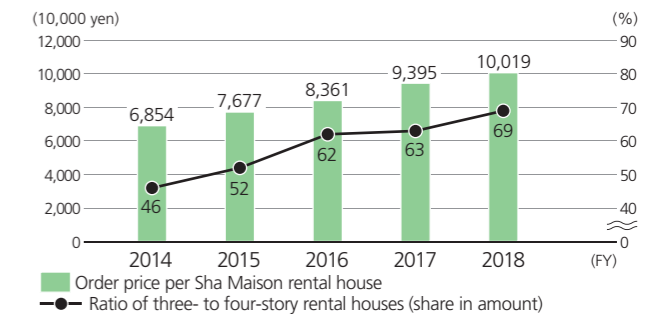


Spacious area under the eaves for relaxed lifestyle + spacious living room that connects the family

### Strategies for the rental housing business 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  $\beta$  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.

#### Order price per Sha Maison rental house / Ratio of three- to four-story rental houses (share in amount)



BEROE three- to four-story rental housing



Celebrio assisted-living complex for senior citizens

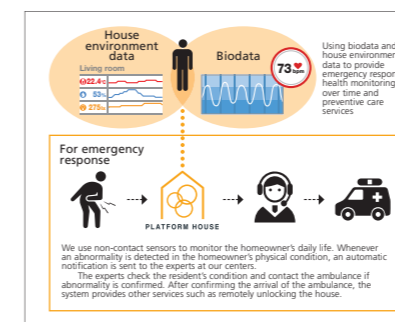
## Business Focus 2

### 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 CES2019 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 CES2019, we

presented our efforts towards emergency response. If the house can help in early detection of certain conditions, like drowning in bathtub, 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.



Providing emergency response, health monitoring over time and preventive care services with least stress to the homeowners



A scene from the CES2019 venue



The president's speech at CES2019



## Business Focus 3

### 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* \* areas 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 cars, bikes or cycles to hotels located near popular *Michi-no-Eki* stations across the country. These roadside hotels, which 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 can also buy food and souvenirs from the *Michi-no-Eki* station 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

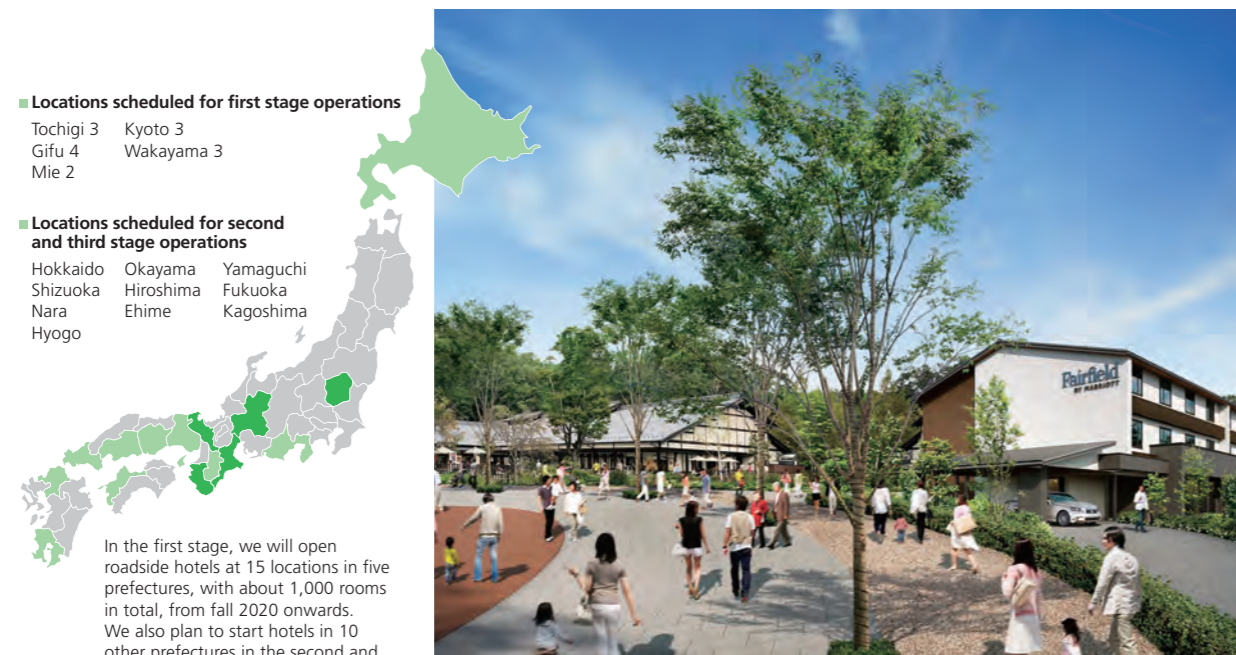
\* Watch the concept movie for The Trip Base *Michi-no-Eki* Project Sekisui House official channel: <https://www.youtube.com/watch?v=Es-Ff1883A4>

#### Locations scheduled for first stage operations

- Tochigi 3
- Gifu 4
- Mie 2
- Kyoto 3
- Wakayama 3

#### Locations scheduled for second and third stage operations

- Hokkaido
- Shizuoka
- Nara
- Hyogo
- Okayama
- Hiroshima
- Ehime
- Yamaguchi
- Fukuoka
- Kagoshima



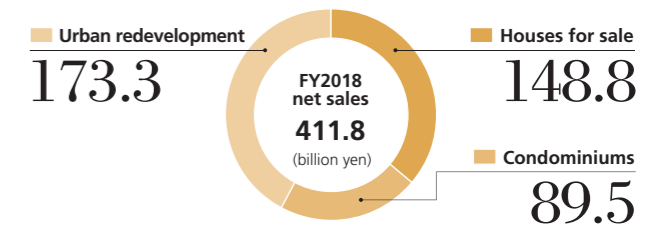
In the first stage, we will open roadside hotels at 15 locations in five prefectures, with about 1,000 rooms in total, from fall 2020 onwards. We also plan to start hotels in 10 other prefectures in the second and third stages.

Roadside hotel

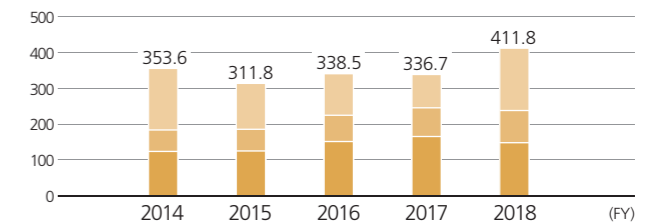
## Development Business

Houses for sale / condominiums / urban redevelopment

Our development business invests in the future growth of environmental creation development, aiming for stable growth through sustainable community development and an improved asset turnover rate.



#### Changes in development business net sales (Billion yen)



#### Business Strategies

### Improving investments for future growth and rate of turnover, and enhancing exit strategies

Our development business carefully selects profitable land, focusing on development that will increase our asset turnover rate. We are also promoting the development of townscapes that will increase asset value in the future. We lead our industry by actively making use of environmental technologies in our development projects.

The house sales business is involved in actively buying up land for first-time buyers and driving the high-quality development of communities to be handed down to the next generation. These communities will become even more beautiful as time passes, and are created with the goal of realizing a society where humans and nature can co-exist. We also aim to positively contribute to community formation under our own brand. We are proactively developing land with agreements to build upon it, which is in turn having a ripple effect on our custom detached house business.



Houses for sale business (Fukuoka Island City, Teriha Smart Town)

In addition to engaging in exhaustive area-based strategies focused on Tokyo, Nagoya, Osaka, and Fukuoka, our condominium business makes use of the environmental technology that we have cultivated through constructing detached houses in order to actively develop environmentally-friendly condominiums. In FY2018, our accomplishments included Grande Maison Kakuouzan Kikusakacho (Nagoya City) the first condominium in Japan to meet the criteria for a complete net-zero energy housing (ZEH), and Grande Maison Uemachidai The Tower (Osaka City), in which all the units are equipped with Ene-Farms, residential fuel cells.



Grande Maison Uemachidai The Tower, in which all the units are equipped with Ene-Farms.

Our urban redevelopment business is pursuing enhanced investor value through cooperation with REITs and developing high-quality offices and rental housing. We are also developing buildings for which we predict inbound demand, such as hotels and long-term stay service apartments.

## Business Focus

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

Sekisui House Asset Management Ltd., which is responsible for the management of Sekisui House Reit, 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 aims of improving long-term investment performance and ensuring that the fulfillment of fiduciary responsibilities to beneficiaries is of a higher standard than is conventional.

Sekisui House Reit, Inc. is involved in investment assets, mainly the real estate developed by the Sekisui House Group. This real estate has been well-received by various ESG certification institutes, including DBJ Green Building. The Sekisui House Group will continue to promote our development business with consideration for ESG.

Signatory of:



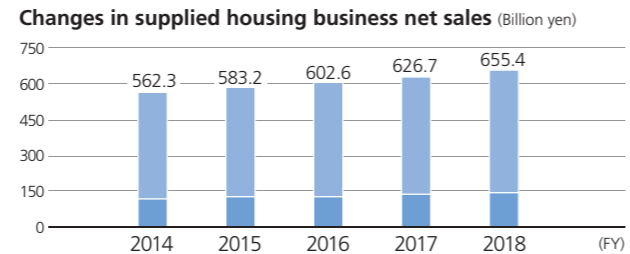
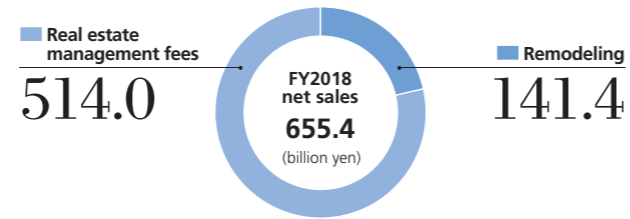


## Supplied Housing Business

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-orientated society.

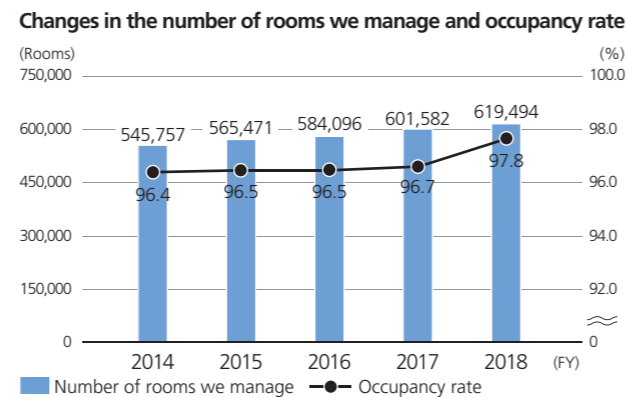
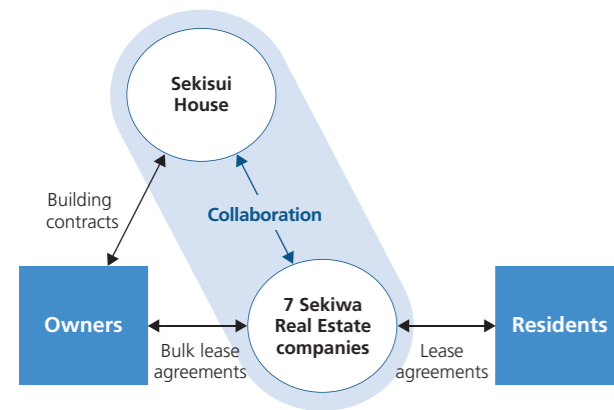


### Real estate management fees business strategies

## 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.



BEREO three- to four-story rental housing



Interior of rental housing (example)

### Remodeling business strategies

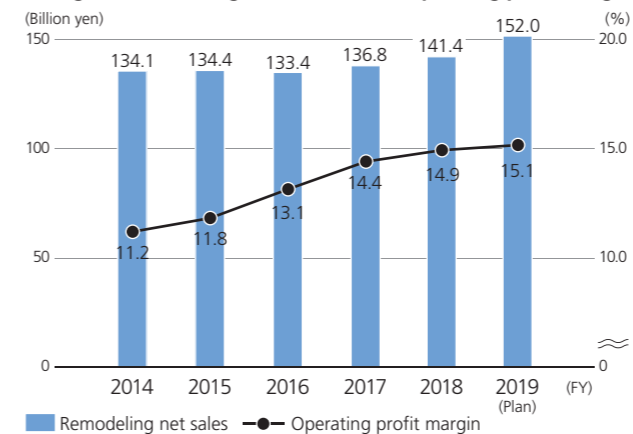
## Achieving reliable growth through proposal-type remodeling and energy-saving remodeling

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.

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



Proposal-type / energy-saving remodeling (example)

## 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



TOKYO interior Fukuoka Shingu store renovation booth

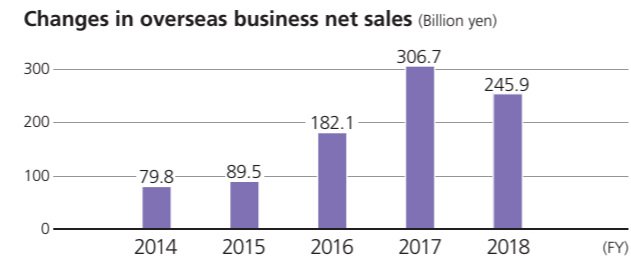
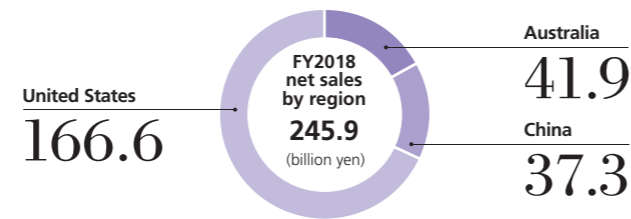


Renovation showroom



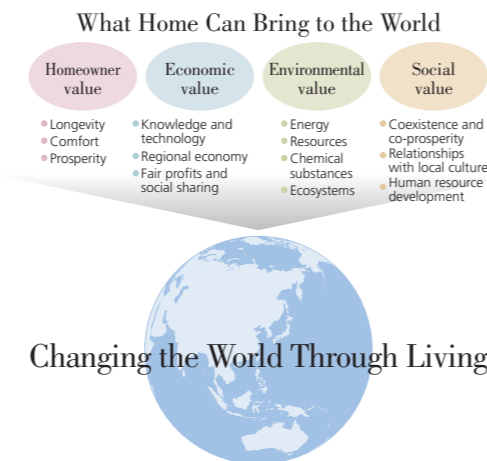
## Overseas Business

We seek to leverage the technologies and know-how developed in our domestic businesses to provide high-value-added houses and housing environments throughout the world. We will strive to create houses and communities that contribute to resolving local social issues based on the diverse climates, natural feature, cultures and lifestyles of each 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 *Gohon 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

Condominium business, custom detached housing business and building complex business

### Business strategies 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 townscapes with rich natural environments, invigorating 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 performance, 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.



The Hermitage, Sydney



West Village, Brisbane



### 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 airtightness. 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.



*Shinka* House model based on ZEH specifications

### 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 visits to across various departments, including those at our Japan headquarters. This has invigorated 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 strategies Strengthening housing proposals for highly environment-oriented customers

We are operating our master-planned community business and multifamily business in the US market in collaboration with excellent local partners. In 2017, we also entered the homebuilding business. We are contributing to raising housing value, in addition to promoting energy-saving housing and environmentally conscious development.

In the community business, we offer community building and houses for sale in suburbs from which people can easily commute for work to the areas where workplaces are concentrated in the country. We are working on various projects by leveraging our rich experience.

In the multifamily business, we are developing rental apartments in city centers and easily accessible locations for working members of the family who wish to live close to their workplace in big cities. Many projects are underway in the western parts of US.

We also entered the homebuilding business with the acquisition of Woodside Homes, a major home builder with housing sales



Union Denver, Denver

records of more than 40,000 units in western US. Amid advancement in environment-related regulations and growing interest in sustainable housing environment in the US, we will strive for further expansion in the country by developing and spreading the US version of ZEH using our strength in technology for eco-friendly homes and introducing prefab housing suited to local needs.



Skystone in Summerlin, Las Vegas \*Woodside Homes



We offer Woodside Homes at locations marked with ● (four states, six locations)

## 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.



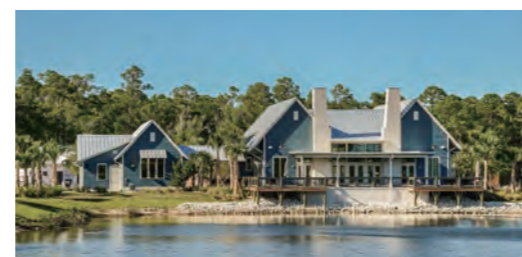
Cinco Ranch, Houston

## 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.



Bexley, Tampa

# China — Townhouse and condominium business

## Business strategies 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.



Taicang Yuqin Garden, Taicang



# Singapore — Condominium business and building complex business

## Business strategies Generating new value in society along with local partners

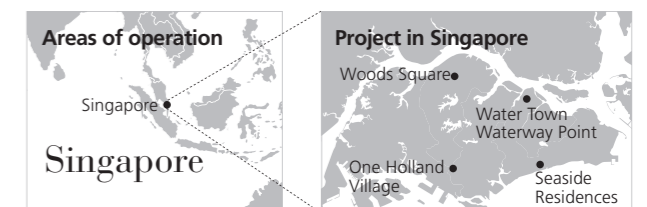
We are engaged in the building complex business, including retail malls and offices, centered on condominium development, in collaboration with leading local developers. We will share our ideas on community and house building with local partners and offer them as added value.

We are working on three building complex projects – Woods Square, which are 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.



Woods Square, Woodlands





# 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.

**\* 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 a ★ below).

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

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



# Maximizing value for customers using our

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. We will demonstrate the merits of in-group alliances, while dividing functions efficiently and working flexibly.

## Technical Capabilities

— Housing innovation

### Tangibles Predicting future trends with the basic features important for housing

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 Airkis high-quality indoor air system. We actively propose the *Gohon no ki* indigenous landscaping concept to contribute toward protecting eco-systems.



Explaining the SHEQAS seismic control system

### Intangibles Pursuing happier homes through research and proposals on new lifestyles

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 *Oishii365*, which proposes interior designs centered around happy dining; *Shuuno 3 Shimai* that attempts to resolve storage problems in houses; *Dear One* for those who live with pets, *Tomoie* for families where both husband and wife work; and *Otona 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

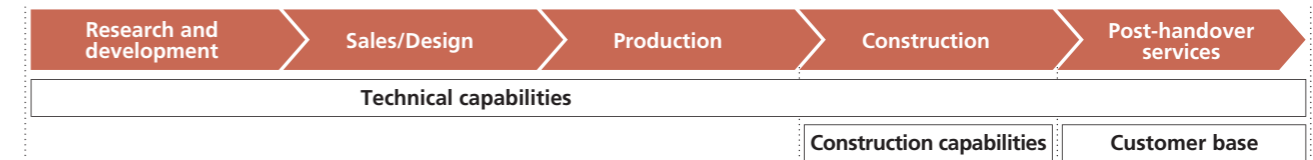
the intangible value of feeling happy, manifested in familial bonds, health, life purpose, individuality and enjoyment.



An example of KidsDesign Kodomo idokoro

# core competences

## Displaying our core competences (unique strengths) in the value chain



We will demonstrate our core competences throughout the value chain, from research and development of latest housing technology to post-handover services, by combining the strengths of all group companies.

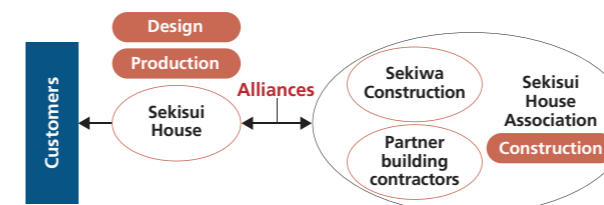
## Construction Capabilities

— Unique project accountability system through alliances between group companies

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

Controlling the quality of onsite 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 Sekisui 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 Sekisui 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 Sekisui House Association to thoroughly manage quality.



Sekisui House Association

## Customer Base

— Lifelong support for homeowners through post-handover services

### Long-term support to maintain and improve asset value of houses

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 remodeling 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.



Visit from after-sales service in-charge



# 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.

## Investment and activities aimed at value creation (Figures show FY2018 results)

**¥6,041 million**  
spent on research and development to further strengthen technical and construction capabilities

Technical and construction capabilities are our core competencies. Therefore, we strive to improve these at all times. We are particularly focused on developing new businesses, such as the platform house concept, and streamlining construction, which suffers from severe aging and shortage of labor. From basic research to commercialization of products to vitalization of existing residential land and other urban development, we are engaged in research and development in collaboration with universities and other companies.

**¥15,892 million**  
invested in IT environment upgrades to improve productivity and innovate workstyles

The group constructed a system based on the usage of big data to centralize the management of residence information related to customer proposals, construction and after-sales services. As a result, we have shortened construction time, substantially reduced cost and trained human resources. We are also reforming workstyle by enabling 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 visualizing our capabilities using IT for design, site supervision and other purposes.

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

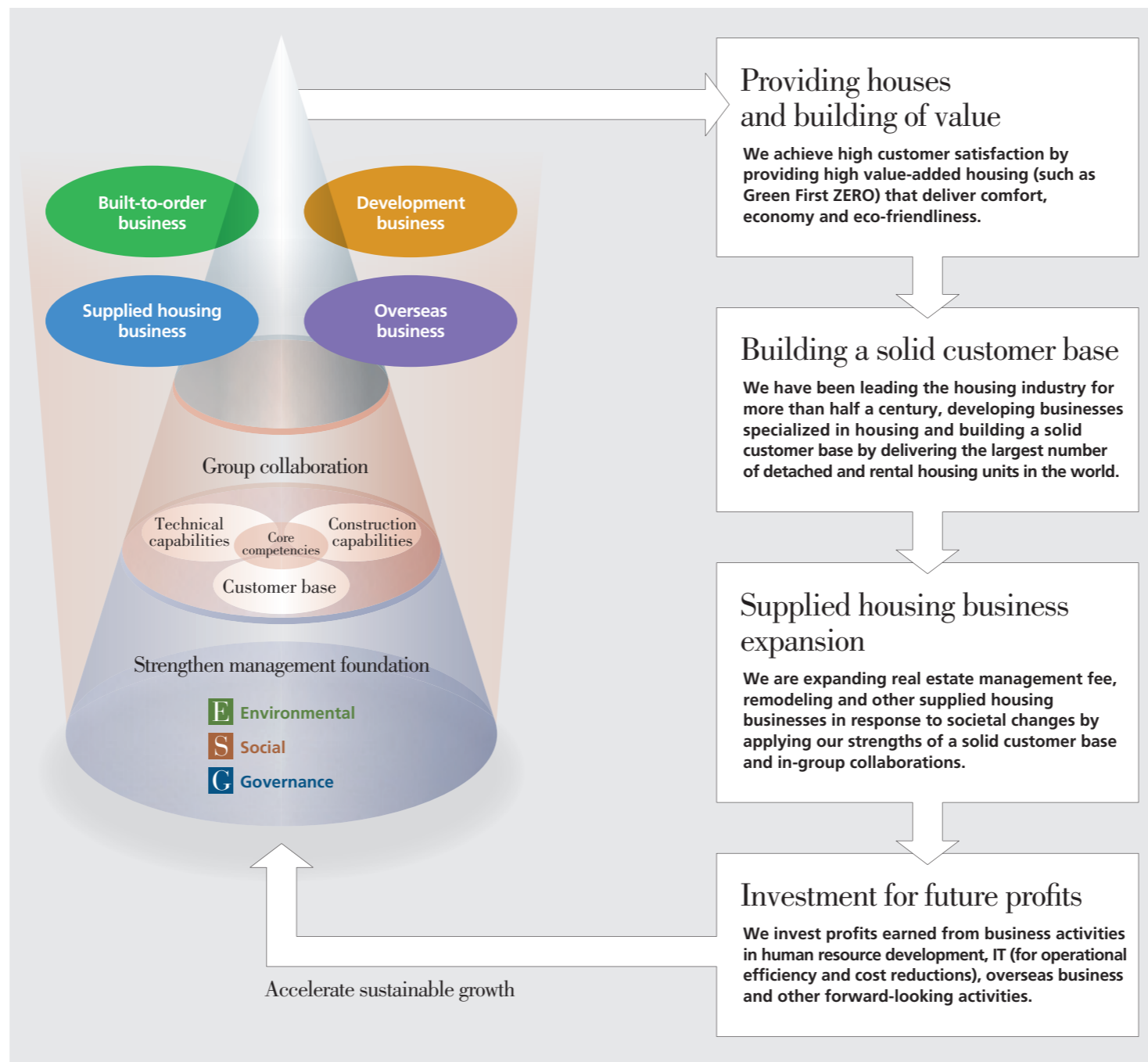
Approximately 10% of Sekisui House employees—1,450 people—work at the customer service center in the after-sales service division. The service center dispatches customer support desks and service in-charges to 95 sites across Japan, conducting periodic inspections and responding promptly to requests 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.”

**¥848 million**  
invested in employee training to cultivate professionals with a deep sense of humanity

The Sekisui House believes that its mission is to develop the skills of diverse human resources, harness those to create high added value and become a corporate group needed by the world. To cultivate professionals having a deep sense of humanity who understand what customers want from housing and make their wishes a reality, we systematically conduct a variety of trainings for all levels and positions.

## Business model



## Primary value creation and impact on society (Figures show FY2018 results)

Approximately **25,000** man-hours reduced by streamlining construction

We are striving to increase productivity at construction sites to cope with expected shortage 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 design,” 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.

**¥73.5 billion** worth of non-housing orders to help resolve social issues

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 inbound visitors and regional vitalization, 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 waitlisted 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 ¥50 billion out of the ¥73.5 billion worth of orders received.

Rate of insulation reforms **13.1%**

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 *Iokoro Dan-netsu* (location-based heating) and seek to achieve the target rate of 15% set for 2020.

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.



# Improving financial Indicators by creating value sought by society

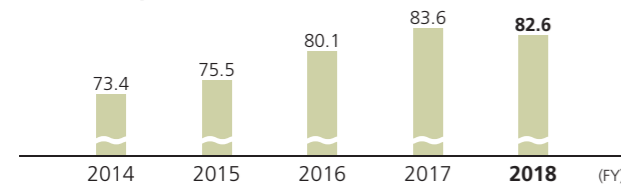
We established four key values in 2005: environmental value, economic value, social value and homeowner value. We have continued to grow ever since through business activities that pursue these values by creating products and services that solve the issues of the times and respond to customer needs. 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.

(Million yen)

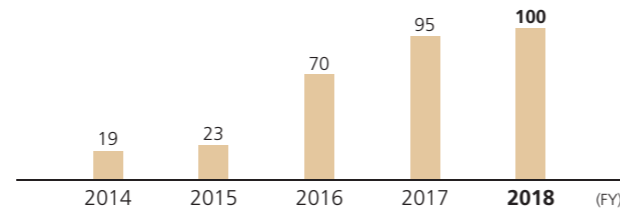
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	
<b>Business performance</b>	Net sales	1,488,369	1,530,577	1,613,816	1,805,102	1,912,721	1,858,879	2,026,931	2,159,363	2,160,316
	Operating income	56,354	70,897	86,196	131,930	146,595	149,645	184,164	195,540	189,223
	Ordinary income	56,271	70,075	91,767	137,794	156,426	160,589	190,989	203,678	195,190
	Net income attributable to owners of parent	30,421	28,962	46,458	79,801	90,224	84,302	121,853	133,224	128,582
	Earnings per share (EPS)	45.02 <sub>yen</sub>	42.90 <sub>yen</sub>	69.17 <sub>yen</sub>	118.63 <sub>yen</sub>	130.91 <sub>yen</sub>	120.16 <sub>yen</sub>	175.48 <sub>yen</sub>	193.06 <sub>yen</sub>	186.53 <sub>yen</sub>
	Return on equity (ROE)	4.2%	3.9%	6.0%	9.2%	9.0%	7.9%	11.3%	11.6%	10.8%
	Operating income ratio to net sales	3.8%	4.6%	5.3%	7.3%	7.7%	8.1%	9.1%	9.1%	8.8%
<b>Financial status</b>	Total assets	1,341,308	1,445,828	1,539,272	1,769,005	1,929,409	2,029,794	2,184,895	2,419,012	2,413,053
	Net assets	738,029	750,374	814,063	941,415	1,079,064	1,068,428	1,118,264	1,208,121	1,196,923
	Shareholders' equity ratio	54.9%	51.4%	52.4%	52.6%	55.4%	52.1%	50.5%	49.4%	49.0%
<b>Dividend</b>	Dividends per share	21.00 <sub>yen</sub>	20.00 <sub>yen</sub>	28.00 <sub>yen</sub>	43.00 <sub>yen</sub>	50.00 <sub>yen</sub>	54.00 <sub>yen</sub>	64.00 <sub>yen</sub>	77.00 <sub>yen</sub>	79.00 <sub>yen</sub>
	Total dividends	14,193	13,477	18,811	29,200	34,799	37,832	44,243	53,151	54,454
	Dividend payout ratio	46.6%	46.6%	40.5%	36.2%	38.2%	44.9%	36.5%	39.9%	42.4%
<b>Shared value</b>	Total market value (year-end)	540,831	484,650	680,946	985,007	1,059,072	1,329,946	1,297,656	1,379,985	1,123,050
	Average sales price of detached houses (10,000 yen)	3,172	3,311	3,344	3,450	3,565	3,700	3,729	3,807	3,875
	Average sales price of rental housing (10,000 yen)	5,138	5,263	5,519	6,128	6,854	7,677	8,361	9,395	10,019

## Non-financial data

**E** CO<sub>2</sub> emissions reduction rate of the daily energy consumption of sold detached houses (%)

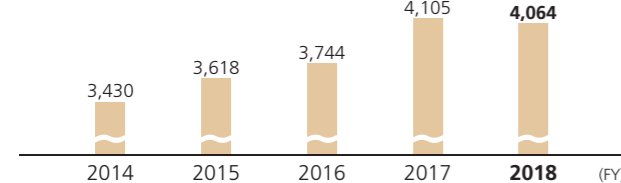


**S** Rate of men taking childcare leaves\* (%)



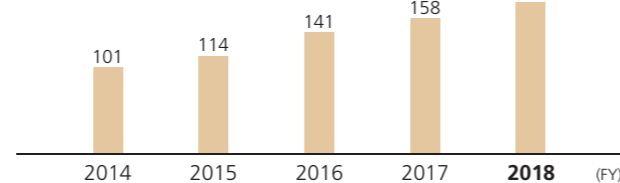
\* Number of employees taking parental leave/number of births; the value for FY2018 is 100% as the number of employees taking parental leave exceeded the number of births (555)

**S** Grants through the Sekisui House Matching Program\* (10,000 yen)



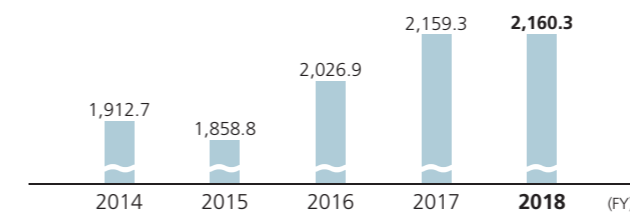
\* Program for joint donations with employees

**S** Number of women in managerial positions in the group (persons)

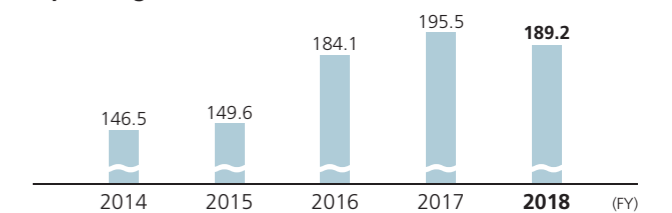


## Financial data

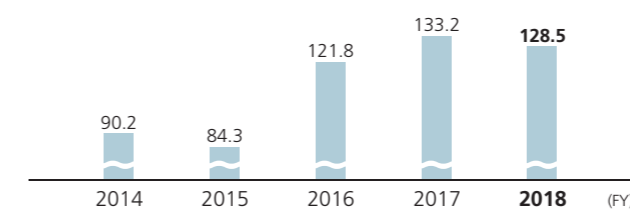
Net sales (billion yen)



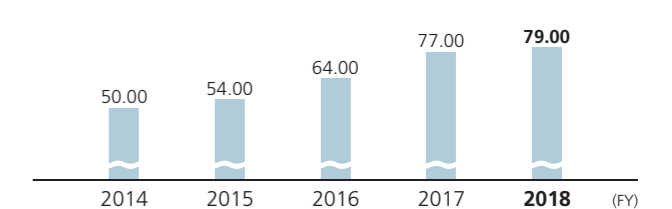
Operating income (billion yen)



Net income attributable to owners of parent (billion yen)



Transition of dividends (yen per share)

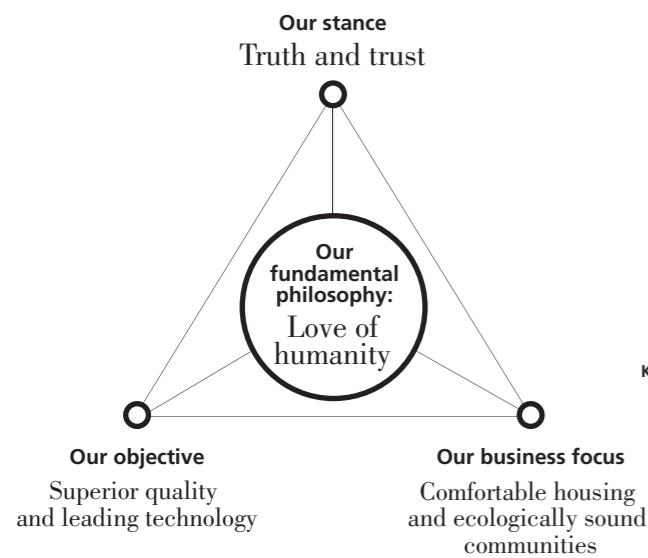




# Promoting sustainable management through

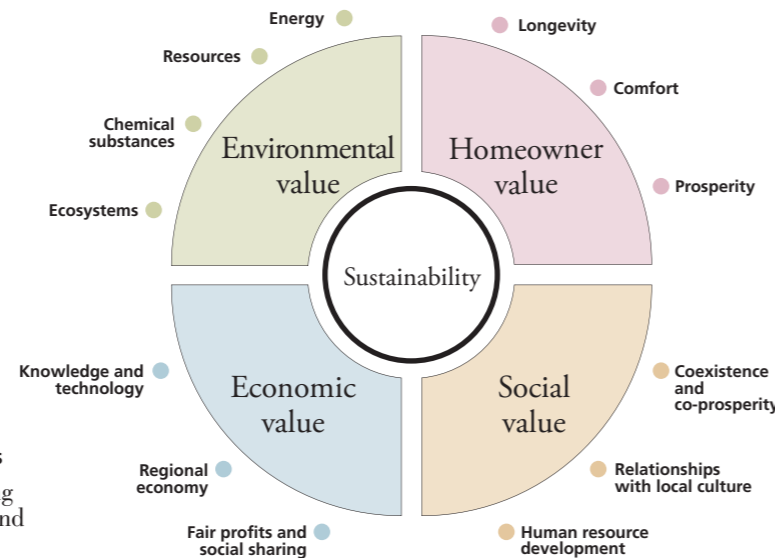
The Sekisui House Group creates and provides value in response to societal changes and needs based on its corporate philosophy. Our value creation has always been based on our Sustainable Vision, which was established in 2005. With management that balances our four key values —environmental value, economic 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 wellbeing 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.

## 4 Key Values and 13 Guidelines



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.

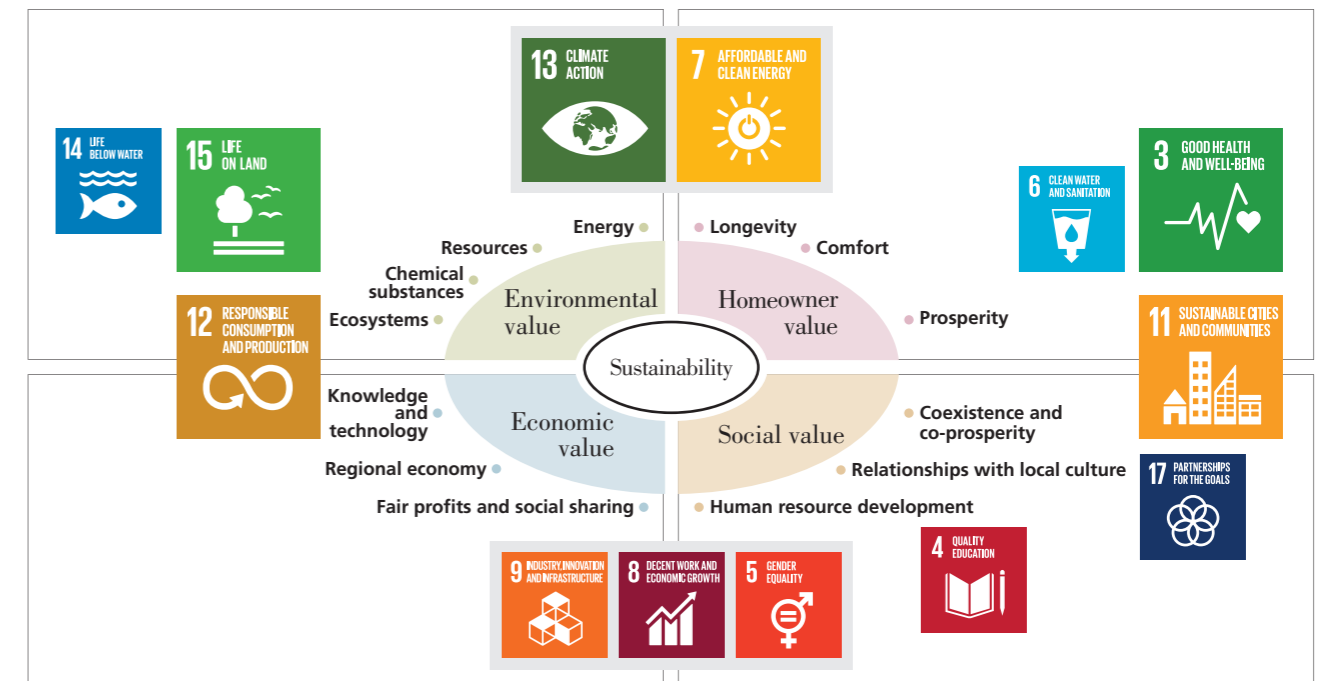
# our four key values

## 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\*1, 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\*2 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.

\*1 SDGs: Acronym for Sustainable Development Goals  
Common goals for the international community, including both developed and developing nations, that aim for sustainable development with respect to society, the economy and the environment, adopted by the General Assembly of the United Nations in September 2015.  
\*2 Society 5.0 refers to a future-oriented society that optimizes people's lives and entire society by making the most of new technologies, such as IoT, AI and robots.



The sizes of the pictographs conceptually represent the degree of relation to our group's four values.

Actions taken by Sekisui House	1960 Sekisui House established	1982 Launched the PSH-21 (passive solar house) utilizing natural energy	1999 Announced the Environmental Future Plan	2003 Incorporated next-generation energy-saving systems as standard equipment in all newly built detached homes	2007 Formulated Wood Procurement Guidelines	2010 Commemorated 50th anniversary	2014 Launched Disaster Risk Reduction Factory of the Future	2017 Became the first firm in the Japanese construction industry to join the RE100 initiative
	1979 Conducted the housing industry's first full-scale vibration experiments	1989 Formulated a corporate philosophy	2001 Launched the <i>Gohon no ki</i> indigenous landscaping project	2004 Began systematic initiatives toward disaster-ready housing	2008 Made the Eco-First Promise	2011 Launched the Green First HYBRID model	2015 Signatory to the Global Alliance for Buildings and Construction at COP21	2018 Joined the TCFD declaration
Social trends	1981 Built Japan's first model house for people with disabilities	1996 Launched the Centrage Σ model, a first in the housing industry to provide multi-layered high-performance heat insulating glass as a standard component	2002 Achieved zero emission at all our factories, incorporated standardized crime prevention specifications in all homes	2005 Announced the Sustainable Vision	2009 Launched the Green First model of eco-friendly homes	2013 Launched the Green First ZERO model that promotes energy-neutral housing	2016 Higashi-Matsushima City Disaster-Ready Smart Eco-Town	2019 Began implementation of paid childcare leaves system for men
	High growth period of Japan	1985 Vienna Convention for the Protection of the Ozone Layer adopted	1995 Great Hanshin-Awaji Earthquake	2004 Niigata Prefecture Chuetsu Earthquake	2007 Niigata Prefecture Chuetsu Offshore Earthquake	2010 10th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10) held	2015 Third session of the United Nations World Conference on Disaster Reduction held	2017 The GPIF selected three ESG indices
	Oil shock	1992 Earth Summit held in Brazil	2000 Housing Quality Assurance Act comes into force in Japan	2005 Kyoto Protocol takes effect	2008 Lehman Shock causes global financial crisis	2011 Great East Japan Earthquake	2016 Kumamoto Earthquake	2018 The Katowice Climate Package adopted at COP24
	1981 New seismic design standards introduced in Japan	1993 Environmental Basic Act comes into force in Japan	2002 "New National Biodiversity Strategy" determined	2006 Basic Act for Housing comes into effect in Japan	2009 Japanese government launches Long-Life Quality Housing Certification Program			1.5-degree C Special Report announced by IPCC











# 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 CO<sub>2</sub> emissions from housing and we quickly shifted management focus to decarbonation. 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

Our Goals	Main Actions Taken	2030 Goals	Corresponding SDGs	2050 Challenge Objectives	Measures for ESG
 <p><b>Leading the Way to a Decarbonized society</b> Climate change attributed to global warming is beginning to have a visible impact on our lifestyles. Secure, high-quality lifestyles will realize a sustainable society that is not dependent on fossil fuels or constrained by energy problems.</p>	<ul style="list-style-type: none"> <li>• Announced the Eco-First Promise (2008)</li> <li>• Launched the Green First model of eco-friendly homes (2009)</li> <li>• Launched Net Zero Energy House Green First ZERO (2013)</li> <li>• Paris Agreement Compliance Declaration (2015)</li> <li>• Joined RE 100 international initiative and announced commitment (2017)</li> </ul>	<p><b>Achieving SBT Goals</b> With the goal of achieving zero CO<sub>2</sub> emissions throughout the housing lifecycle, we aim to reduce emissions by 45% for Scope 1 &amp; 2 and 35% for Scope 3 (category 11: Housing) compared to FY2013 (SBT goal). Also, as a RE 100 member company, we will ensure that 50% of the electric power consumed by our business activities is from renewable energy sources.</p>	<ul style="list-style-type: none"> <li>Goal 7 Energy</li> <li>Goal 11 Sustainable cities</li> <li>Goal 12 Consumption and production</li> <li>Goal 13 Climate action</li> <li>Goal 17 Partnerships</li> </ul>	<p><b>Zero CO<sub>2</sub> Emissions within the Housing Lifecycle</b> As a leading company in housing products, we will eliminate CO<sub>2</sub> emissions from the entire housing lifecycle, from the purchase of materials to manufacturing, sales, occupancy and demolition, including renewable energy usage.</p>	
 <p><b>Leading the Way to Societies in which humans and nature coexist</b> Rich natural networks contribute to the protection of biodiversity and alleviate climate change, contributing not only to the protection of ecosystem services that support our lifestyles, but also to improving the quality of people's lifestyles and strengthening connections between people. We will maximize this network function to realize coexistence between humans and nature.</p>	<ul style="list-style-type: none"> <li>• Launched <i>Gohon no ki</i> indigenous landscaping project (2001) ...Total number of trees planted: 15 million (2018)</li> <li>• Formulated Wood Procurement Guidelines (2007)</li> </ul>	<p><b>Leading the Mainstreaming of Biodiversity</b> Regarding the number of trees planted under the <i>Gohon no ki</i> indigenous landscaping project, which proposes the planting of mainly native tree species in consideration of local ecosystems, we will maintain the pace of planting 1,000,000 trees each year and promote further expansion of urban greening while also aiming for 100% procurement of sustainable FairWood fair lumber products for use in all standard Sekisui House homes.</p>	<ul style="list-style-type: none"> <li>Goal 6 Water and sanitation</li> <li>Goal 11 Sustainable cities</li> <li>Goal 12 Consumption and production</li> <li>Goal 14 Life below water</li> <li>Goal 15 Life on land</li> <li>Goal 17 Partnerships</li> </ul>	<p><b>Maximizing Ecosystem Networks through Business</b> We will procure 100% FairWood products to realize Zero Deforestation, which is linked to the destruction of ecosystems. We also aim to become Japan's number one corporation in terms of urban greening contributions, intelligently utilizing green infrastructure functions such as ecosystem conservation, disaster prevention/reduction and comfort through green housing construction and community development.</p>	
 <p><b>Leading the Way to a Circular economy</b> Amid increasing demand for resources and energy in line with the growing world population, we will work toward a circular economy that uses recycled resources sustainably without depending only on natural resources, through technological and economic system innovations to enable all people to live a stable lifestyle.</p>	<ul style="list-style-type: none"> <li>• Initiated the Zero Emissions Project (2000)</li> <li>• Achieved zero waste emissions at all our factories (2002)</li> <li>• Achieved zero waste at each stage of production, including new home construction, and after-sales maintenance to remodeling (2005–2007)</li> <li>• Transitioned to a next-generation system compatible with big data utilization (2017)</li> </ul>	<p><b>Recycling Business System Development Acceleration</b> We will expand the targeted scope of the Wide-Area Certification System, a special system of the Waste Management and Public Cleansing Law, which Sekisui House was first to acquire in our industry, while enhancing support for housing stock-related businesses. At the same time, we will accelerate the use of IT technologies, increase the accuracy of waste recovery management and electronic management systems mainly using cloud computing and promote efficient and smooth management.</p>	<ul style="list-style-type: none"> <li>Goal 11 Sustainable cities</li> <li>Goal 12 Consumption and production</li> <li>Goal 17 Partnerships</li> </ul>	<p><b>Expanding Zero Emissions Initiatives within the Housing Lifecycle</b> To cultivate housing as a quality asset, the Sekisui House Group provides remodeling and renovation services that are matched to living styles and societal changes. To deal with the waste generated from these activities, we will expand our industry-leading zero emissions initiatives to realize zero emissions at the social infrastructure level through industry alliances.</p>	
 <p><b>Leading the Way to Society with advanced longevity and diversity</b> We aim to create a society in which the elderly are healthy and proudly participate actively (advanced longevity society) as well as a society in which people of every generation and nationality with disparate values work to realize mutual benefit while realizing sustainable innovation (diverse society).</p>	<ul style="list-style-type: none"> <li>• Built Japan's first model house for people with disabilities (1981)</li> <li>• Defined lifelong housing as the ideal for Sekisui housing construction (1989)</li> <li>• Established Sekisui House Universal Design (2002)</li> <li>• Announced Human Resource Sustainability (2006)</li> <li>• Began proposing Smart Universal Design in pursuit of comfort (2010)</li> <li>• Launched the Airkis high-quality indoor air system (2011)</li> <li>• Began research on happy living (2018)</li> </ul>	<p><b>Provision of New Value in Housing</b> We will focus on tangible assets such as structure, interior and eco-friendliness as well as intangible assets including health, connections and learning, by providing happiness well into the 100th year of life through the creation of homes that support a long and healthy life. Specifically, we will tackle the prevention of injuries and disease by preventing in-home accidents, providing support in times of emergency, monitoring lifestyle diseases and enabling stress reduction.</p>	<ul style="list-style-type: none"> <li>Goal 3 Good health</li> <li>Goal 4 Education</li> <li>Goal 5 Gender</li> <li>Goal 8 Decent work</li> <li>Goal 9 Innovation</li> <li>Goal 11 Sustainable cities</li> <li>Goal 12 Consumption and production</li> <li>Goal 17 Partnerships</li> </ul>	<p><b>Maximizing Abundance in Housing and Communities</b> Positioning the abundance of safety, security and comfort, enjoyment of new technologies, health, long life, happiness and a familial bond as a positive element of people's lifestyles, we will pursue the potential for these elements from every angle. We will keep striving to develop new technologies and carry out open innovation that maximize the richness of our lives and create happiness.</p>	



# 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	Material Topics (See page 85)	Main Corresponding SDGs	ESG Incorporated in the Fourth Medium-Term Management Plan (FY2017–2019)
<b>E</b> Environmental	Decarbonized society <small>Page 35–</small>	Energy Atmospheric emissions	7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION	<b>E: Environmental Management</b> Net-Zero energy housing Promotion of Green First ZERO <ul style="list-style-type: none"> <li>Global warming prevention</li> <li>Ecosystem conservation</li> <li>Resource recycling</li> <li>Joined the RE100 global initiative</li> <li>Launched Sekisui House Owner Denki</li> <li>Recognized by the SBT Initiative for greenhouse gas reduction</li> </ul>
	Society in which humans and nature coexist <small>Page 43–</small>	Biodiversity	14 LIFE BELOW WATER, 15 LIFE ON LAND	
	Circular economy <small>Page 47–</small>	Effluents and waste	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	
<b>S</b> Social	Pursuing customer satisfaction through our value chain <small>Page 53–</small>	Environmental assessments of suppliers	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	<b>S: Improvement in Sociability</b> Diversity driving growth <b>[Workstyle reforms]</b> Creating exciting workplaces <ul style="list-style-type: none"> <li>Fair evaluations and visualization</li> <li>Higher operational efficiency using IT</li> <li>Achieving a work-life balance</li> <li>Introducing a childcare leave system for men</li> </ul> ⇒ Improved productivity
	Promoting diversity <small>Page 61–</small>	Diversity and equal opportunities	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	
	Workstyle reforms <small>Page 63–</small>	Employment	3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH	
	Human-resource development <small>Page 65–</small>	Training and education	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	
	Respect for human rights <small>Page 67–</small>	Human rights assessment	8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCE INEQUALITIES	
	Contributing to society <small>Page 69–</small>	Biodiversity Atmospheric emissions	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION, 15 LIFE ON LAND	
<b>G</b> Governance	Strengthening our corporate governance system <small>Page 73–</small>	Socioeconomic compliance		<b>G: Governance</b> Innovation and communication <ul style="list-style-type: none"> <li>Ranking corporate governance as an important management issue and promoting reforms</li> <li>Further strengthening governance based on our Basic Policy on Corporate Governance</li> </ul>
	Compliance and risk management <small>Page 79–</small>	Customer privacy Customer health and safety Environmental compliance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	
	Occupational health and safety management <small>Page 83</small>	Occupational health and safety	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH	

## Medium- and Long-Term Initiatives

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



## Sustainability Vision 2050







Environmental

## Decarbonized Society

We strive to create a decarbonized society by building eco-friendly houses that offer comfortable and healthy lifestyles, significantly reducing CO<sub>2</sub> emissions, strengthening energy-saving activities in our company and harnessing renewable energy.

### Main stakeholders

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

## 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 CO<sub>2</sub> 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. Sekisui House, too, participated in COP24 held in December 2018. Discussions in the conference indicate that the movement to reduce CO<sub>2</sub> emissions has further intensified globally.

## Approach

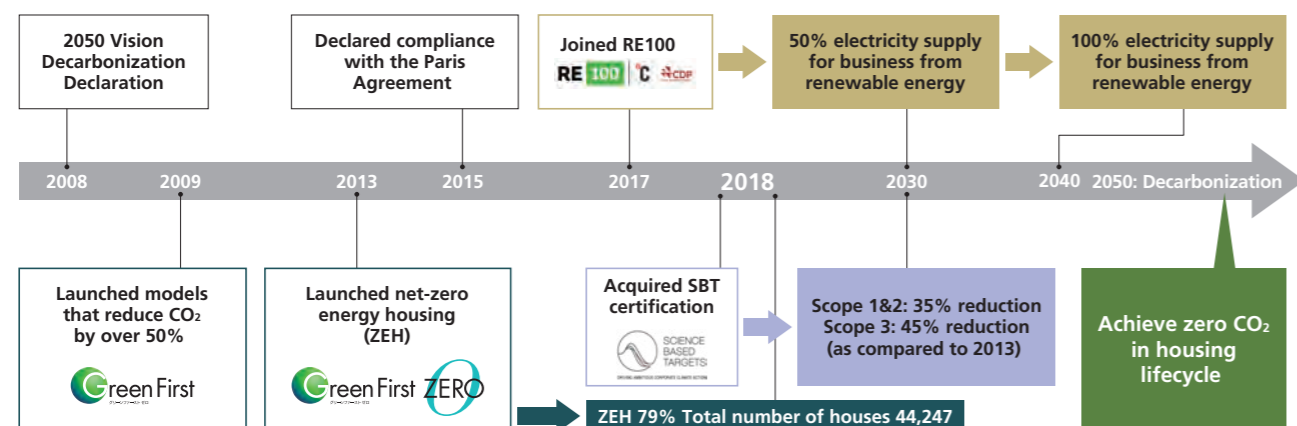
### Our goal

### Aiming to eliminate CO<sub>2</sub> emissions throughout the house lifecycle

Sekisui House aims to eliminate CO<sub>2</sub> emissions from the entire house lifecycle, from the purchase of materials to manufacture, sales, occupancy and demolition, by 2050 (2050 Vision: announced in 2008) 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 CO<sub>2</sub> 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).

## Highlights

### Reported our activities in COP24

Sekisui House participated in COP24 held in Katowice, Poland in December 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 CO<sub>2</sub> in its business activities.



The chairman's speech at the Sustainable Innovation Forum

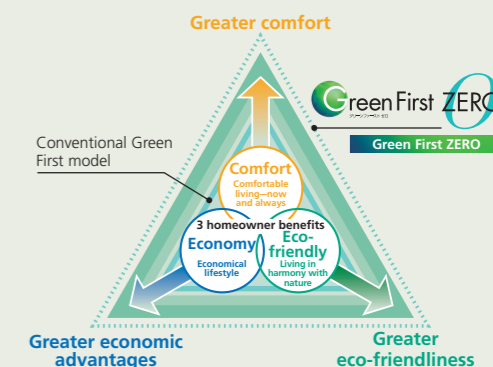
## Action policies

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 ones, to help reduce CO<sub>2</sub>

emissions throughout the group. It is also striving to reduce the CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions in business activities of the Sekisui House Group

All companies of the Sekisui House Group are striving to reduce CO<sub>2</sub> 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 CO<sub>2</sub> 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

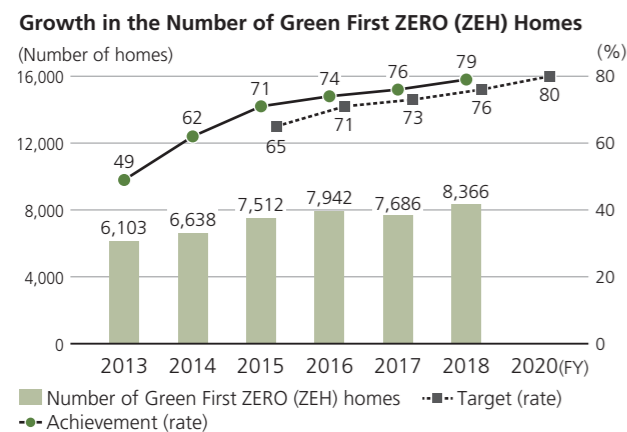
### 1 Expand net-zero energy housing (ZEH)

#### 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 housings (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 showed 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



##### Promoting ZEH in Sha Maison rental housing

Among different types of houses, around 30% of the CO<sub>2</sub> emissions come from collective housing. Under our aim to comply with the Paris Agreement, we have started promoting ZEH for collective housing, in addition to detached houses (Green First ZERO).

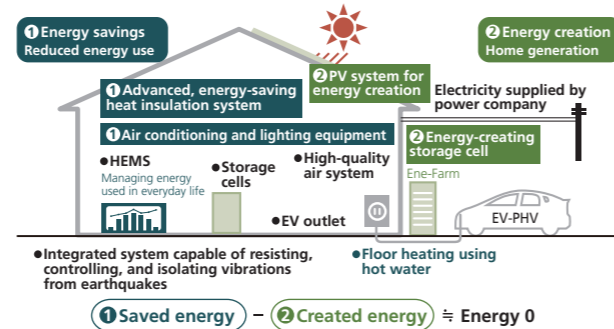
In January 2018, we constructed Japan's first rental housing with ZEH standards in all units in Kanazawa City, Ishikawa Prefecture under our Sha Maison rental housing brand. After that too, we have constructed many ZEH units across Japan, focusing mainly on enabling the residents to use the electricity generated with the photovoltaic system. The total number of ZEH-M houses stood at 45\* at the end of March 2019.

\* ZEH-M refers to ZEH for collective housing and is applicable to the entire building, including common spaces. The number includes condominiums too.

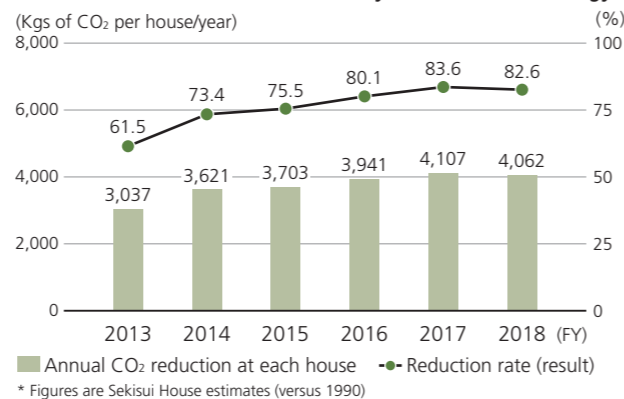
Green First ZERO further while maintaining a solid relationship of trust with our customers.

##### Green First ZERO model

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



##### Reduction in CO<sub>2</sub> emissions achieved by the Green First strategy\*



##### Construction of condominiums meeting ZEH standards in all dwelling units for the first time in Japan

We are also promoting ZEH for condominiums. In February 2019, we completed the construction of Grande Maison Kakuouzan Kikusakacho condominiums in Nagoya, a first in Japan with all dwelling units 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 Sekiwa Construction Tohoku, in Miyagi Prefecture's Sendai City in September 2018.

Net-zero energy buildings (ZEB) refer to buildings that maintain a 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-gauge 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)

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	Definition and remarks
Green First ZERO	%	62	71	74	76	79	Ratio of Sekisui House detached housing (excluding Hokkaido)
Amount of CO <sub>2</sub> reduction compared to 1990	Tons of CO <sub>2</sub> /year	43,015	41,599	41,877	41,681	40,290	Reduction of residential CO <sub>2</sub> emissions from new detached homes compared to 1990 levels (amount and %)
Rate of CO <sub>2</sub> reduction compared to 1990	%	73.4	75.5	80.1	83.6	82.6	

#### Evaluation

The ratio of Green First ZERO houses 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-precision 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

**Insulation equivalent to newly built houses for a limited area** + **comfort-enhancing equipment that cover shortcomings**

- Insulation of walls
- Insulation of doors and windows
- Insulation of the ceiling
- Insulation of the floor
- Floor heating
- cocotas air conditioner for small spaces
- Bathroom dryer + room heater
- dressing room heater

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

**Easy installation in one day** + **comfort-enhancing equipment in spaces other than the living area**

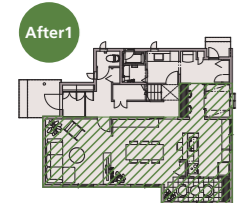
- Insulation of doors and windows
- Insulation of the floor
- Insulation of the ceiling
- One or more of the items below cocotas air conditioner for small spaces
- Bathroom dryer and heater
- Dressing room heater

\* The ceiling is insulated if the second-floor needs insulation or if the house is single storied

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

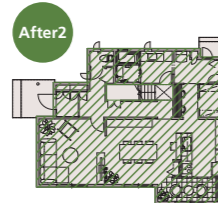
##### LDK insulation package

Improved insulation in the living, dining and kitchen areas where people spend more time

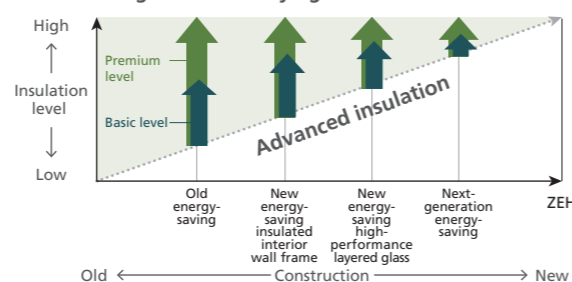


##### One-floor package

Improved insulation on the entire first floor which is the main living space



#### Insulation equivalent to newly built houses possible for existing houses of any age

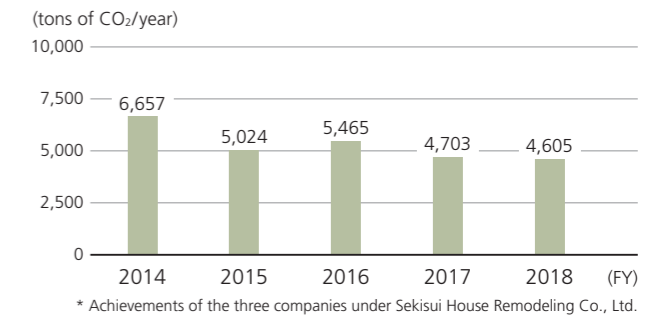


### Key performance indicators (KPIs)

#### Achievements in energy-saving and energy-generating remodeling\*

Energy-saving and energy-generating remodeling menu	FY2018 achievements
Photovoltaic system installations	365 units
Energy-efficient bath fixtures	3,692 units
Door and window insulation remodeling	2,557 units
Ene-Farm (residential fuel cells)	689 units
Eco-Jozu (latent heat recovery gas water heater system)	2,756 units
Eco-Cute (heat pump water system)	1,344 units
Underfloor heat cover	843 units

#### CO<sub>2</sub> reductions due to energy-saving and energy-generation remodeling\*



### Evaluation

We offer various remodeling options for floors, walls, ceilings, doors, and windows to improve insulation and reduce CO<sub>2</sub> 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 Ene-Farm fuel cells has seen a rise under energy-generating remodeling, including hybrid power generation.

### Future initiatives

We will continue to promote Green First Renovation to help reduce CO<sub>2</sub> 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.

### Highlights

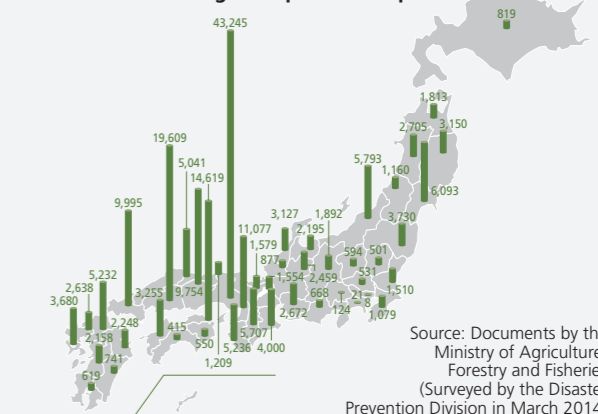
#### Floating solar system using irrigation ponds

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 2019.

Unlike ordinary photovoltaic systems (installed on fields), floating solar systems do not require land development. They are characterized by shorter installation periods and lower environmental impact. Large island-type floating systems can be easily inspected and maintained. 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



Floating solar system



A rare breed of prickly water lily

#### Prefectures ranked by the number of ponds

Rank	Prefecture	No. of Ponds
1	Hyogo	43,245
2	Hiroshima	19,609
3	Kagawa	14,619
4	Osaka	11,077
5	Yamaguchi	9,995



### 3 Reduce CO<sub>2</sub> 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 PV 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\*.

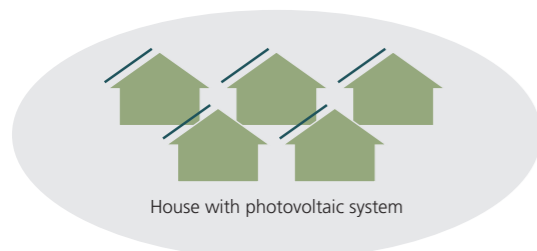
\* The mid-term target of RE100 initiative is to meet 50% of the electricity needs for corporate operations with renewable energy by 2030 and aim for 100% by 2040.



- Sekisui house launched Sekisui House Owner Denki for post-FIT homeowners
- The purchase price of post-FIT electricity is ¥11/kWh
- 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



Purchase at ¥11/kWh

Excess electricity from photovoltaic systems

Sekisui House Group's annual operating electricity needs

Approximately 120GWh



Achieve RE100

Effective use of electricity for corporate activities

Power transmission and distribution

#### Highlights

##### Egota-no-mori Project (Nakano Ward, Tokyo)

We started building *Egota-no-mori* under the concept of creating a sustainable community with members from diverse age-groups and inaugurated it on September 26, 2018. Apart from boasting a rich, green *satoyama* environment, it comprises Grande Maison (531 units) and Prime Maison (263 rental units, 121 assisted-living units for senior citizens and others) properties. We have also built *Livinglabo* as a base that serves as the living room for the whole community so that residents can comfortably and safely live in the houses for long periods. We have also paid attention to managing energy-saving and energy-generation through HEMS by generating solar energy, providing emergency generators, installing home-use fuel cell batteries and taking other measures (Total area: About 3.4ha).



#### Reducing CO<sub>2</sub> emissions and accidents using telematics-equipped commercial vehicles

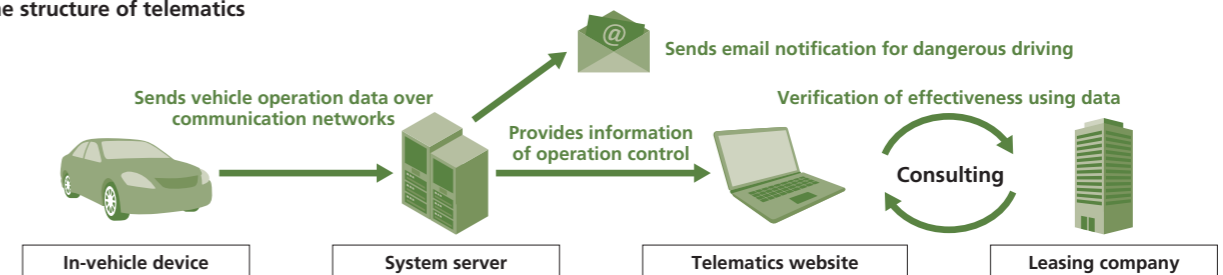
From 2011, Sekisui House has been installing telematics\* in the roughly 6,000 commercial vehicles used by about 200 offices across Japan. We are using the telematics data to run two PDCA cycles—one for improvements in daily work and the other for long-term, company-wide improvements, to promote eco-friendly 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 CO<sub>2</sub> (40% less than 2011) and a decrease in the

number of accidents (34.1% less than 2011).

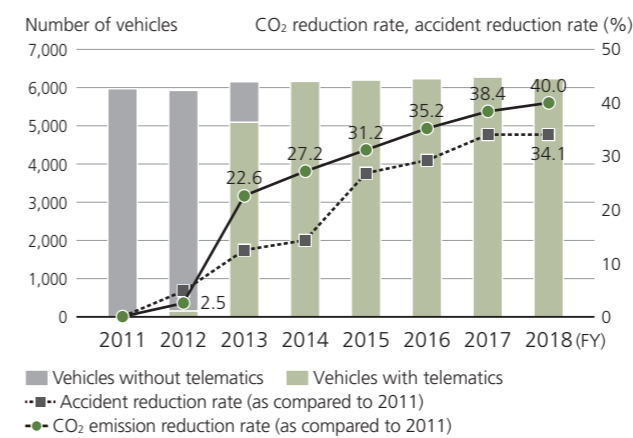
Based on the verification of the effectiveness of these activities in Sekisui House, we expanded the use of telematics to group companies and fitted the system in all 5,700 vehicles owned by 34 main group companies in January 2019.

\* Telematics is a system that provides information on vehicle operation, such as usage and fuel consumption, as well as dangerous driving, such as sudden acceleration or deceleration, using devices fitted in the vehicles and communication terminals. It helps visualize fuel consumption, CO<sub>2</sub> emission, idling, dangerous operation and other information.

#### The structure of telematics



#### Number of vehicles owned by Sekisui House, CO<sub>2</sub> reduction rate, accident reduction rate



#### Highlights

##### Received the Minister of the Environment's Award for Global Warming Prevention Activity for reducing CO<sub>2</sub> emissions from commercial vehicles

Sekisui House received the Minister of the Environment's Award for Global Warming Prevention Activity (Advanced Implementation of Countermeasure Techniques category) for its efforts to reduce CO<sub>2</sub> 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 2018, 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.



#### Key performance indicators (KPIs)

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	Definition and remarks
Scope 1&2 CO <sub>2</sub> emissions	t-CO <sub>2</sub>	126,209	130,482	126,337	140,425 (122,058)	131,226	CO <sub>2</sub> emissions from fuels, power and heat used by the Sekisui House Group
CO <sub>2</sub> emissions from vehicles used by group companies (out of the above)	t-CO <sub>2</sub>	37,262	37,239	33,530	31,788	30,413	Annual CO <sub>2</sub> emissions from vehicles used by Sekisui House and group companies

\* Starting in FY2015, CO<sub>2</sub> emissions by Sekisui House's main overseas subsidiaries are also added. The totals from 2017 onward were calculated using unitary heat generation and emissions factors based on the Act on Promotion of Global Warming Countermeasures. Figures in parentheses were calculated using the previous calculation method.

#### 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions from corporate vehicles and change office lights to LED to reduce Scope 1 and 2 emissions and work toward decarbonization.





Environmental

# Society in Which Humans and Nature Coexist

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

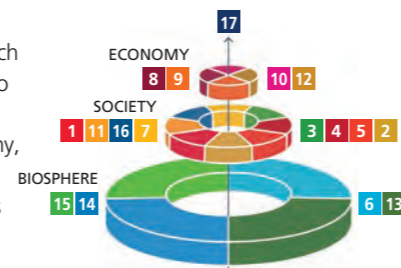
## Background

### 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.



\* Source: Adapted from SDGs "wedding cake" illustration presented by Johan Rockström and Pavan Sukhdev

#### (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 created. 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.

#### Main stakeholders

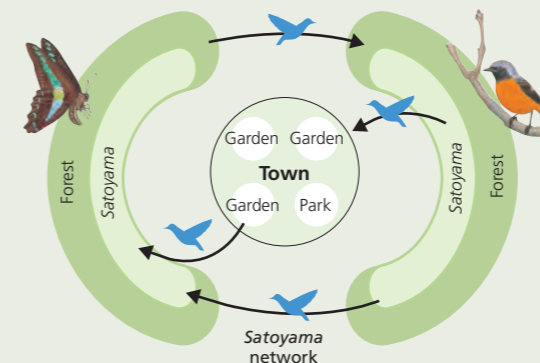
Suppliers (tree growers, landscapers and wooden building materials manufacturers) and customers

### Action policies

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

Since 2001, 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.



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.

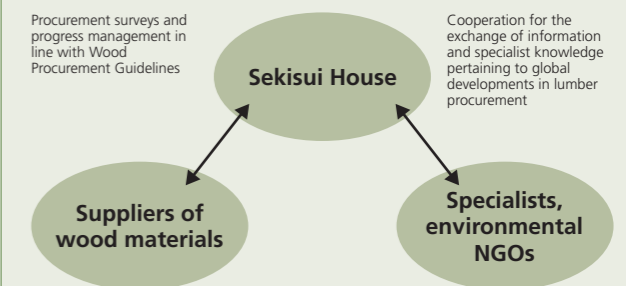
#### 2 Promoting the use of legal and sustainable FairWood lumber

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.

\* Advocated by the Global Environmental Forum and FoE Japan, an international environmental protection NGO.



### Focus on management conscious of natural capital

Forests, land, water, air, biological resources and other "blessings of nature" are not conventionally considered part of economic systems. Natural Capital is the concept where these blessings are seen as a form of capital in economics, in the same way that financial, manufacturing, intellectual and other artificial or human capital are considered the foundation of production.

It is believed that the flow of natural capital as stock

produces ecosystem services worth trillions of dollars at the global scale.

ESG investments in recent years have come to focus on appropriately evaluating and managing the value of natural capital as stock to support sustainable growth of the company. As a member of the construction industry, which impacts nature, we seek to advance our business activities with due consideration to this in our initiatives related to biodiversity.

### How our activities impact society

Promotion of the *Gohon no ki* project enables us to also build rich ecosystems in urban areas and create beautiful houses that enhances the quality of life by proposing to customers comfortable lifestyles surrounded by abundant nature. More people are starting to understand that the value of a property increases when the appearance of a building is influenced by the growth of greenery over time. Green common areas are on a rise in rental housing as well, leading to the creation of

rich urban spaces.

Furthermore, in the area of lumber procurement, we are raising awareness about the procurement process and increasing the accuracy of traceability data by having each supplier follow our guidelines. As a result, we expect the market for high-quality FairWood to steadily expand, leading to the spread of sustainable lumber.



## 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 inception of the *Gohon no ki* 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

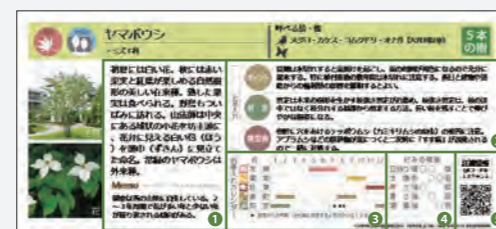
We have been striving to install a system to collect detailed data on planting in individual properties. The system established a stronger reach in our company in FY2018 and we are using the planting data collected through it in the following two scenarios.

###### 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 maintenance with our customers. This includes information on the timing to apply fertilizers, the time for pruning and the damage caused by diseases and insects.



① Introduction to planting ② Information on maintenance  
③ Calendar for plant care ④ Growing environment  
⑤ QR code (for detailed information)

#### Key performance indicators (KPIs)

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	Total from 2001 to 2018	Definition and remarks
Number of trees planted annually	Tens of thousands	81	99	107	103	93	1,502	15 million trees by 2020

#### 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 over all plant name plates to more durable materials and adding QR codes to the plates to enable users to easily check information on the plants on their smartphones. This will enable them to take more care as they raise the plants, while learning about or hearing the sounds of wild birds who use the plants.

Planting information can actually be accessed by using the QR code on the right.



### 2 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 S and 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.

##### 10 Wood Procurement Guidelines

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

##### Wood product procurement ranking

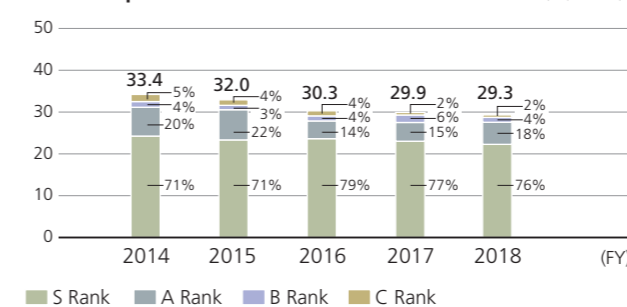
Depending on their total score, procured wood products are classified into four ranks, from high to low: S, A, B, and C. Minimally acceptable scores are set for Guidelines 1 and 4, as we place a high priority on these two items.

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

#### Key performance indicators (KPIs)

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	Target	Definition and remarks
Ratio of Rank S and Rank A wood products as defined by the Wood Procurement Guidelines	%	91	93	93	92	94	95	Survey results of around 50 of our main wood suppliers

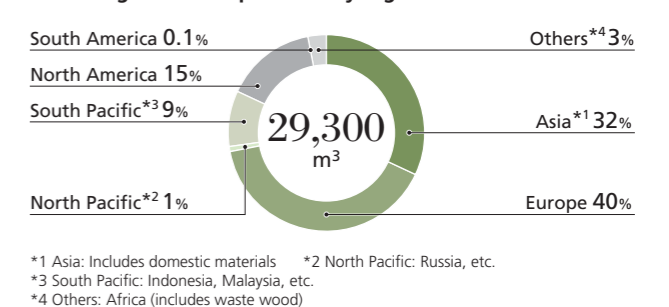
##### FairWood procurement volume and rank breakdown (10,000 m<sup>3</sup>)



#### Evaluation

In FY2018, the ratio of Rank S 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.

##### Percentage of wood products by region



\*1 Asia: Includes domestic materials \*2 North Pacific: Russia, etc.  
\*3 South Pacific: Indonesia, Malaysia, etc.  
\*4 Others: Africa (includes waste wood)

#### 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 57.





Environmental

# 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.

### Main stakeholders

Customers and business partners (materials manufacturers, Sekisui House Association, intermediate disposal operators, dismantlers)

## 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 raised 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

### Our goal

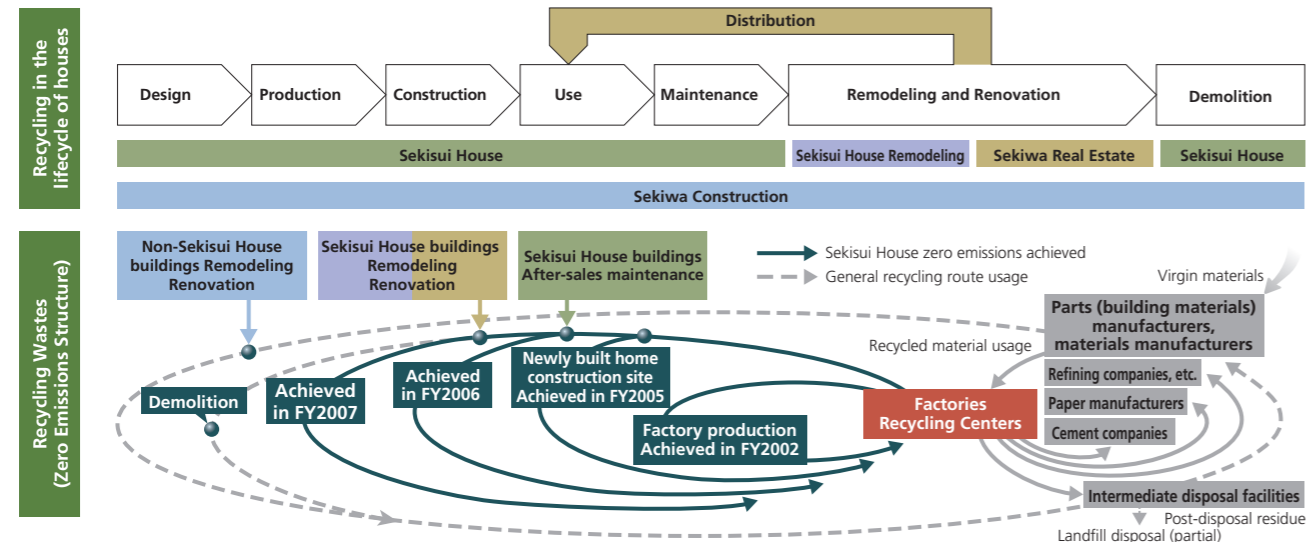
Building a circular business model through in-group alliances and business process innovations

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 though the group's collective capabilities, which stem from our involvement in a spectrum of business activities.

\* Eliminating industrial waste incineration and waste sent to landfills for disposal.

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



## Action policies

### 1 Contribute to the creation of a circular economy through the effective use of resources related to housing

We will strive to increase the lifespan of houses through appropriate maintenance as well as remodeling and renovation in response to changing needs. Simultaneously, we will also lead the industry by properly evaluating the value of quality housing stock that exists in large numbers in society, invigorating their circulation, reducing social loss by creating markets and connecting it to resource conservation. We will contribute to the formation of a circular economy through effective use of limited resources.

### 2 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.

## Progress

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

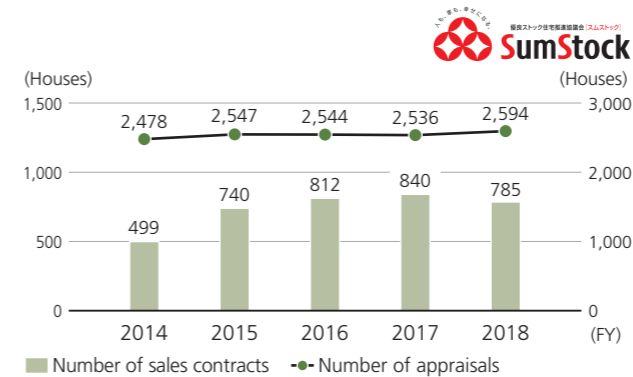
## Activity report

### 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 "skeleton" 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.

The Sekisui House Group is also promoting SumStock proposals using *le-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.



### Participation in Plastics Smart

We collect all the plastic from our construction sites and are already recycling about 17,370 tons yearly. In 2018, we participated in the Plastics Smart -for Sustainable Ocean- Campaign operated by the Ministry of the Environment of Japan and started taking steps to reduce single-use plastics\* other than those used for business, including prohibition on using plastic bottles at the workplace.



\* Plastic collected as trash or resource after single use

## Key performance indicators (KPIs)

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	Definition and remarks
Long-life Quality Housing* Certification acquisition rate	%	92.1	92.0	90.5	92.6	92.5	* A certification issued by the Japanese government for houses that meet prescribed criteria, including durability of structural frames, seismic resistance, ease of maintenance and remodeling, and versatility
Ratio of "very satisfied" customers in survey	%	41.9	42.0	43.3	42.3	42.3	Ratio of selecting the highest "very satisfied" scale on a 0-7 scale of assessment



## Evaluation

Sekisui House maintains a high level in acquiring the Long-life Quality Housing Certification. Customer satisfaction surveys indicate that the ratio of customers who are very satisfied, satisfied or somewhat satisfied has reached 95.9%, and we will strive to provide even higher satisfaction by expanding our

service structure and increasing quality. In the remodeling business, we are enhancing our menu options, from general existing houses to condominium remodeling, including Sekisui House properties. We also attempt to strengthen and expand the foundation for in-group collaborations.

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

### Activity report

#### Strengthening the system for properly disposing and recycling waste

The Sekisui House Group is focused on recycling construction material waste generated at each life stage of housing. We take pioneering steps in the industry, such as being the first construction company to acquire certification by the Wide-Area Certification System for waste disposal method. We have achieved zero emissions in our factories by eliminating waste at each stage, from production, new home construction and

after-sales maintenance to remodeling.

Additionally, new houses constructed by Sekisui House and the 18 Sekiwa Construction companies were granted certification by the Wide-Area Certification System in February 2019. We will also strive to achieve zero emission in factories working on new home construction under Sekiwa Construction.

### Key performance indicators (KPIs)

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	Definition and remarks
Total resource input	Thousands of tons	1,079	1,109	1,098	1,058	984	Amount used at our factories
Volume of waste generated*	Thousands of tons	728	753	725	678	638	Waste from new construction and remodeling, including demolition
Volume of waste generated at new construction sites	Kg/house	1,485	1,506	1,476	1,517	1,563	Amount per house (per 145 m <sup>2</sup> )

\* Includes waste from affiliated companies and waste from demolition of buildings.

## Evaluation

The volume of waste generated at new construction sites per house was substantially reduced by approximately 60% compared to FY1999 through improved construction methods and other practices. Recycling as well as disposal is becoming difficult in the Japanese recycling market due to the impact of import restrictions on resources derived from waste materials in China and other East Asian countries. However, we separate waste into 27 categories on-site and a maximum of 80 categories at our recycling centers. This high-level waste separation helps maintain zero emissions despite market changes.

## Future initiatives

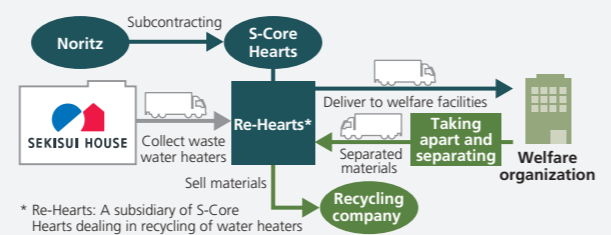
Regarding waste generated at new construction sites, Sekisui House sets target values for each model, continues to implement optimized construction management and eliminates surplus materials while ensuring reliable disposal and recycling by monitoring waste volumes.

Furthermore, in light of expansion in the supplied housing business, including demolition projects, we collaborate with partner companies and industry organizations to promote research related to proper waste disposal and recycling.

## Highlights

### Supporting the disabled and recycling by collaborating with partners

We support the initiatives taken by S-Core Hearts, a special subsidiary of building equipment manufacturer Noritz Corporation, to help persons with disabilities to become independent. To assist the initiative, we provide them the water heaters collected at our recycling centers. The company outsources the work of taking apart and separating the parts of used water heaters to welfare organizations. In this way, we promote recycling within Japan, while providing job opportunities to persons with disabilities.



# 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 CO<sub>2</sub> emissions in the residential sector and business activities

### - Global warming prevention

#### 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 CO<sub>2</sub> compared to 2013).
- To actively introduce energy-saving air conditioners, eco-friendly cars and LED to surpass the target values (10% reduction in CO<sub>2</sub> emissions in 2020 in comparison to FY2010) set by the Japan Prefabricated Construction Suppliers and Manufacturers Association for CO<sub>2</sub> emissions from business activities of the group.

Major progress in FY2018<sup>\*1</sup>  
ZEH<sup>\*\*2</sup> ratio in custom detached houses

79%

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



Green First ZERO sales promotion

## 2. Proactive revival of ecosystem network

### - Ecosystem preservation

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

#### Our promises \*

- To actively carry out planting plans (*Gohon no ki* project) focused on species native to the region to promote landscaping in houses and the community and aim for planting a total of 15 million trees by 2020, which marks 20 years since the launch of business activities based on the *Gohon no ki* project.
- To introduce FairWood lumber in cooperation with suppliers and NGOs with a view to preventing illegal logging and loss of natural ecosystems and making the economies of the production areas independent.

Major progress in FY2018

Total number of trees planted

15.02 million

(2020 target achieved)



Promoting the *Gohon no ki* project

## 3. Proactive promotion of resource recycling activities

### - Resource recycling

Striving 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.
- To continue with zero-emission (zero landfill, zero waste incineration not involving heat recovery) at the time of production, construction and after-sales maintenance and aim for 90% recycling of materials.

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

84.5%



Separating waste at a resource recycling center

## Highlights

### Symposium held to commemorate the third anniversary of the opening of Sekisui House Eco First Park

Sekisui House operates Sekisui House Eco First Park adjacent to its factory in Japan's Kanto region (Koga City, Ibaraki Prefecture). This facility is open to the general public. It features symbolic model facilities we have been working on throughout the history of our environmental activities including three test houses, *Gohon no ki* landscaping concept garden Living Garden and the Resource Wellspring, which achieves zero emission by separating into 80 categories wastes that are separated into 27 categories at construction sites.

In December 2018, we held a symposium at Housing Dream Factory in Kanto region nearby to commemorate the third anniversary of the opening of the park. After Vice Minister of the Environment Hideka Morimoto addressed the gathering, Director Wakui presented a keynote lecture on the ways in which housing can help the environment and stop global warming. He said that it will be too late if we do not stop global warming now and that it is important for every individual to do what they can.

\*Apply here to visit the Sekisui House Eco First Park. <https://www.sekisuihouse.co.jp/efp/eng/>



Hideka Morimoto, Vice Minister of the Environment

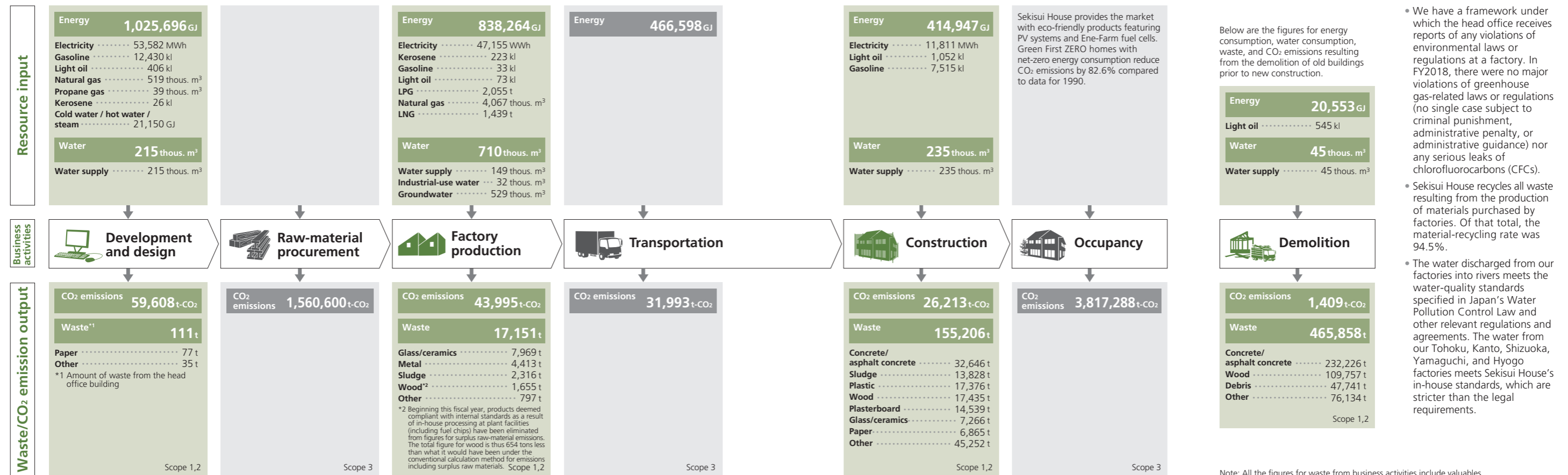


# Material Balance (Environmental Impact)

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.

Scope: The subjects of this survey are Sekisui House, Ltd., its major consolidated subsidiaries in Japan (47 companies), and major consolidated subsidiaries overseas (11 companies). Scope 3 CO<sub>2</sub> emissions include those attributable to parties outside the Sekisui House Group.  
 Period: The data is for FY2018 (from February 2018 to January 2019). The figures include estimates in cases where final data was unavailable at the time of calculation.

## FY2018 environmental impact of corporate activities



- 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, Yamaguchi, and Hyogo factories meets Sekisui House's in-house standards, which are stricter than the legal requirements.

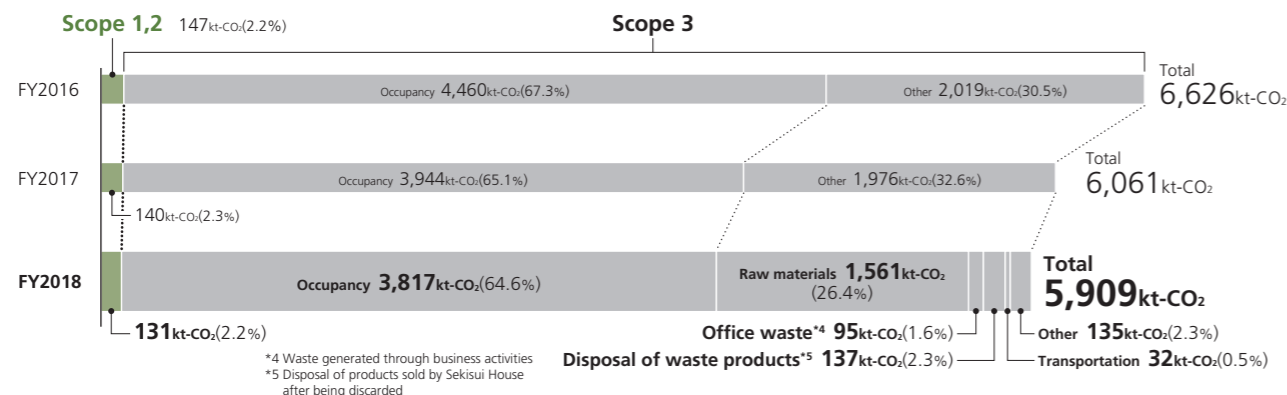
Note: All the figures for waste from business activities include valuables.

## FY2018 CO<sub>2</sub> emissions (Scope 1-3)

We calculate and disclose our Scope 1-3 CO<sub>2</sub> emissions in line with the methodology of the Greenhouse Gas Protocol.<sup>\*3</sup>

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

**Scope 1** : CO<sub>2</sub> emissions resulting from fuels used (73 kt-CO<sub>2</sub>)  
**Scope 2** : CO<sub>2</sub> emissions resulting from electricity and heat purchased (58 kt-CO<sub>2</sub>)  
**Scope 3** : CO<sub>2</sub> emissions resulting from energy used for mining and producing raw materials, transporting building components, disposing of waste by non-Sekisui House Group companies, and occupancy by customers (5,778 kt-CO<sub>2</sub>)



### Notes on the data

Scope 1 and 2 emission amounts attributable to "construction" and "demolition" include CO<sub>2</sub> emissions resulting from construction and demolition by non-Sekisui House Group partner building contractors (applicable to Scope 3). As it is difficult to separate the figures due to housing construction and demolition conditions, the values are included in the calculations for Scope 1 and 2 for the sake of convenience.

- Development and design** (including sales and administration divisions and model homes)
  - **Energy, CO<sub>2</sub>, and water:** Energy consumption, CO<sub>2</sub> emitted, and water used by offices and model homes
  - **Waste:** the volume of waste generated by the Sekisui House, Ltd. head office (including offices of consolidated subsidiaries in the same building)
- Raw materials**
  - **CO<sub>2</sub>:** Estimated CO<sub>2</sub> emissions resulting from the production of materials purchased by factories
- Factory production**
  - **Energy and CO<sub>2</sub>:** Energy consumption and CO<sub>2</sub> emissions at the five Sekisui House factories in Japan and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd., and the Ingleburn Quality Control & Manufacturing Centre (Australia) Co., Ltd.
  - **Waste:** Waste generated by the five Sekisui House factories in Japan and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.
- Transportation**
  - **Energy and CO<sub>2</sub>:** Energy consumption and CO<sub>2</sub> emissions at specified

- consignors and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd. (calculated according to the guidelines provided in the Act on the Rational Use of Energy and version 4.3.2 of the manual issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry)
- Construction**
  - **Energy, CO<sub>2</sub>, and water:** Estimated energy consumption, CO<sub>2</sub> emissions, and water consumption resulting from new construction by 18 Sekiwa Construction companies and partner building contractors
  - **Waste:** Waste generated via new construction, after-sales maintenance, and remodeling by Sekisui House, Ltd., 18 Sekiwa Construction companies, and three Sekisui House Remodeling companies
- Occupancy**
  - **CO<sub>2</sub>:** Estimated CO<sub>2</sub> emissions during occupancy at detached houses and low-rise rental apartments built from building components shipped from factories (calculated assuming an occupancy period of 60 years for detached housing and 45 years for low-rise rental apartments)
- Demolition**
  - **Energy, CO<sub>2</sub> and water:** Estimated energy consumption, CO<sub>2</sub> emissions, and water consumption resulting from the use of heavy machinery for demolition by 18 Sekiwa Construction companies and partner building contractors
  - **Waste:** Waste generated via the demolition of housing and commercial buildings by Sekisui House, Ltd. and 18 Sekiwa Construction companies





## 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.

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

### 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 continuing to change 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.

Furthermore, as the population decreases, collaboration throughout value chains and strategic approaches are becoming more important, as is training skilled technicians, ensuring that construction work is meaningful and dignified, and procurement that takes the environment and social needs into account.

In addition, in Japan, there is a tendency for the property value of housing to decline over time when compared to Europe and America. Constructing good-quality housing and ensuring that its value is maintained or increased are important elements in creating a sustainable society.



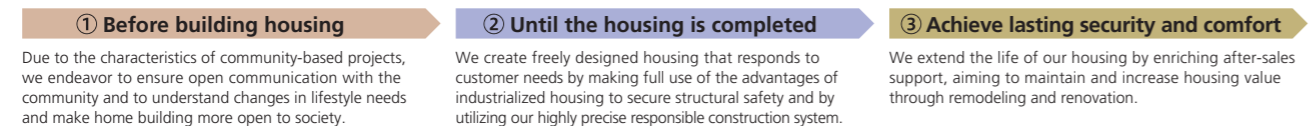
### Approach

#### 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.



**Research and development**  
We promote research and development concerning both tangible and intangible elements that reflects valuable customer opinions and new social needs.

**Model homes and tours**  
We collect the opinions of visitors to initiatives such as model homes that take advantage of regional characteristics, construction site tours held in cooperation with owners, and hands-on centers.

**Supply chains**  
We emphasize collaboration and cooperation with our high-quality suppliers to secure the vast amount of structural components that we use for our housing.

**Production**  
We carry out built-to-order production using high-quality and highly precise original structural components at our factories.

**Construction**  
We ensure the stability of our highly precise construction through our construction systems, human resource development and collaboration with one of Sekisui House Group's strongest assets, the Sekisui House Association.

**After-sales support**  
The dedicated staff at our Customer Service Centers who support our customers make up 10% of all our employees.

**Long-term warranty**  
We offer an initial 30-year warranty for structural framework and any parts used to prevent rainwater leakage to ensure that our customers have a lifelong home.

**Remodeling and renovations**  
We are intensifying our efforts to create long-term, high-quality assets and make effective use of resources as well as responding to a wide range of customer needs.

### 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 *Nattoku 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.

#### 3 Enhancing production and distribution quality and improving operational efficiency

We build-to-order by manufacturing all major structural components at our factories under our 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.

#### 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.

#### 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.

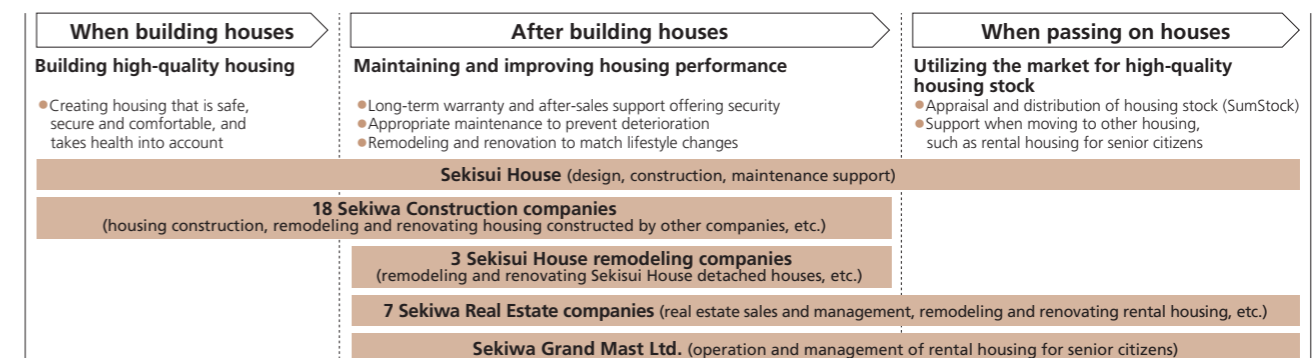


Creating safe, secure and comfortable housing together with the Sekisui House Association

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

We muster the diverse power of our group companies, offering asset management and maintenance optimized for each of our customers with the aim 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 security 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 track 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.



## Progress

### 1 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 planting design and exterior design of the building. We aim to enhance brand value by evaluating all of our detached houses.

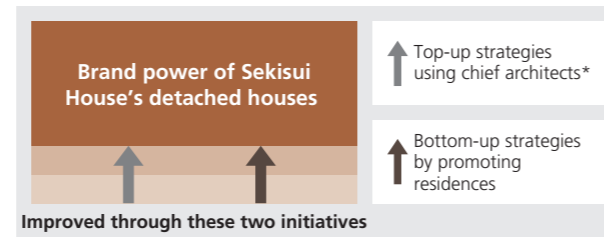
Furthermore, we carry out evaluations of townscapes and exterior designs by making use of both the Residence Evaluation Guidelines and the townscape assessment system Commons, which has been in operation since 2014 with the aim of improving townscape scenery. Through these evaluations, we are driving 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, a new style of home construction centered around a spacious living area that combines structural technological development with the results of our research on happiness. The large living area takes up approximately 49 m<sup>2</sup> of a floor space of around 100 to 135 m<sup>2</sup>, and we can create this with better cost-control than we can a conventional plan for the same exterior.

Additionally, in 1997 we developed our B System, a heavy-gauge steel rigid-frame structure for three-story houses that enables supports to be freely positioned, giving the advantage of highly flexible floor plans and window positioning on each floor. In 2017 we developed the Flexible B System, a new method that further increased design freedom and spatial solutions. In addition to detached houses, rental housing, housing within shops, and housing for senior citizens, this method can also be used for non-housing constructions such as preschools, hotels, hospitals, and public facilities.

##### Factors involved in improving the value of our detached house brand



\* Chief architect is an in-house qualification, and refers to an employee who has superb design capability, and possesses qualities that make them a role model to other design employees.

##### Anticipated results

- ① Improved building quality
- ② Improved customer satisfaction
- ③ Training of human resources (bottom-up)
- ④ Leading to business continuity



A beautifully designed exterior, where the points of the residence evaluation have been understood



Community development that is a high quality asset for our customers and to society (Fukuoka Island City)



Creating spacious living areas with advanced technology and design solutions



Hospital constructed with the Flexible B System (Futaba Medical Center, Fukushima Prefecture)

### 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 1990, 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 B System, the SHEQAS seismic absorption system and the Airkis high-quality indoor air system.

We have also established the *Nattoku 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 Sumufumulab, 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, and comfort. 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."



Experiment using a shaking table to test life-sized structures at a site that verifies seismic resistance levels



Test carried out in an artificial climate room to verify insulation and comfort

An allergen investigation connected to our Airkis high-quality indoor air system



Concept diagram for "houses where happiness grows the longer you live there"



Experimenting with the flow of movement when cooking with multiple people, a demonstration experiment for Happy Housework Design

#### Key performance indicators (KPIs)

Indicator	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
SHEQAS seismic absorption system installation ratio (steel-framed two-story detached houses)	%	87	89	94	96	96	96
Airkis high-quality indoor air system installation ratio (steel-framed detached houses)	%	78	80	85	87	88	91

#### Evaluation

Installation rates for our SHEQAS and Airkis 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. Additionally, 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 Airkis 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.



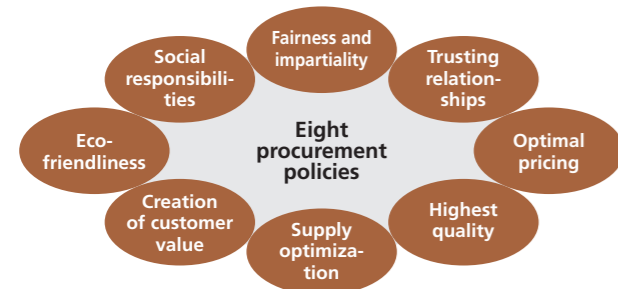
## 2 Meticulous supply chain management for material procurement

### Activity report

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.



#### 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.



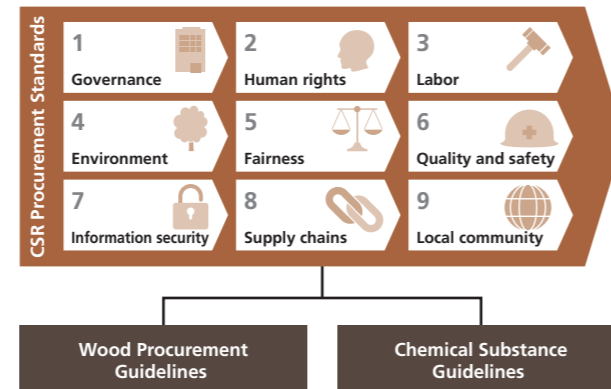
Policy briefing for partner companies

#### 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 86.2 (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.

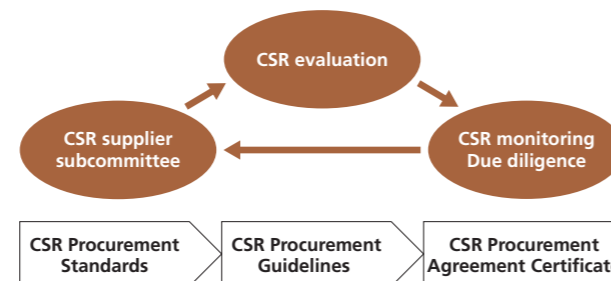
Following the signing of the UNGC (United Nations Global Compact) in August 2018, during this period we have revised our own standards to include 48 items based on the nine items of the procurement standards set out by GCNJ (Global Compact Network Japan). From FY2019, we will carry out evaluations based 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).

#### CSR Procurement Guidelines based on standards set out by GCNJ



#### 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.



## 3 Enhancing production and distribution quality and improving operational efficiency

### Activity report

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 robotics 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

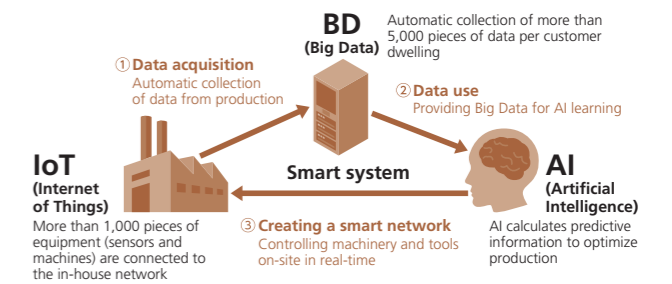
Our original Bellburn earthenware exterior wall panels, used on over 80% of Sekisui House's SHAWOOD wooden houses, are a high-class exterior wall material with superior weather resistance, durability, and strength.

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 good-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 β 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.

#### Key performance indicators (KPIs)

Indicator	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Breakeven point shipping volume	100	100.9	102.4	98.5	93.1	96.3	97.2
Complaints and abnormalities at construction sites	100	98.0	75.6	56.7	60.7	47.5	32.8

Index utilizes FY2012 as 100

#### Evaluation

As a result of maintenance and enhancement of our production lines, we are now able to produce structural components in multiple factories, establishing a system that will enable us to continue production in the case that one or more of our factories is damaged during a natural disaster. Through the introduction of AI and robotics technology, we have more clearly distinguished between automated processes and processes carried out by skilled employees, enabling us to promote improvements to our working environment and improve quality and operational efficiency.

#### 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.



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

### Activity report

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 Sekisui 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 Sekisui 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.

### Key performance indicators (KPIs)

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	FY2018
Construction workers (foundations, construction, carpentering)	people	10,518	10,393	9,843	9,351	8,792
Participants at education training centers (total)	people	2,385	2,480	2,568	2,638	2,711
Employees who passed the Sekisui House Senior Technician exam (total)	people	14,067	14,808	15,012	15,214	15,462
Certified Construction Meister	people	318	305	325	312	292

### 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.

#### 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.

### 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.

## 5 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

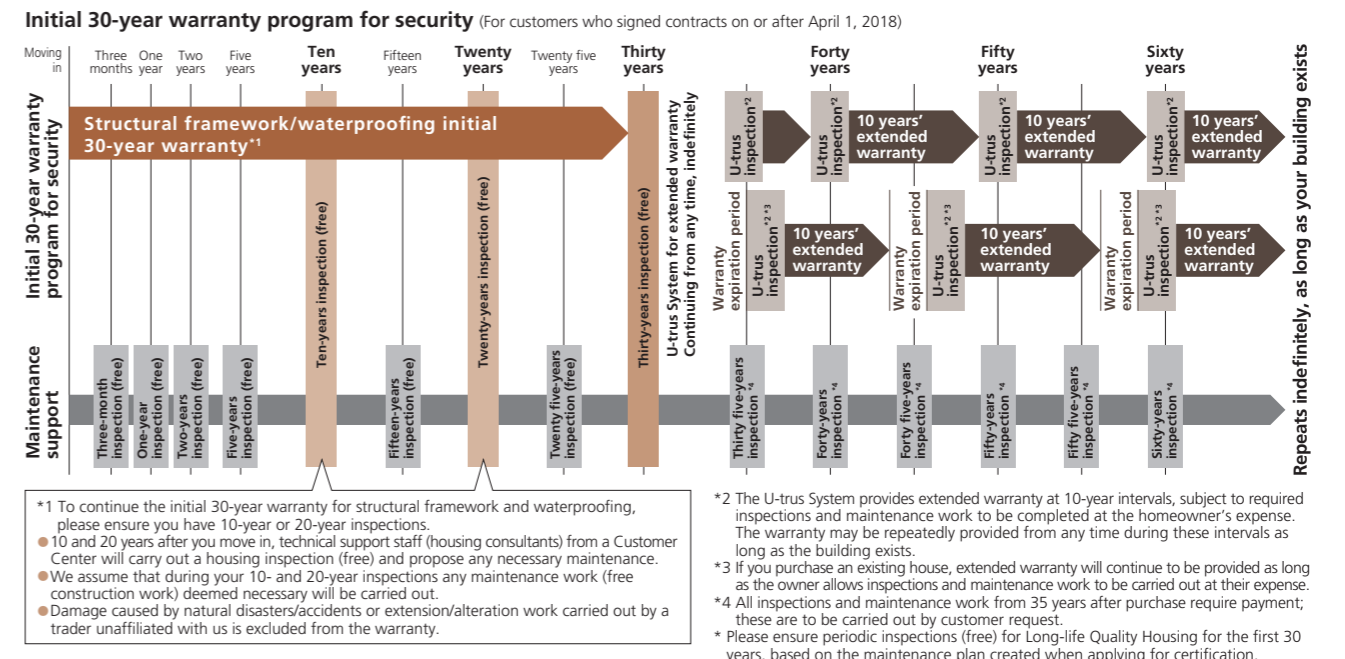
As housing is subject to long-term use, the quality of support after customers have moved in is crucial. The dedicated staff at our Customer Service Centers make up 10% of all our employees. They support the lifestyles of customers living in approximately 810,000 detached houses and around 230,000

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 *le-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.

We also operate *le-Log*, a database that shares digital information concerning the various building components of each property and other data. This is based on the Long-Life Quality Housing Certification Program in Japan, which aims to build up a stock of high-quality housing that can be used in the long term. Group companies utilize the historical data accumulated through *le-Log* to propose genuine remodeling and renovations.



#### 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.





# S

## Social



## Promoting Diversity

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

**Main stakeholders:**

Customers, employees, investors, students, and job applicants

### 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, we are working to create a welcoming, enabling environment for a broader diversity of employees by cultivating an accepting mindset and establishing new systems.

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.

**Action policies**

**Promoting diversity**

In 2006, Sekisui House declared its basic personnel policy of Human Resources Sustainability, whose three main pillars are encouraging female employees to pursue career development, promoting a variety of workstyles and work-life balance and effective utilization of human resources. In 2016, the group established the Sekisui House's Action Plan for the Promotion of Active Participation by Women in line with the Japanese Act on Promotion of Women's

Participation and Advancement in the Workplace and is 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 home-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 skillsets 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.

## Progress

### Activity report

**Encouraging female leadership**

In tirelessly encouraging female employees to pursue career development, the Sekisui House Group uses the Sekisui House Women's College—a training program for promising female management candidates—and other projects to develop female leaders in a systematic fashion. Regular training sessions and gatherings for specific job types, ranks, and areas, meanwhile, give female employees a steady stream of opportunities to network and develop their careers. Training and promoting women to higher-ranking positions is another part of the effort, which has fostered an increase in the numbers of female employees in positions with organizational responsibilities.

In 2018, we brought more diversity into upper management by appointing a female executive officer, a female external director, and a female external auditor.

Our Female On-site Supervisor Support Program is another diversity-building effort. Serving to help female employees thrive in a wider range of job types and create new value through a broader diversity of perspectives, the program has made the on-site supervisor position—a job field in which men have been the majority—a capacity where women shine.

**Enabling employees with disabilities to play larger, fuller roles**

With the aim of employing at least one person with a disability at every worksite, the Sekisui House Group welcomes interns with disabilities and takes active part in joint-recruitment gatherings for people with disabilities.

Our efforts to give employees with disabilities broader professional opportunities extend into many areas. In addition to creating opportunities for people with disabilities to connect with each other on an area-to-area basis, thereby fostering a network that goes beyond organizational lines, we are also holding Diversity Exchange events to help employees share their thoughts and discuss issues openly.

To facilitate career development, we have established the Career Challenge System—a framework that makes it easier for employees with disabilities to transition from positions in administrative work, regional business, and production into regular positions with the potential for promotions. Everything comes together in a proactive commitment to enabling employees with disabilities to play fuller professional roles.

**Employee testimonial**

**Building effective approaches around work-life balance**

**Yumiko Kawasaki**  
Director, Human Life R&D Institute, Comprehensive Housing R&D Institute



Yumiko Kawasaki, certified as a first-class registered architect, researches the intangibles concerning daily lifestyle at the Comprehensive Housing R&D Institute. After serving as a leader in the Lifestyle Research Development Group, she became the director of the Human Life R&D Institute in 2018. Her main interests include research on happy living.

In August 2018, I became the director of the new Human Life R&D Institute. In leading the organization, I focus on creating a working environment where team members can communicate, help each other, and operate as a supportive unit. That means establishing a fruitful work-life balance—and I have to embody my commitment to that ideal. I try to formulate thorough, detailed schedules that let me tackle work with plenty of breathing room, for example. Being open about my hobbies and interests helps people know who I am and what I do outside the office, meanwhile, helps team members embrace that part of their own lifestyles. In addition to emphasizing the importance of time performance, I want to see my team members make the "life" component—time with their families and inspirations from their individual interests—a valuable asset on the "work" side.

**Employee testimonial**

**Taking steps to shorten working hours and boost efficiency**

**Toshiaki Hayashi**  
Design Section Team Leader, Osaka-Minami Sha Maison Regional Branch



After joining Sekisui House as a regional-business professional in 2002, Toshiaki Hayashi obtained certification as a first-class registered architect in 2008, secured a regular position with high recommendations from his worksite in 2013, and became a first-class building operation and management engineer in 2016. Last year, Hayashi won the grand prize at the ACE\* Forum.

\* Accessibility Consortium of Enterprises (ACE), a group of 33 member companies that seeks to establish a new, growth-driving employment model for people with disabilities

I have a functional impairment in my right arm. While that might make it harder to do day-to-day tasks, like drawing up plans, I do whatever I can to work as quickly and efficiently as possible so that I can share the same workload as my colleagues. People might say that a disability is "just another unique trait," but that glosses over the fact that disabilities can be extremely hard to deal with. Without the kind, caring consideration of my supervisors, always willing to support me through the tough times, I would not be who I am today. In my current position as a Design Section Team Leader, I try to help the entire four-person group—myself included—make those kinds of supportive connections.

**Key performance indicators (KPIs)**

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	Evaluation	Target
Number of female personnel in managerial positions (group-wide)	People	101 (2.26%)	114 (2.43%)	141 (2.79%)	158 (2.94%)	176 (3.10%)	○	FY2020 200 in FY2020 (5%; 10% in the future)
Number of female office managers* (including office assistant managers from FY2015)	People	12 (8/16 Sales Division)	18 (13/16 Sales Division)	22 (12/15 Sales Division)	33 (14/15 Sales Division)	34 (13/16 Sales Division)	○	At least 1 female office manager (or office assistant manager) at each of our 16 sales administration headquarters
Employment rate of people with disabilities*	%	2.08	2.21	2.20	2.38	2.53	○	At least 1 person at every business office (legally mandated employment rate already met)

\* On a nonconsolidated basis (Sekisui House only)





## Workstyle Reforms

Becoming the world's happiest company by creating exciting workplaces

**Main stakeholders:**

Customers, employees, students, and job applicants

### 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 ameliorate 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 offer 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.

## 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 as how it helps men experience childcare and housework firsthand, *ikumen* leave can also be important departure from the commonplace "solo 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.

#### The value and effects of "ikumen leave"

<b>For the employee</b> Family bonds, richer experiences, a broader base of intangible assets, new insights into work	<b>For the company</b> A "love of humanity" (the company's fundamental philosophy), stronger foundations for employees and their families, better employee recruitment, integration, and development
<b>For the customer</b> Better proposals (for two-income households and families raising children, etc.), home-building with a sense of security	<b>For the workplace</b> Structural reforms for better role sharing, a work climate that values mutual support, better team-management capabilities

**Kids First Company**

#### Employee testimonial

##### The liberating power of understanding and cooperation

Noboru Hosokawa  
 Manager, Tokyo-Minami 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 with 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.

#### 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 workstyle reforms and strive to be a company where employees take the initiative in forming healthy lifestyles.



#### Key performance indicators (KPIs)

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	Target
Percentage of male employees taking parental leave	%	19 (119 People)	23 (162 People)	70 (436 People)	95 (597 People)	100 (818 People)	100% in FY2020
Percentage of employees taking annual paid leave	%	31.7	32.8	35.0	39.7	42.2	50% in FY2020
Total monthly work hours per person	hours	168.22	171.37	170.02	168.32	170.26	166.66 hours in FY2020 (2,000 hours/year)

\* Number of employees taking parental leave/number of births; the value for FY2018 is 100% as the number of employees taking parental leave exceeded the number of births (555)



# S

## Social



## Human-Resource Development

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

**Main stakeholders:**

Customers, employees, students, and job applicants

### 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.

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.

### 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 manager-education initiatives.

Our new Human Resources Development Office, which launched on February 1, 2019, systematically trains and selects human resources by formulating medium- and long-term human-resource portfolios around the group's management strategies.

While efforts for each employee need to account for individual roles and experiences, which affect the company's expectations of the corresponding employees, human-resource development operates on the same basic concepts as training at the management level. Where they differ is in the concrete activities: the focus is on innovation, communication, and autonomy through a foundation in OJT-based efforts, with career education and specialized, job-specific training adding 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.

## 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

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 worksites—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.

Construction, 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.

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 Sekiwa

In FY2018, we also fleshed out 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.

#### Helping onsite supervisors develop skills through level-based training

<b>Lower level</b>	Learn the roles and responsibilities of an onsite supervisor ● Establishing a strong understanding at Sekiwa Construction and partner building contractors, which provide valuable support for construction capabilities
<b>Middle level</b>	Hone unique individual skills (and make strides as a self-sufficient onsite supervisor) ● Using logical thinking to identify and solve problems
<b>Upper level</b>	Gain the trust of others to enroot construction capabilities in a stronger foundation ● Gaining facilitation and leadership skills
<b>Design director</b>	Get the most out of the team ● Gaining practical skills in developing human resources

#### Helping employees grow on their own initiative through "elective training"



Identifying issues and locating needs at the source (on-site) to design optimal training approaches

### Key performance indicators (KPIs)

Indicator	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	Target
Average annual hours of training per person*1	Hours	22.9	21.0	19.7	18.1	14.5	Training programs at the head office only (In FY2018, men and women attended averages of 13.6 and 17.7 hours of training, respectively.)
Training investment	Million Yen	692	734	704	873	848	Total expenses attributable to education and training costs
Total number of people obtaining qualifications*2	People	4,544	6,427	4,332	3,064	2,821	Totals include internal qualifications

\*1 and 2 On a nonconsolidated basis (Sekisui House only)

\*2 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.) The number for FY2015 is relatively high because we promoted the acquisition of certain qualifications through limited-time financial support and other systems over the course of the year.



# 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 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.

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.

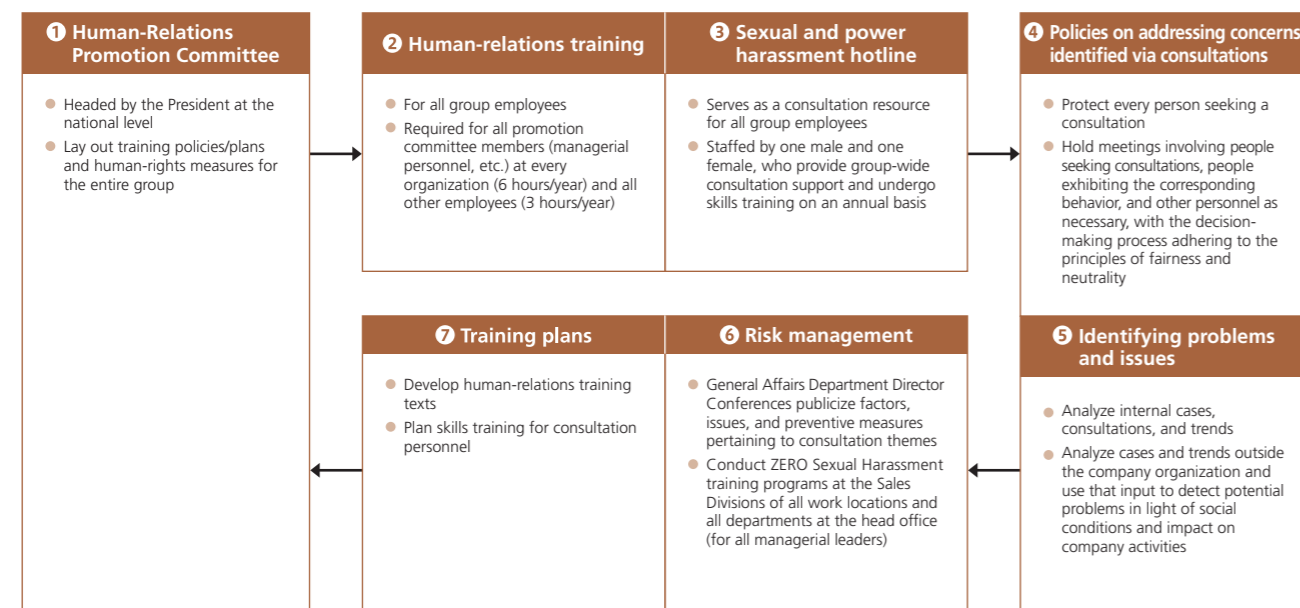


## Enhancing the framework for internal consultations

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 positioned 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



## Human rights-related stipulations in the Sekisui House Group Corporate Code of Conduct and Corporate Ethics Guidelines (excerpts)

<b>Sekisui House Group Corporate Code of Conduct</b>	Rooted in the group’s fundamental philosophy of a love of humanity and the rest of its corporate philosophy, all the companies in the Sekisui House Group respect human rights, comply with all laws, abide by international rules and the spirit thereof, and take independent steps to build a sustainable, informed social foundation based on the following nine principles.
<b>Sekisui House Group Corporate Ethics Guidelines</b>	<p>5-1. Respect for Human Rights and Prohibition of Discrimination Always endeavoring to maintain a healthy work environment, we respect each individual’s human rights and never engage in any type of discriminatory action in the employment of, treatment of, or any other matter concerning our employees. We also take thorough measures to prevent others from engaging in such discrimination.</p> <p>1. We do not discriminate by reason of origin, nationality, race, ethnicity, beliefs, religion, sex, sexual orientation, gender identity, age, disability, interests, academic qualifications, family, or any other irrational, arbitrary grounds.</p> <p>2. We do not act in infringe on the human rights of others by means of forcing others to carry out work, engaging in bullying, or spreading rumors through violence, verbal abuse, libel, slander, or intimidation.</p> <p>Sections 5-2 (Sexual Harassment), 5-3 (Harassment Related to Pregnancy, Birth, and Childcare Leave, etc.), and 5-4 (Power Harassment) state that we do not engage in the corresponding types of harassment or any other conduct that may constitute such harassment.</p>

Note: The Sekisui House Group’s Corporate Principles and Corporate Ethics Guidelines (full text) are accessible online at <https://www.sekisuihouse.co.jp/company/info/ethics.html>.

## 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 in the table to the right.

Note: The figures in the table are averages calculated with scores of 100 points for Strongly agree, 75 points for Agree, 50 points for Neither agree nor disagree, 25 points for Disagree, and 0 points for Strongly disagree.

### Trends in Governance Awareness Survey scores (on human rights-related topics)

	FY 2016	FY 2017	FY 2018
Anti-sexual harassment culture	84.5	83.5	85.1
Anti-power harassment culture	78.1	77.5	79.2
Anti-discriminatory culture	84.9	84.3	85.5

## 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.

### CSR Procurement Standards

<b>Human rights and labor</b>	Respect for human rights, abolition of discrimination, prohibition of child labor, prohibition of forced labor, wages, working hours, dialogue and consultation with employees, safe and healthy work environments, human resource development
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## Upholding the human rights of non-Japanese nationals at construction workites

In today’s world, where the competition over high-caliber human resources is only bound to intensify, the Sekiwa 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 Sekiwa 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)

	Technical trainees	Construction workers	Total
Sekiwa Construction Group	37	33	70
Partner building contractors	25	1	26
Total	62	34	96

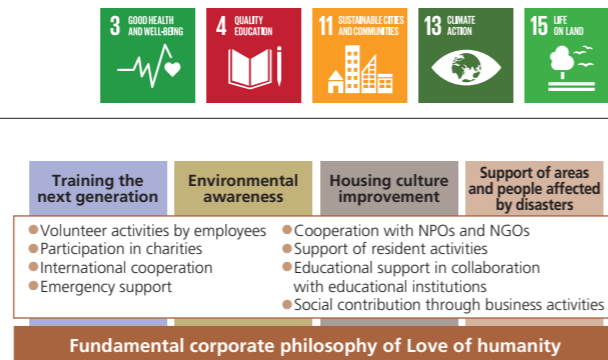


# Contributing to Society

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.



## Eco-First and Kids-First initiatives

### 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 promises of reducing CO<sub>2</sub> emissions, restoring ecosystem networks, and resource recycling initiatives. Based on these promises, 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,



The House-cology seminar to learn about the insulation capabilities of houses

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 what actions they can take.

At the Sekisui House Eco First Park in Ibaraki'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 Sekisui House Eco First Park (House of Wind)

### 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 City building complex. On the north side of this building complex, we have built the *Shin-Satoyama* (about 8,000 m<sup>2</sup>), which recreates in the city center Japan's original *Satoyama* landscapes that are fast disappearing. Based on our *Gohon no ki* 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



The Shin-Satoyama viewed from the west side

variety of plants, birds, 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 kindergartens to enable children to experience rice planting and other agricultural activities at the *Shin-Satoyama*. Our efforts have been valued and we received the Prime Minister's Award at the 34th Green City Award\*. *Shin-Satoyama* has also been recognized as a SEGES Urban Oasis\*.



Elementary school students experiencing rice planting at the Shin-Satoyama

\* Organized by the Organization for Landscape and Urban Green Infrastructure

## 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.

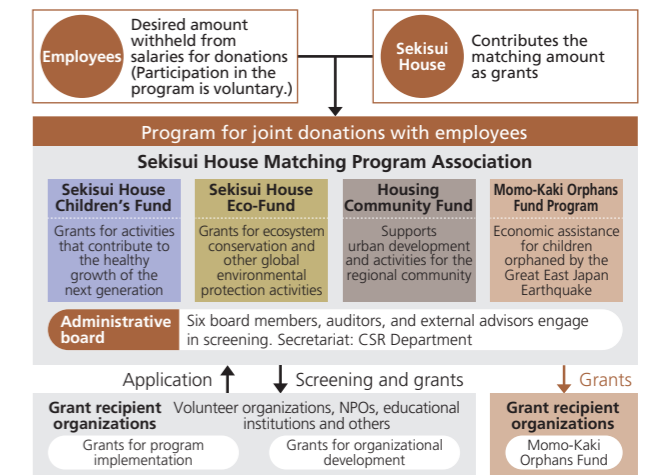
This system enables employees to have an amount of their choice (1 unit = 100 yen) withheld from their salaries for donations, and Sekisui House matches the donations and contributes an equal amount in the form of grants. We have established four funds: The Sekisui House Children's Fund, the Sekisui 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 ¥96.80 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.

### Sekisui House Matching Program



### Project grants in FY2019 (grants for programs applied for by organizations)

#### Children's Fund: 16 organizations, ¥16.90 million

- Asperger Society Japan
- Atopicco Network for Children of the Earth
- Education Sponsorship in Asia
- Ikawako
- Kansai NGO Council
- Parenting Mate Sakuranbo Club
- Kodomo Wakamono Matching
- CPAO
- Japan Hair Donation & Charity
- 3keys
- Nagomi Visit

- Japan Rescue Association
- Foodbank Yamanashi
- Family House
- Miyagi-Sendai Kodomo-no-oka
- Mori no Manabiya Shizen Gakko

#### Eco-Fund: 12 organizations, ¥11.10 million

- Conference of Earth Environment from Akita
- HUTAN Group
- Environment TOKUSHIMA Network
- Groundwork Daisen Hiruzen
- Sansonjuku

Note: In addition, we provided organizational development grants to help selected organizations build infrastructure and improve the quality of their activities in anticipation of their future development.

- Renewable Energy Shinshu-net
- Eco Future Fund
- Together
- FAIR +
- Maniwa Isan Kenkyukai
- Midorinodam Kitasagami
- The Lifestyle Research Institute of Forests

#### Housing Community Fund: 2 organizations, ¥2.10 million

- Asaza Fund
- PACT

## 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 society and the region.

### Comments from recipient organizations Children's Fund

#### Grant description: Dispatching therapy dogs to the Osaka Women's and Children's Hospital

Japan Rescue Association (Planning and PR: Ms. Masako Imai)

Due to this grant, we can now send therapy dogs to the hospital twice a month instead of once in two months. This has enabled more children to receive visits by therapy dogs. Our goal is to have children receive the constant company of therapy dogs, so we shall push forward and do whatever we can to make this happen.



### Example of collaboration with recipient organization Eco-Fund

#### Grant description: Chikyu Hakase Tanjo Project Conference of Earth Environment from Akita

We held the 3rd My Dream House is the Future Eco-House experiential session under the *Chikyu Hakase Tanjo* Project in collaboration with the recipient organization during the children's summer holidays. We used the AKT Model Homes in our Akita Sales Office as the venue.

At the event, parents and children living in Akita City tried out latest eco-houses. Our sales and design staff took on the role of guides. The event was a huge success, with elementary school students asking clever questions on insulation and other issues unexpected of their age.





## 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 the 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 41 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 importance 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 for us to foster a revival of relationships, a recognition for diversity, and in people, the ability to feel.



(QR code)  
House of Dialog by  
Dialogue in the Dark



Sumufumulab where DID is held

### 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, completed 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 in addition to numerous colorful frescos and mixed-media



Powerful 3D visuals



Experiencing classic fresco painting by plastering a brick to create a wall-like surface and painting on it

paintings and sculptures by Kinutani.

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.



Flying dragon frolicking around the Sky Building (Sculpture)

#### Special exhibitions (FY2018)

- Special Exhibition: A Message for Peace – Passion, Vitality, Prayer
- A Special Exhibition Celebrating the 25th Anniversary of the Umeda Sky Building  
Tenku Fantasy – The Amazing Floating Garden Experience
- 2nd Anniversary Special Exhibition  
The Power to Dream - Grand Theater of the Imagination -

## 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

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.

ways. More than 2,400 employees from the entire group joined hands to repair and remove mud from houses that had suffered flooding above and below floors and other damage. We worked hard to ensure that normal life could be restored to our customers at the earliest.

Even in the Kinki Region, which suffered significant damage from Typhoon No. 21, we rushed in aid from all parts of the country and helped recovery by conducting inspections and repairing roofs.

\* The relief line is a telephone service provided for customers by Customer Service Centers before and after natural disasters to make advance arrangements, offer advice and confirm current conditions.



We rushed support in from various parts of the country to help relief activities, such as removing mud from houses (Hiroshima)

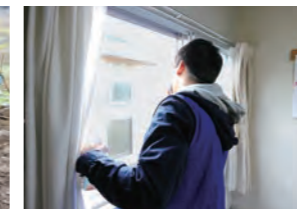
### Participation in reconstruction support activities in disaster-stricken areas by all new employees

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.



Relocation of the Ogatsu Rose Factory Garden



Cleaning in temporary housing



Cleaning the trains of Minami-Aso Railways



Cleaning the old gymnasium of the Tateno Elementary School



# G

## Governance

# Strengthening Our Corporate Governance System

Corporate governance is an aggregate of corporate governance frameworks that are necessary to increase the corporate value sustainably while earning the trust of various stakeholders. We consider it an important management issue and are making relevant governance reforms.

### Basic concept

Corporate governance is an aggregate of corporate governance frameworks that are necessary to increase the corporate value sustainably while earning 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.

The Sekisui House Group positioned 2018 as year one of 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/english/info/Governance\\_Guideline\\_E.pdf](https://www.sekisuihouse.co.jp/english/info/Governance_Guideline_E.pdf)

#### System strengthening

##### Implemented in fiscal 2018

- 1 Introduction of a mandatory retirement age of 70 for representative directors
- 2 Appointment of women as outside officers
- 3 Transparency and invigoration of Board of Director meeting operations
- 4 Establishment of the Management Meeting
- 5 Clarification of departments under the control of directors
- 6 Evaluation of Board of Director efficacy

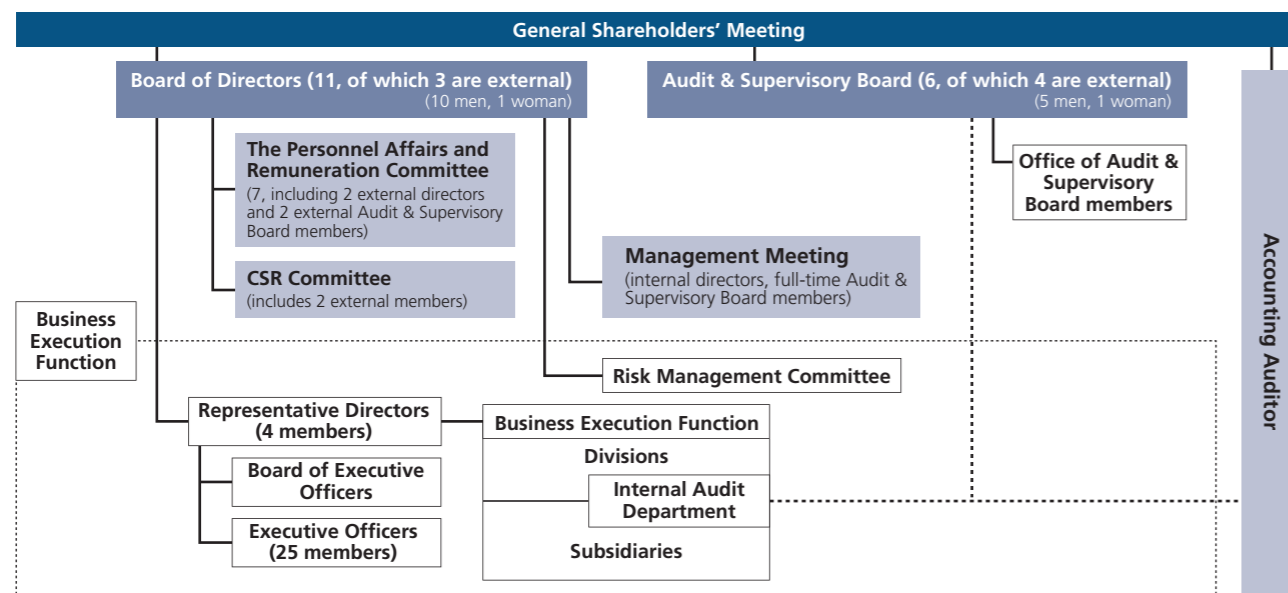
##### New actions

- 7 Ensuring independence and strengthening internal checks of chief managers in charge of general affairs in sales administration headquarters and branches
- 8 Improving the integrity of branch managers
- 9 Introduction of restricted stock remuneration plan
- 10 Abolishing officers' bonus system for external directors

##### Future considerations

- 11 Revision in directors' term of appointment to one year from two
- 12 Drastic revision in officers' remunerations
- 13 Appointment and dismissal of senior management

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



### Updates on measures taken for strengthening governance

#### (1) Establishment of the management meetings

System strengthening ④

We established management meetings with the objective of contributing to appropriate decision making related to the execution of important operations 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 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 the Board of Directors and measures to deal with revisions 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

System strengthening ⑤

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 risk information and coordinate between departments. This structural reform has enabled us to clarify the reporting line when issues occur. It will also increase our structural responsiveness by strengthening human resource development through rotation of personnel within divisions in future.

#### (3) Reform of approval system

System strengthening ⑥

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 analyze risks, consider countermeasures and take other steps to raise risk awareness. They report projects that entail risk and are conditionally approved and carry out thorough follow-up afterwards.

At the same time, we are also introducing an electronic approval system and striving for a balance between speedy business decisions and adequate risk management.

#### (4) Transparency and invigoration of Board of Director meeting operations

System strengthening ⑦⑧

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 Basic Policy on Corporate Governance and decided that different directors will act as the chairman of the Board and the convener.

Furthermore, we carried out reforms in the Board of Directors so that transparent and active discussions take place naturally. To this end, we select an agenda and clearly categorize deliberation matters and resolution matters when they are raised, based on opinions shared in the evaluation of the effectiveness of the Board that constructive and free discussions should be further conducted on the matters, including actual discussions on business strategies and other issues.

#### (5) Succession plan for senior management

System strengthening ①③④

We introduced a mandatory retirement age of 70 years for representative 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.

We also started the Sekisui House Management Training in November 2018 to develop, evaluate and select candidates who can be potential heads of branches. The 1.5 year-long training includes programs on Integrity Management, Strategy Planning and Organizational Management and New Value Creation and Innovation, among others. It provides the participants with the opportunity to acquire knowledge, personal qualities, management skills, and leadership qualities suited to the next generation of branch managers and helps determine whether the participant should be appointed for the position.

#### (6) Revision of the remuneration system for officers

System strengthening ⑨⑩⑪

To share more value with our shareholders, we decided to abolish the existing stock compensation-type stock option system and introduce the restricted stock remuneration plan in the general shareholders' meeting held in April 2019.

We also made external directors ineligible to receive performance-related remuneration (bonuses/stock remunerations) 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 the weight for medium-to-long-term performance-related remuneration, KPIs for performance-related remuneration, process for finalizing the amount of remuneration (standard and method of evaluation)) with the Personnel Affairs and Remuneration Committee at the center.

#### (7) Ensuring independence and strengthening internal checks of chief managers in charge of general affairs in sales administration headquarters and branches

System strengthening ⑫

We have been holding training for administration managers since November 2018 to improve their decision-making and management skills, and to build a collaboration system with the Administration Division of the Head Office.

We also changed the evaluation method to ensure independence of administration managers.

### Management structure

#### Board of Directors

System strengthening ⑨

In principle, the Board of Directors meet once per month. To improve corporate value over the medium and long term, the Board of Directors shall be responsible mainly for establishing management policies, strategies and 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 with an attendance rate of 98.0% (including attendance by 96.9% 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)

Directors	Of which are external directors	Age		
		Under 30	30-50	Over 50
11 (10 men, one woman)	3 (two men, one woman)	0	0	11

Note: 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)

Audit & Supervisory Board members	Of which are external Audit & Supervisory Board members	Age		
		Under 30	30-50	Over 50
6 (Five men, one woman)	4 (three men, one woman)	0	0	6

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 and useful knowledge to fulfill their respective roles 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. The company held training camps for 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 officers

To ensure objectivity and fairness in company management and corporate governance, Sekisui House appoints persons who satisfy the Criteria for Independence of Outside Officers as external directors and external Audit & Supervisory Board members who have no conflicts of interest with general shareholders.

### 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 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 officers, management policy of the whole group and formulation of management strategies and plans.

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 body 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 for Enforcement of the Companies Act, Sekisui House created and manages internal control systems, with internal control system basic polices deliberated by the Board of Directors.

The Auditing Department, a specialized internal audit department, conducts onsite audits 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 control of group companies, including those overseas, and receives reports on their management status and work execution. In addition, the company's internal audit department periodically audits important subsidiaries. An Overseas Audit Office was set up in the Auditing Department in April 2019, strengthening 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.

#### Basic remuneration (fixed remuneration)

Basic remuneration as fixed remuneration shall be determined within the scope of resolutions of the general meetings of shareholders by considering the company's management situation, in addition to the importance of roles and the scope of responsibilities of each position.

#### Bonuses (short-term performance-related remuneration)

Bonuses shall be determined based on general consideration by referring to qualitative factors, such as the strengthening of the management foundation, etc., in addition to quantitative factors, such as sales and income of each fiscal term, etc.

#### Restricted stock remuneration

(medium- and long-term performance-related remuneration) Stocks shall be granted according to each position within the scope of resolutions of the general meetings of 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.

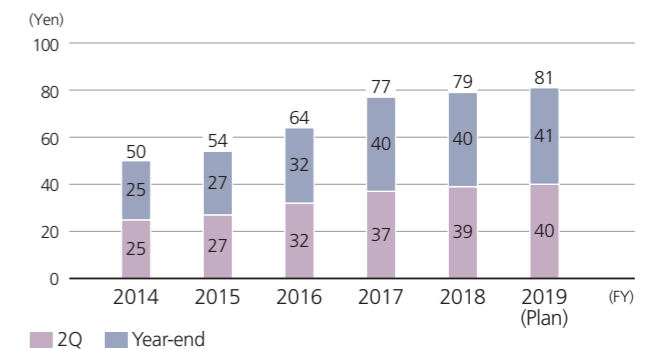
### Capital policies

#### 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 of profits and cash flows in each fiscal year and future business development, among other factors, as well as making growth investments, implementing a shareholder return targeting a dividend payout ratio of 40% over the medium- and long-term, and acquiring and canceling shares in a timely manner.

In fiscal 2018, we paid 2 yen more as dividend year-on-year, amounting to 79 yen for the year.

#### Dividend



### Constructive dialogues with shareholders and investors

#### Appropriately reflecting shareholder and investor opinions in management

We use company briefings, seminars and other events held in different regions to inform individual investors about our business activities. We have created a page on our website, which contains information on our company and IR, to explain our business activities and achievements to individual investors and potential shareholders. We also provide information on our management strategy and plan in the Business Report for shareholders.

As a new initiative in fiscal 2018, we have started publishing 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.

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 Sekisui House's R&D sites, including an experience of sub-zero temperatures at the artificial climate room where research on insulation is conducted in life-size mock-up houses and of soundproof environment in our anechoic room where the interiors are surrounded by sound absorbing material. They also toured our hands-on learning centers, such as Housing Dream Factories and *Nattoku Kobo* Studio, and saw from various angles the tangible and intangible technologies that support safe, reliable and comfortable living in houses we build.

We also hold periodic study groups and tours for institutional investors. In fiscal 2018, we held a briefing on Sekisui House's ESG management and a tour of the Shizuoka Factory to help investors deepen their understanding on the company's competitive advantage.

\* <https://www.sekisuihouse.co.jp/english/financial/library/info/index.html>



# 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

**Professional background**

October 2004: General manager of the Diversity Development Office at Nissan Motor Co., Ltd.  
 June 2014: Executive officer, deputy director of the Management Division, general manager of the Diversity Promotion Office, and personnel administrator at Nifco Inc.  
 April 2018: Director at Sekisui House (current)



**Hisako Makimura** Corporate Auditor

**Professional background**

April 2000: Professor in the Faculty of Contemporary Society at Kyoto Women's University  
 June 2011: Outside Audit & Supervisory Board member at the Kansai Electric Power Co., Inc. (current)  
 April 2013: Visiting researcher at the Kyoto Women's University Institute of Religion and Culture (current)  
 April 2017: Visiting professor at Kansai University (current)  
 April 2018: Corporate Auditor at Sekisui House (current)



**Ryuichi Tsuruta** Corporate Auditor

**Professional background**

August 1990: Representative director of a UK-based finance subsidiary of Panasonic Corporation  
 November 2014: Corporate adviser at Panasonic Corporation  
 May 2015: Outside Audit & Supervisory Board member at ZUIKO Corporation (current)  
 April 2018: Corporate Auditor at Sekisui House (current)

**Yukiko Yoshimaru (External Director)**

**Q What are your impressions of the Sekisui House Group?**

When I became an external director, 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, executives fielded questions from attendees and gave answers with an earnest sincerity. In terms of business, I think that 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 scene. The group also sees ESG as business itself, which is distinctive. Having taken part in the UN Framework Convention on Climate Change and made 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.

**Q What are your thoughts on how the Sekisui House Board of Directors works and functions?**

I think the directors are really engaging in lively discussions. People say that transparency makes board meetings better, and the same goes for the Sekisui House Group. While the discussions are great, there are also potential issues to address. If the directors can keep speaking even more openly about their own interests and topics outside their areas of expertise, the discussions will take on a more diverse depth.

**Q How do you think the 2018 governance reforms are playing out?**

Progress on the "six items for strengthening the corporate governance system" is solid. From my perspective, a key facet is

the "evaluation of board of director efficacy"—third-party evaluations will be instrumental in enhancing overall transparency. A big challenge will be fortifying governance at locations abroad, however. Japan is important, of course, but navigating the challenges of governance abroad is a challenge: things overseas are often different from things in Japan, complicating the issue further. The group needs aggressive governance and defensive governance. For me, the group's competitiveness depends on bringing women with proven track records, people with local expertise, and diverse human resources into management.

**Q What kind of role do you want to play as an outside officer? What do you hope to see from the company?**

I want to translate my experience into meaningful contributions with a global dimension, an area where Japanese companies still have a lot of ground to cover. Sekisui House knows what the challenges are, but there are so many challenges waiting on the horizon. The group is also hard at work on the SDGs, a common language for the entire globe. From the environment and housing design to community development, those efforts are delivering benefits to society and company business alike. If the group can go even deeper, I think it will be able to reach investors and other stakeholders with a more unique, meaningful message. Sekisui House, with its eco-friendly focus and impressive environmental track record, can be a world-leading enterprise. As a female external director, I look forward to adding my input—from my cross-disciplinary experience in global business, diversity management, and different industries—toward sustainable value improvement.

**Hisako Makimura (Corporate Auditor)**

**Q What are your impressions of the Sekisui House Group?**

For most of my career, I have been studying community- and city-building with a focus on demographics 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. It also emphasizes coexistence with nature, an element evident in its green, eco-friendly housing. The group's collective strengths are impressive: Sekiwa Real Estate and Sekiwa 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.

**Q What are your thoughts on how the Sekisui House Board of Directors works and functions?**

One important thing is that the company now holds management meetings (with outside officers) before meetings of the board of directors. 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 resolutions. 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.

**Q How do you think the 2018 governance reforms are playing out?**

The 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 experts specializing in finance, accounting, statutory compliance and others, ensuring both the compatibility with diversity including gender and proper headcount," and I voiced my thoughts from the gender-oriented perspective—a crucial issue not only for the global community but also ESG investment. Creating the Personnel Affairs and Remuneration Committee and formulating a successor-development plan are two more important elements that the company has tackled. As the group continues to train future executives, I want to propose ideas for long-term, systematic development procedures for putting the right people—women included—in the right leadership positions.

**Q What kind of role do you want to play as an outside officer? What do you hope to see from the company?**

Gender issues abroad, environmental education, and climate change are three areas that my career has taken me into—and overlap with the United Nations' SDGs. I want to see Sekisui House make the SDG 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 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)**

**Q What are your impressions of the Sekisui House Group?**

The group has powerful business-promotion capabilities, with sales at the core, and a firm foundation in planning, development, and production. Sales representatives make sure customers' needs are met, too. That dedication reflects the group's fundamental philosophy: love of humanity. The workforce embraces that strand of the corporate DNA. If the group wants to make good on its management strategies by building more cornerstones of business and expanding its scope into the global arena, it has to uphold that identity and a strong governance structure. Diversifying business will hinge on diversifying leadership, achieving world-class capital cost, and optimizing procurement methods. The synergy between strategy and governance is a vital piece of the puzzle—as is the constant openness to rethinking approaches.

**Q What are your thoughts on how the Sekisui House Board of Directors works and functions?**

The 2018 reforms have helped define directors' responsibilities more clearly, giving the organization a more transparent, open dynamic. Management meetings, meanwhile, have helped the company accept input from outside officers. While the board of directors currently concentrates on management decision-making, touching on more topics—like internal controls, compliance, and risk management—will make discussions even better. I hope the Board takes strategic steps to enhance the governance structure, too.

**Q How do you think the 2018 governance reforms are playing out?**

They are doing what they need to do, but governance is complex—you have to mold principles, strategies, and practices into one. That requires a fair, open organizational framework and quick-moving operations. The group needs to stand against mutual backscratching, keep the governance structure from losing substance, and keep everything moving along. It comes down to embodying the real meaning of the group's fundamental philosophy—love of humanity.

**Q What kind of role do you want to play as an outside officer? What do you hope to see from the company?**

Companies are "public institutions." Every company—including Sekisui House—should live up to that ideal. As a corporate auditor, I fill two roles: balancing between corporate management and society, first of all, and keeping an eye on operations in the interest of shareholder profits. Those responsibilities take on a deeper significance during efforts to bolster governance structures, like the Sekisui House Group is doing right now. For the company to grow in a global, sustainable way, every employee at home and abroad needs to embody the group's corporate culture. Any Japanese company looking to communicate its core philosophy to global audiences encounters plenty of challenges. Getting people to understand principles across borders is never easy. The same goes for Sekisui House's concept of "love of humanity." I want to see the group engage audiences in full awareness of those issues and commit to effective cross-cultural communication. I will use my diverse network of connections, fresh perspectives, and specialized knowledge to fill out the group's governance framework and boost shareholder value.



# 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.



## Promoting Compliance

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 maintaining 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)

<b>Sekisui House Corporate Ethics Guidelines</b>	<p>Chapter 2 Relationship with society</p> <p>2-3 Compliance with various business laws and related regulations</p> <ol style="list-style-type: none"> <li>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.</li> <li>The company shall comply with related regulations for other connected businesses also and ensure that all activities follow the law.</li> </ol> <p>2-4 Rules for political and other donations</p> <ol style="list-style-type: none"> <li>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.</li> <li>The company shall receive prior approval for all donations following internal regulations.</li> <li>The company shall strictly refrain from bribery, interest sharing and illegal political donations, along with any act that can cause misunderstandings, such as close connections with the government or authorities, and build sound and transparent relationships.</li> </ol> <p>2-7 Compliance with import and export regulations</p> <ol style="list-style-type: none"> <li>The company shall carry out appropriate import, export and customs procedures in accordance with related regulations for importing and exporting products or materials.</li> <li>The company shall not export or import prohibited products.</li> <li>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.</li> </ol> <p>Chapter 3 Relationships with customers, suppliers and competitors</p> <p>3-3 Compliance with Antimonopoly Law</p> <p>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.</p> <ol style="list-style-type: none"> <li>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.</li> <li>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 restraining the sellers' selling price.</li> </ol>
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Note: The full Sekisui House Corporate Ethics Guidelines are available on our website. <https://www.sekisuihouse.co.jp/company/info/ethics.html>

## 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)

<b>Sekisui House Corporate Ethics Guidelines</b>	<p>Chapter 3 Relationships with customers, suppliers and competitors</p> <p>3-4 Fair transactions with business partners and compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors</p> <p>The company shall deal soundly and sincerely with partner building constructors and carry out fair and just transactions with them.</p> <ol style="list-style-type: none"> <li>When selecting a business partners 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.</li> <li>The company shall not use any power that grants special treatment to any business partners regarding selection and evaluation.</li> <li>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.</li> </ol>
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Note: The full Sekisui House Corporate Ethics Guidelines are available on our website. <https://www.sekisuihouse.co.jp/company/info/ethics.html>

## 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.

## 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 an executive 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 informing customers 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 Whistleblower Protection Act. 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 be treated as classified information and that such information 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.

Though it would be ideal to solve problems through discussions in the workplace, we also believe it is important to have an internal reporting system in place that employees can freely turn to for help. Efforts are made to familiarize employees with this system through leaflets and human relations training.

At the same time, in October 2016, we established the Sekisui House Group Supplier Company Corporate Ethics Helpline as system for handling consultation regarding concerns pertaining to legal and corporate ethics infractions and transaction-related issues connected to Sekisui House Group business activities from directors or employees of partner building constructors and supplier companies with whom the group has an ongoing business relationship. Similar to the SCS System, the Legal Department Compliance Office is the internal point of contact and our corporate law office is the external point of contact.

### Sekisui House Group internal reporting system

	Contactee	Method	Content of report
<b>SCS (Sekisui House Group Compliance Support) System</b>	Compliance Office, Legal Department (External) Sekisui House corporate law office	Phone E-mail Postal mail (registered mail receivable only by the addressee)	Witness account of an unlawful act or any conduct that violates laws or our corporate ethics policy
<b>Sekisui House Group Supplier Company Corporate Ethics Helpline</b>	Compliance Office, Legal Department (External) Sekisui House corporate law office	Phone E-mail Written correspondence	When partner building constructors or supplier companies suspect illegal activities, are uncertain about or have concerns regarding the Sekisui House Group and its transactions and business activities
<b>Sexual and power harassment hotline</b>	Human Relations Office, Legal Department	Phone E-mail	Consultation pertaining to sexual/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.
<b>Personnel related hotline</b>	Personnel Department	Intranet	Labor management issues in general, such as work hours and working on scheduled days off

Note: We also provide an external (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. Through 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, receiving reports when a risk incident occurs and verifying recurrence 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 side of employees.

## 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.84) and are conducting top-down activities, middle-up-down 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 reforms  
– Creating positive, open workplaces –**

#### I. Top-down

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

#### II. Middle-up-down

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

#### III. Bottom-up

① Created a corner on the internal website for receiving emails with suggestions on creating positive, open workplaces.

② 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 stipulating 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 (Umeda 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 (Kizugawa, Kyoto) 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 numerous 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.



Disaster prevention drill (AED training) at Umeda Sky Building



Drill using EVAC chair to safely and speedily evacuate persons requiring special help from upper floors through the staircase at the time of emergency, when the elevator cannot be used

## 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 prescribes 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 worksites and the rapid response to company-wide needs, which in 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 end 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 carry 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.



The meeting room of an office in a disaster-stricken area being used as a station for support staff from all over Japan



# 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

(Total of one or more days of lost worktime)

Department	Frequency rate of accidents resulting in lost worktime		Frequency rate of occupational illnesses	
	FY2017	FY2018	FY2017	FY2018
Administrative department (employees)*	0.10	0.19	0.07	0.03
Production department	Employees*	0.00	0.00	0.00
	Subcontractors	0.51	0.00	0.00
Construction department (subcontractors only)	1.89	2.42	0.20	0.63

\* On a nonconsolidated basis (Sekisui House only)

## 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.

### 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.



A poster highlighting the three safety slogans for FY2019

## CSR Management

# 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.

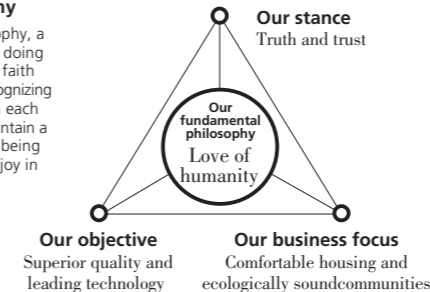
Operating under the CSR Committee, three ESG committees and various CSR department subcommittees serve to help initiatives take root within the company structure.

## 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.

### Corporate philosophy

Our fundamental philosophy, a love of humanity, means doing whatever we do in good faith and a spirit of service. Recognizing the irreplaceable value in each and every person, we maintain a fervent hope for the wellbeing of others and a sense of joy in others' joy.



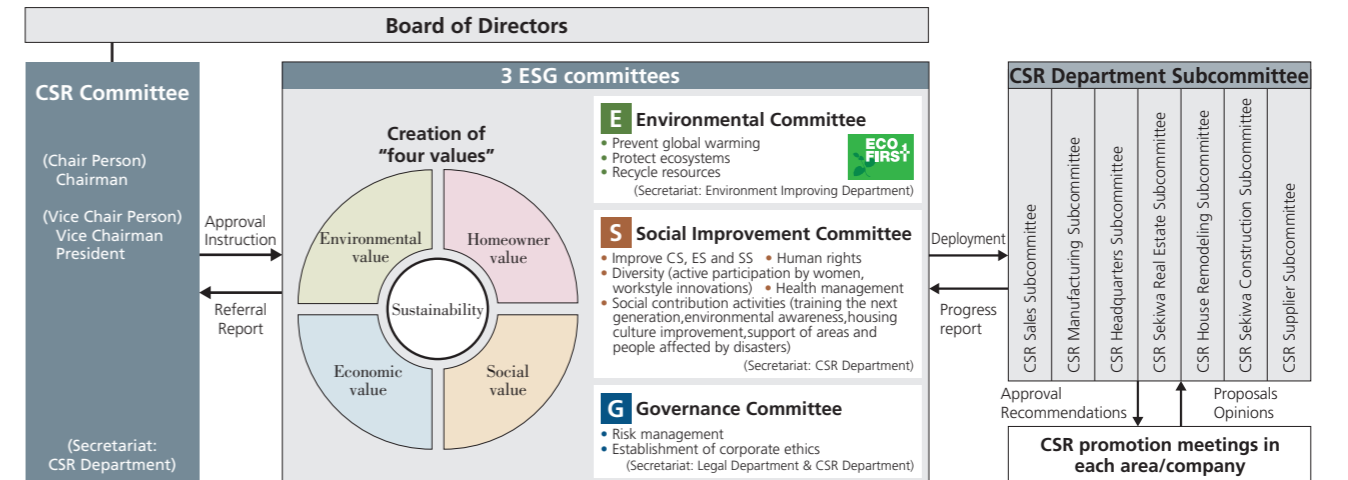
## The framework for the CSR Committee and promoting ESG management

The Sekisui House Group CSR Committee, comprising members appointed via resolutions by the Board of Directors, meets regularly. The CSR Committee formulates effective action policies by discussing how well the group's ESG management and other CSR initiatives align with social norms and expectations, for example, and how the group's business activities are contributing toward solutions to social issues.

The CSR Committee fuses inside and outside perspectives. On the internal side are the Chairman and Representative Director, serving as Committee Chair, and the Vice Chairman and Representative Director and the President and Representative Director, acting as Vice Committee Chairs. The outside perspective comes from two experts: Haruo Tsuji (former president of Sharp Corporation) and Hiroya Masuda (former Minister of Internal Affairs and Communications and former governor of Iwate Prefecture).

Three ESG committees operate under the CSR Committee to develop action policies, promote activities, and help efforts take root. The framework also features subcommittees, which meet on a department-specific basis and serve to enhance awareness and implementation of the initiatives at business locations across the group. We also assign CSR-promotion representatives to each business location to promote activities with site managers, thereby embedding the elements of ESG management in the workforce on an employee-to-employee basis.

### ESG management promotion structure





# Identifying Material Topics

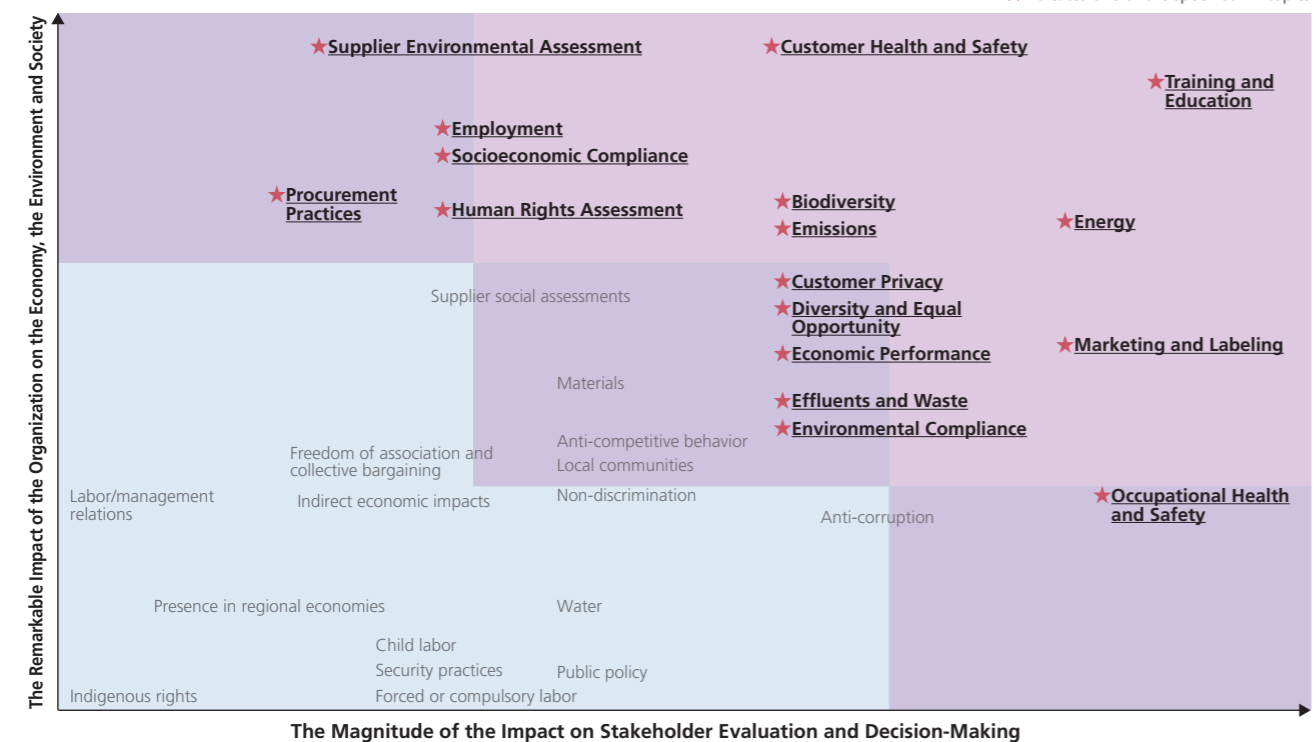
The Sekisui House Group is committed to fostering sustainable development with a focus on fulfilling ESG management through our core business and creating value—all while living up the expectations of stakeholders and society in accordance with its CSR policies. To us, value creation is all about molding our activities around what matters to stakeholders and society.

## Identifying material topics with stakeholders and social impact in mind

In 2015, we selected 30 of the 46 Specific Standard Disclosure items in the GRI Sustainability Reporting Guidelines (G4) 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. Subsequent examinations in 2017 brought that list to 17 material topics, bringing the topics into compliance with GRI Standards (see the chart below). We will continue to address the material topics, which represent vital elements of our ESG management, in FY2018 and beyond.

**Material Topics (Critical Issues) as Seen from Effects on Stakeholders and Impacts on Society** ★Indicates one of the specified 17 topics



### Boundaries of the 17 Material Topics

<b>Economic Performance</b>	Sekisui House Group, Customers, Employees, Shareholders and investors, Supplier companies	<b>Employment</b>	Sekisui House Group, Employees, Regional communities
<b>Procurement Practices</b>	Sekisui House Group, Employees, Shareholders and investors, Supplier companies, Regional communities	<b>Occupational Health and Safety</b>	Sekisui House Group, Employees, Supplier companies
<b>Energy</b>	Sekisui House Group, Employees, Shareholders and investors, Supplier companies	<b>Training and Education</b>	Sekisui House Group, Employees, Supplier companies
<b>Biodiversity</b>	Sekisui House Group, Customers, Employees, Supplier companies, Regional communities	<b>Diversity and Equal Opportunity</b>	Sekisui House Group, Employees, Regional communities
<b>Emissions</b>	Sekisui House Group, Customers, Employees, Shareholders and investors, Supplier companies, Regional communities	<b>Human Rights Assessment</b>	Sekisui House Group, Employees, Shareholders and investors, Supplier companies, Regional communities
<b>Effluents and Waste</b>	Sekisui House Group, Employees, Supplier companies, Regional communities	<b>Customer Health and Safety</b>	Sekisui House Group, Customers, Consumers, Regional communities
<b>Marketing and Labeling</b>	Sekisui House Group, Customers, Employees, Shareholders and investors, Consumers, Supplier companies, Regional communities	<b>Customer Privacy</b>	Sekisui House Group, Customers, Employees, Consumers, Supplier companies
<b>Environmental Compliance</b>	Sekisui House Group, Customers, Employees, Shareholders and investors, Consumers, Supplier companies, Regional communities	<b>Socioeconomic Compliance</b>	Sekisui House Group, Customers, Employees, Shareholders and investors, Consumers, Supplier companies, Regional communities
<b>Supplier Environmental Assessment</b>	Sekisui House Group, Shareholders and investors, Supplier companies		

# Stakeholder Engagement

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

## Main stakeholders and overview of actions

Main stakeholders and overview of actions	Actions	Examples of proposed themes	Response for such themes	Refer to
<b>Customers (owners)</b> We maintain communications with customers under our "customer first" policy in order to ensure that their valuable assets (their homes, for example) have long, cherished lives.	<ul style="list-style-type: none"> <li>Customer surveys</li> <li>Communication through newsletters and publications <i>Kizuna</i> (Detached homes / semiannual), <i>Maisowner</i> (Rentals / semiannual), <i>gm</i> (Condominiums / three issues per year)</li> <li>Net Owners Club website</li> </ul>	<ul style="list-style-type: none"> <li>Extending the lifespan of houses and increasing homeowner value</li> <li>Enhancing after-sales support</li> <li>Proposing and constructing exteriors that are easy to maintain and use</li> </ul>	<ul style="list-style-type: none"> <li>Operating "Commons," a townscape-assessment system</li> <li>Strengthening group-wide collaborations to nurture the exterior business</li> <li>Pursuing customer satisfaction through our value chain (Sustainability Report: Social)</li> </ul>	Pages 53-60 WEB
<b>Consumers (potential customers)</b> We proactively disclose information to build trusting relationships with the aim of "creating comfortable housing and ecologically sound communities."	<ul style="list-style-type: none"> <li>Consumer dialogues via:                             <ul style="list-style-type: none"> <li>Comprehensive Housing R&amp;D Institute</li> <li>Sumufumulab</li> <li>Housing Dream Factories</li> <li>Sekisui House Eco First Park</li> <li>Housing seminars</li> <li>Life Literacy Book</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Disclosing housing manufacturing processes and sites</li> <li>Visualizing methods of environmental problem solving through housing</li> </ul>	<ul style="list-style-type: none"> <li>Recruiting Sumufumulab research members and holding workshops</li> <li>Opening research facilities to the public</li> <li>Conducting workshops and events for parents and children at the Sekisui House Eco First Park</li> </ul>	Page 50 Page 56 WEB
<b>Business partners</b> We strive to conduct transactions on a fair, equal basis and foster amicable partnerships, always working to promote mutual growth and deliver customer satisfaction.	<ul style="list-style-type: none"> <li>Integrated network of Sekisui House Association and Sekisui House Partners' Association</li> <li>Policy briefings (annual)</li> <li>Supplier evaluations</li> <li>CSR Supplier Subcommittee</li> <li>SDG-based procurement</li> </ul>	<ul style="list-style-type: none"> <li>Improving worksite environments (via labor-saving measures and measures to deal with aging construction technicians, for example)</li> <li>Improving delivery-date accuracy (materials and parts delivery)</li> </ul>	<ul style="list-style-type: none"> <li>Improving indications of parts and promoting the use of combined, pre-cut, and pre-set parts</li> <li>Sharing process charts online with manufacturers and making information as thorough as possible</li> <li>Pursuing customer satisfaction through our value chain (Sustainability Report: Social)</li> </ul>	Pages 53-60 Pages 67-68 Page 83 WEB
<b>Employees</b> We respect the diverse individuality of our employees to ensure that they can flourish in their professional capacities and achieve creative growth through meaningful work. To make good on that commitment, we develop workplace environments and programs that nurture employees and ensure fair treatment, thereby enhancing employee satisfaction (ES).	<ul style="list-style-type: none"> <li>Internal open recruitment</li> <li>Internal qualification system</li> <li>Human-relations training (annual)</li> <li>Governance-awareness survey (annual)</li> <li>Occupational health and safety management system</li> <li>Sekisui House Group internal magazine (six issues per year)</li> </ul>	<ul style="list-style-type: none"> <li>Contributing to women's career development</li> <li>Pursuing workstyle reforms</li> <li>Supporting healthy work-life balance</li> <li>Promoting employment of the disabled</li> <li>Creating open workplaces</li> <li>Respect for Human Rights</li> <li>Health management</li> </ul>	<ul style="list-style-type: none"> <li>Promoting diversity, encouraging workstyle reforms, training human resources, and respecting human rights (Sustainability Report: Social)</li> <li>Operating the Sekisui House Women's College, a training program for management candidates</li> <li>Organizing Diversity Exchange events</li> <li>Offering the <i>ikumen</i> leave program</li> <li>Formulating a health-management policy</li> </ul>	Pages 61-68 WEB
<b>Shareholders and investors</b> We ensure fair and transparent corporate management to maintain our value in society, aiming to enhance our corporate value by achieving healthy growth and returning fair profits to our shareholders.	<ul style="list-style-type: none"> <li>Basic policy on information disclosure</li> <li>General shareholders' meeting</li> <li>Shareholder preferential gift programs</li> <li>Business Report (semiannual) and Annual Report (annual)</li> <li>Online IR newsletter</li> </ul>	<ul style="list-style-type: none"> <li>Disclosing management strategies and plans in a clear, straightforward manner</li> </ul>	<ul style="list-style-type: none"> <li>Holding management briefings and releasing Q-and-A summaries</li> <li>Offering tours of factories and other facilities</li> <li>Conducting one-on-one interviews and ESG dialogues</li> <li>Sustainability Report: Value Creation Vision and Strategy</li> </ul>	Pages 05-34 Page 76 WEB
<b>Communities</b> We make an effort to cooperate and participate toward social returns, leveraging our strengths as a housing company to nurture rich local cultures and realize abundant and humane lifestyles for all people while protecting the environment.	<ul style="list-style-type: none"> <li>Sekisui House Matching Program, a company-employee joint donation system</li> <li>Collaborative relationships with non-profit organizations like Kids Design Association and Uzo Nishiyama Memorial Library</li> <li>The Kobe Machizukuri Rokko Island Fund charitable trust</li> </ul>	<ul style="list-style-type: none"> <li>Promoting safe lifestyles that provide peace of mind</li> <li>Pursuing community development that prevents crime and damage from disasters</li> <li>Training the next generations</li> <li>Helping disaster victims and disabled persons develop self-reliance</li> </ul>	<ul style="list-style-type: none"> <li>Helping build communities through neighborhood bonds</li> <li>Creating recovery support systems when natural disasters strike</li> <li>Implementing the Disaster Risk Reduction Factory of the Future plan</li> <li>Enlisting the help of newly hired employees in reconstruction efforts in disaster areas</li> <li>Supporting companies affected by disasters and workers with disabilities by purchasing their products</li> </ul>	Pages 69-72 WEB
<b>All stakeholders</b>	<ul style="list-style-type: none"> <li>Ensuring full compliance, eco-friendly practices, and accountability</li> </ul>			Pages 05-08 Pages 50-52 Pages 79-82 WEB



# 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.

## 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.



**Haruo Tsuji**  
Former President  
Sharp Corporation

## CSR Committee recommendations

- Japan's position in the field of environment has started to lag behind at the global level.
- The "E" in ESG is changing fast. For instance, cars are shifting to electric power and investors are avoiding thermal power stations, forcing the market to shrink. Companies that do not promote eco-friendly business activities will not be able to survive as this public opinion grows stronger.
- "Quality" will be crucial, including a change from procurement based on CSR to that based on SDGs. It is important to flexibly incorporate new technology with a view to constantly improving quality, rather than continuing with existing ways of thinking.
- I am the chairman of an expert panel on regional revitalization and I feel that the company must work on two focal points: SDGs and Society 5.0. Speed is key to these two fields, and it is important to consider how to effectively incorporate these into regional revitalization. The company should also consider this point in its corporate management.
- The company needs to increase its value by raising issues on various fields in society, such as paid childcare leaves for men. Activities that generate high level of sympathy can connect to the future vision of the company and help social development. If the paid childcare leaves for men prove effective, it will also lead to self-reliance and growth of subordinates and workstyle reforms. The company should conduct surveys on employees, their families and colleagues to consider future actions. It is a progressive system and I would like to introduce it in a meeting of government officials also.



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

# 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 consumption, waste and greenhouse gas emissions volumes, water used in factor production and social reporting (frequency of accidents resulting in lost worktime and occupational illnesses).

This is an English translation of the "Independent Assurance Report" dated May 9, 2019 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the "Sustainability Report 2019" published in Japanese by Sekisui House, Ltd.

## Independent Assurance Report

Sekisui House, Ltd.  
Mr. Toshinori Abe, the Chairman & Representative Director,  
Mr. Yoshihiro Nakai, the President & Representative Director

We were engaged by Sekisui House, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators and greenhouse gas indicators listed below for the period from February 1, 2018 to January 31, 2019 (the "Indicators") included in its Sustainability Report 2019 (the "Report") for the fiscal year ended January 31, 2019, and the completeness of material greenhouse gas information in the Report.

### Indicators and pages in the Report

Indicators	pages
Energy (total amount and itemized details by energy source) and Water supply, Industrial-use water and Groundwater of "Factory production" in "Resource input"	51, 52
Amount of CO <sub>2</sub> emissions and Waste (total amount and itemized details by waste category) in "Waste/CO <sub>2</sub> emission output"	51, 52
Amount of CO <sub>2</sub> emissions of "Scope 1, 2 emissions", "Occupancy", "Raw materials", "Office waste", "Disposal of waste products" and "Transportation" and "Scope 1", and "Scope 2" in "FY2018 CO <sub>2</sub> emissions (Scope 1-3)"	51, 52
Accidents resulting in lost worktime and occupational-illness frequency rates	83

### The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Company's web site.

### Our Responsibility

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

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting one of the Company's factories selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

### Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Company's web site.

### Our Independence and Quality Control

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

KPMG AZSA Sustainability Co., Ltd.  
Osaka, Japan  
May 9, 2019



# GRI Content Index for “In Accordance” Items

The Sekisui House Sustainability Report 2018 has been prepared in accordance with the Core options of the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards (GRI Standards).

## General disclosures

Disclosure	Refer to	External assurance
<b>Organizational profile</b>		
102-1	Name of the organization Page 9 [WEB] Corporate Profile	
102-2	Activities, brands, products, and services Page 9 [WEB] Corporate Profile	
102-3	Location of headquarters Page 9 [WEB] Corporate Profile	
102-4	Location of operations Page 9 [WEB] Corporate Profile	
102-5	Ownership and legal form Page 9 [WEB] Corporate Profile	
102-6	Markets served Pages 9-20 [WEB] Corporate Profile	
102-7	Scale of the organization Pages 9-20, 27-28 [WEB] Corporate Profile	
102-8	Information on employees and other workers Page 9 [WEB] Corporate Profile	
102-9	Supply chain Pages 47-49, 53-60	
102-10	Significant changes to the organization and its supply chain N/A	
102-11	Precautionary Principle or approach Pages 67, 79-84 [WEB] Prevention of pollution from harmful chemical substances	
102-12	External initiatives Pages 21-22, 34-36, 50, 57, 91 [WEB] Kids Design Association	
102-13	Membership of associations [WEB] Industry Proposals	
<b>Strategy</b>		
102-14	Statement from senior decision-maker Pages 5-8	
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behavior Pages 1, 13, 37, 60, 63 [WEB] Corporate Profile	
<b>Governance</b>		
102-18	Governance structure Pages 73-76 [WEB] Corporate Governance	
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups Page 86 [WEB] Stakeholder Engagement	
102-41	Collective bargaining agreements N/A	
102-42	Identifying and selecting stakeholders Page 86 [WEB] Stakeholder Engagement	
102-43	Approach to stakeholder engagement Page 86 [WEB] Stakeholder Engagement	
102-44	Key topics and concerns raised Pages 86, 87 [WEB] Stakeholder Engagement	
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements Pages 3-4, 9 Securities Report	
102-46	Defining report content and topic boundaries Pages 3-4, 85	
102-47	List of material topics Page 85	
102-48	Restatements of information N/A	
102-49	Changes in reporting N/A	
102-50	Reporting period Pages 3-4	
102-51	Date of most recent report Pages 3-4	
102-52	Reporting cycle Pages 3-4	
102-53	Contact point for questions regarding the report Pages 3-4	
102-54	Claims of reporting in accordance with the GRI Standards Pages 3, 89-90	
102-55	GRI content index Pages 89-90	
102-56	External assurance Page 88	

## Management approach

Disclosure	Refer to	External assurance
<b>Management approach</b>		
103-1	Explanation of the material topic and its Boundary Pages 33-34, 85, 89-90	
103-2	The management approach and its components Pages 33-34, 57, 73-76, 79-84	
103-3	Evaluation of the management approach Pages 77-78	

## General disclosures

Disclosure	Refer to	External assurance
<b>Economy</b>		
<b>Economic performance</b>		
201-1	Direct economic value generated and distributed Pages 9-10, 11, 14, 15, 17, 25-26, 27-28 Securities Report / Financial Results Summary Pages 66, 70 (Community Investment)	
201-2	Financial implications and other risks and opportunities due to climate change Pages 21-22, 35-42	
201-3	Defined benefit plan obligations and other retirement plans Securities Report	
<b>Procurement practices</b>		
204-1	Proportion of spending on local suppliers [WEB] Communicating with Business Partners	
<b>Environment</b>		
<b>Energy</b>		
302-1	Energy consumption within the organization Pages 51-52 [WEB] Material balance	●(Page 75)
302-2	Energy consumption outside of the organization Pages 51-52 [WEB] Material balance	
302-3	Energy intensity [WEB] Material balance	
302-4	Reduction of energy consumption Pages 51-52 [WEB] Energy consumed during production/transportation [WEB] Material balance	
302-5	Reduction in energy requirements of products and services Pages 51-52 [WEB] Energy consumed during production [WEB] Material balance	
<b>Biodiversity</b>		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas N/A	
<b>Emissions</b>		
305-1	Direct (Scope 1) GHG emissions Pages 51-52 [WEB] Material balance	●(Page 75)
305-2	Energy indirect (Scope 2) GHG emissions Pages 51-52 [WEB] Material balance	●(Page 75)
305-3	Other indirect (Scope 3) GHG emissions Pages 51-52 [WEB] Material balance	●(Page 75)
305-4	GHG emissions intensity [WEB] Material Balance [WEB] Energy consumed during production	
305-5	Reduction of GHG emissions Pages 37-38, 40, 42, 51-52	
<b>Effluents and waste</b>		
306-1	Water discharge by quality and destination [WEB] Amount of water used by the group	
306-2	Waste by type and disposal method Pages 47, 49, 51-52 [WEB] Material Balance	●(Page 75)
306-3	Significant spills Page 52 [WEB] Material Balance	
<b>Environmental compliance</b>		
307-1	Non-compliance with environmental laws and regulations Pages 52, 80 [WEB] Material Balance	
<b>Supplier environmental assessment</b>		
308-1	New suppliers that were screened using environmental criteria Page 57	
<b>Society</b>		
<b>Employment</b>		
401-1	New employee hires and employee turnover [WEB] Initiatives for new graduate hires	
401-3	Parental leave Pages 63-64 [WEB] Support for Work and Childrearing	
<b>Occupational health and safety</b>		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities Page 83	●(Page 75)
<b>Training and education</b>		
404-1	Average hours of training per year per employee Page 66	
404-2	Programs for upgrading employee skills and transition assistance programs Pages 55-66 [WEB] Information on recruitment of fresh graduates	
<b>Diversity and equal opportunity</b>		
405-1	Diversity of governance bodies and employees Pages 28, 61-62, 74	
<b>Human rights assessment</b>		
412-2	Employee training on human rights policies or procedures Pages 67-68 [WEB] Human Relations Training	
<b>Customer health and safety</b>		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services Page 80	
<b>Marketing and labeling</b>		
417-1	Requirements for product and service information and labeling Pages 35-49, 53-60	
417-2	Incidents of non-compliance concerning product and service information and labeling N/A	
417-3	Incidents of non-compliance concerning marketing communications N/A	
<b>Customer privacy</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data Page 80	
<b>Socioeconomic compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area Page 80	



# FY2018 Accolades and Achievements

## Environment

- The “Higashi-Matsushima, Disaster-Ready Smart Eco-Town” project, an environmentally friendly, resilient community revitalization initiative

February 2018

27th Grand Prize for the Global Environment Award

Organizer: Fujisankei Communications Group



- Greenhouse gas-reduction objectives

April 2018

Company targets validated by the Science Based Targets (SBT) Initiative



- 3R activities at small-scale construction sites through coordinated efforts with clients/outstanding waste-disposal operators and proprietary checklists

October 2018

FY 2018 3Rs (Reduce, Reuse, and Recycle) Promotion Merit Awards MLIT Minister's Prize

Organizer: 3Rs Promotion Council

\* Joint entry with Kumagai Gumi Co., Ltd.

- Reductions in CO<sub>2</sub> emissions from commercial-use vehicles: Using telematics to promote safe, eco-friendly operations

December 2018

2018 Environment Minister's Award for Global Warming Prevention Activity (Implementation of Countermeasures Category)

Organizer: Ministry of the Environment



- Activities to combat climate change

January 2019

Included in CDP Climate Change A List



## Community building and landscape

- Community-building efforts in Teriha, Island City, Fukuoka

October 2018

Asian Townscape Awards

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

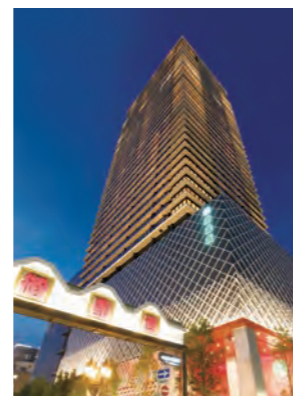


- Grand Maison Misonoza Tower

December 2018

Prize winner at the Chubu Architecture Awards (General Category)

Organizer: Chubu Architecture Awards Conference



## Products and technology

- Otona HOUSE “awai”

March 2018

IAUD Award 2017

IAUD Award (Housing and Architecture Category)

Organizer: International Association for Universal Design



- Sekisui House constructed in 1963 Yamazaki house and Usui Family Villa (Sekisui House Model A)

June 2018

Karuizawa Blue Plaque certification

Organizer: Karuizawa, Kitasaku District, Nagano Prefecture



## Kids Design Awards

(Designs to support comfortable child-rearing)

Grand Prize (Minister of State for Measures for Declining Birthrate Award)

- Berry Bear Fukagawafuyuki (Daycare center)

\* Joint entry with NESS Corporation



Honorable Mention (Kids Design Association Award)

- TOMOIE: Houses for dual-income families

- “cocotas” Multi-cassette-type air conditioner for small spaces (Smart patrol+)

\* Joint entry with Daikin Industries, Ltd.

(Designs that develop children's creativity and shape their future)

- Ease Handle

\* Joint entry with Fujisash Co., Ltd.

September 2018

Organizer: NPO Kids Design Association

## Good Design Award

- Condominium [Minato-Ku Kaigan 2-chome Project]

\* Joint win with Sakakura Associates architects and engineers



- Condominium [TAICANG YUQIN GARDEN] in China

\* Joint win with Sakakura Associates architects and engineers

October 2018

Organizer: Japan Institute of Design Promotion



## Wood Design Award

(Lifestyle Design Category: Technology and Research) Honorable Mention (Award Committee Chair Award)

- Research on wood bond-durability assessments for longer-lasting housing

\* Joint entry with Shizuoka University



(Social Design Category: Communication)

- Wood-procurement guidelines, a product of collaboration with suppliers

November 2018

Organizer: Wood Design Award Secretariat



## CSR and other initiatives

- Sekisui House Limited

March 2018

Selected as a “Nadeshiko Brand 2018” company by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange



September 2018

Selected by U.S. S&P Dow Jones Indices and Swiss RobecoSAM for inclusion in the Dow Jones Sustainability World Index (DJSI World) and the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)



October 2018

Included in all four ESG indices\* selected by the Government Pension Investment Fund (GPIF)

\* FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index (WIN), and S&P/JPX Carbon Efficient Index



October 2018

Gold Award in work with Pride's “PRIDE Index 2018,” a system for evaluating companies' LGBT-related initiatives

Organizer: work with Pride



February 2019

Selected by RobecoSAM as “Silver Class” in the homebuilding category in the RobecoSAM Sustainability Award 2019



- Sustainability Report 2018

February 2019

22nd Environmental Communication Awards Environmental Report Category Award of Excellence (Global Environmental Forum Chairman's Award)

Organizer: Ministry of the Environment and Global Environmental Forum



# 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.



**Toshiharu Miura**  
Director and Managing Officer  
In Charge of Technical Divisions

## 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.



**Takashi Uchida**  
Executive Vice President  
and Representative Director  
Management of Administration  
Division

## 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 to strengthen the governance system. For this, we are working top-down with the Governance Committee under the CSR Committee, middle-up-down with managerial positions and leaders, and bottom-up with young employees to ensure a three-directional approach. We have started a blog by the top management on our internal website and a system of "proposal emails" to receive constructive opinions with the objective to create a positive, open workplace. We have included "integrity" to the training curriculum for managerial positions (leaders). We would like to repeatedly convey the importance of raised awareness of governance among

leaders on-site and take steps to formulate the next plan of action by monitoring employees with a view to building a happy workplace.

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.



**Shiro Inagaki**  
Vice Chairman and  
Representative Director  
Management of Investor  
Relations Division