1

Preventing Global Warming



measures to achieve reduction of CO₂ emissions from houses and production facilities.

Delivering a comfortable yet economically efficient lifestyle while reducing CO₂ emissions—Our "Green First" model is leading us to a sustainable future.

It is reported that in Japan, houses are responsible for approximately 14% of CO₂ emissions (as of fiscal year 2009) which are one of the major contributors to global warming. To fulfill our obligations to society as a leading housing manufacturer, we are striving to achieve drastic reductions in CO₂ emissions from houses by focusing on spreading our eco-friendly Green First model. We have been striving to convince our customers of the benefits of the Green First model that can bring an eco-friendly lifestyle without compromising the comfort and convenience of living, and have garnered greater support from them. As a result, in fiscal year 2010, we achieved a 49.4% reduction in CO₂ emissions from our detached houses from the fiscal year 1990 level.

The Green First model accounts for more than 70% of all Sekisui House new build detached houses.

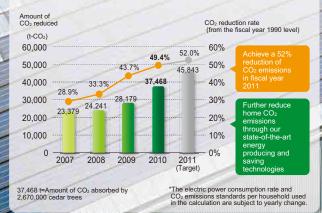


As a result of our focused efforts to promote the Green First model, 70.6% of our new build detached houses were provided with energy producing systems. We achieved the best sales figures in the industry for both PV systems and fuel cells.

In Japan, the industrial sector has made relatively significant progress in reducing CO₂ emissions, while CO₂ emissions from the residential sector increased by as much as 26.9% from the 1990 level in fiscal year 2009. Because the industrial sector alone can bring only a limited contribution to the nationwide efforts to reduce CO₂ emissions, the residential sector, including general households, is also urged to reinforce CO₂ reducing measures, for example, by improving the energy efficiency of refrigerators, water heaters, lighting and other home electric appliances.

Against this backdrop, we began offering eco-friendly housing products equipped with high-efficiency insulation that meets next-generation strict energy conservation standards. Combined with a PV or fuel cell system and a high-performance water heater, the Green First home cuts CO₂ emissions by more than 50% and the "Green First Premium" home is capable of achieving a 100% reduction of CO₂ emissions with the combined PV and fuel cell systems. As a result of our focused sales promotion efforts, we received orders for PV systems for 10,931 detached houses and 2,974 fuel cells, and increased the Green First rate to 70.6% in fiscal year 2010, exceeding our original sales target figure, thus fulfilling our responsibility to contribute to reducing CO₂ emissions.

Promoting sales of housing products whilst simultaneously reducing CO₂ emissions



Backed by the growth in the sales of "Sha-Maison Green First" homes, the rate of Sekisui House low-rise apartments with PV systems increased to 19%.

Few low-rise apartment houses have been provided with PV systems in spite of their 40% share in the annual new build housing starts in the Japanese market. We launched an eco-friendly low-rise apartment onto the market ahead of our competitors and have since been promoting the sale of this product—the Sha-Maison Green First model that features a high-efficiency water heater and all-electric design, as well as high-performance insulation and a PV system, which together ensure greater comfort, economic efficiency and less energy consumption.

Equipped with a PV system, this model allows tenants to reduce power consumption and sell surplus power to the electric power company, thus cutting utility costs. Owners also benefit from this model due to its ability to reduce utility costs and bring an eco-friendly lifestyle, which gives them a competitive advantage in the apartment leasing market and greatly helps them achieve success in apartment management. During fiscal year 2010, we achieved sales of 890 low-rise apartment houses equipped with PV systems, which account for 19% of all our new build low-rise apartment houses, posting a huge increase from 371 in the previous year.

The housing eco-point system was applied to 88% of our detached houses.

We positively encouraged our customers to use the "housing eco-point system" applicable to homes equipped with high-efficiency insulation and energy-saving systems that meet certain criteria, while assisting them in applying for governmental subsidies. As a result, 88% of our detached houses and 86% of our apartment houses were covered by the housing eco-point system during the latter half of fiscal year 2010.

The Green First rate of our new build detached houses and low-rise apartment houses for leasing (Rate of houses equipped with energy producing systems)



house

The N family in Tokyo, the owner of a Green First Premium home equipped with PV and fuel cell systems

We enjoy greater comfort and lower utility costs than before and live an eco-friendly life easily and effortlessly.



A comfortable living room with an open ceiling space, and requires less utility costs than expected.

We chose the Green First Premium model that uses both electricity and gas instead of the all-electric model, in consideration of our parents who live with us and have long been using gas. We moved into the new house in spring when we still had cold days, and were soon benefiting from the great comfort offered by our house which was more than we had expected. In the morning, when we go downstairs, the floor and air in the room are already pleasantly heated thanks to the floor heating system timed to turn on around our wake-up time. Our house has a huge open ceiling space but we spent our first winter in comfort and hardly used the heater.

We had been told that the combined PV and fuel cell systems would reduce utility costs, and it was true: to our happy surprise, the utility costs were almost equal to the costs we incurred when we lived in a condominium, even without turning off lights and electric appliances when not in



The house is provided with a 5.2 kW PV system.



The amount of power produced can be checked daily on the display of the CO₂ monitor. (The monitoring is conducted as part of the 2008 Model Project for Reducing CO₂ in Residential Buildings.)



Fuel cell system for residential use

destruction, such as the development of ozone holes, cause us anxiety. Through our experience of building this house, we have become increasingly aware of environmental issues, such as CO2 emissions. What we like about the Green First Premium model is that it allows us to live a fully eco-friendly life effortlessly, without the

We don't think a serious global environmental crisis is imminent, but news reports on environmental

need to take any special measures. We are very pleased that with this house, we can make some contribution to the wellbeing of future generations.

apartment house

The O family in Saitama, tenants of a Sha-Maison Green First low-rise apartment equipped with a PV system

The Sha-Maison Green First model, which allows us to sell surplus electricity and contribute to reducing CO2 emissions at the same time, has changed our image of a low-rise apartment completely.

When I was relocated for work and looked for rental housing, I took interest in the eco-friendly apartment offered by Sekisui House. Because my wife had been in the real estate industry, we had some knowledge about eco-friendly rental housing that generates electricity with PV systems and allow tenants to sell surplus electricity, but there was more to the Sha-Maison Green First model. When considering moving in, we were shown the data on electricity sold to electric power companies and learned that thanks to the all-electric design, there is no need to pay for gas, and we can also drastically reduce electricity costs by using the midnight

power service. We liked these points very much. We regret that we had not known these eco-friendly features when building our previous house where we used to live.

The rent is ¥10,000 higher than we originally planned, but overall, living in the Sha-Maison Green First apartment helps us save money. Of course, low utility costs were not the only factor that made us decide to move into this apartment. We were also impressed with its open living room that connects to a wooden deck, wall and floor materials that meet pet owners' needs, and elevated space in the living room with an open ceiling. The sophisticated housing design and its features are far more than what an ordinary apartment house can offer and comparable to those of a detached house. One and a half years have passed since we moved into this apartment, and the monthly utility costs we have paid for the past year are only about ¥3,700 on average. Also, we have become more conscious of cutting back on energy use, urged by the CO2 monitor that displays the amount of electricity consumed by the electric appliance in use.



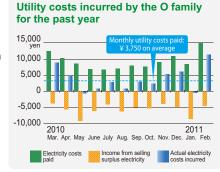
Pleasant living space provided with high-efficiency insulation



"We are aware that we are playing our small part in preventing globa



Terrace-style Sha-Maison Green First apartment. Each residential unit (79.5 m²) consists of three rooms and a living-dining room plus kitchen, and a 2.2 kW PV system is provided in each household.



We are committed to reducing CO2 emissions also from our remodeled homes and condominiums without compromising the comfort and convenience of modern lifestyles.

Eco-friendly remodeling is undertaken by our group company to incorporate energy producing and saving solutions into existing homes.

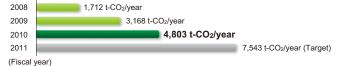
Our group company, Sekisui House Remodeling Co., Ltd. has completed remodeling projects on approximately 700,000 detached houses built by Sekisui House to improve comfort, economic efficiency and environment friendliness by providing energy producing and saving systems.

Fiscal year 2010 saw a further increase in the number of remodeling projects, backed by the growing interest in eco-friendly remodeling triggered by the housing eco-point system launched by the national government in March 2010, coupled with the "W-eco-point program" * offered independently by Sekisui House Remodeling. Especially, demands grew for PV system and window and door insulation, which, along with high-efficiency water heaters and energy efficient bath fixtures, contributed to reducing CO2 emissions from existing homes by 4,803 tons a year (1.5 times as much as the CO2 reduction achieved in the previous year).

*In this program, the points granted under the housing eco-point system are doubled, up to a maximum of 150,000 points. (This program ended upon the expiration of the housing eco-point system)

Window and door insulation 33.480m² 2009 36.288m² 2010 74.344m² 2011 104.400m2 (Target) (Fiscal year) PV system 2008 68 houses 718 houses 2010 1.634 houses 2011 2,900 houses (Target) (Fiscal year)

■ CO₂ reductions attributable to housing remodeling



Remodeling

Roof tile photovoltaic power generation system facilitates reduction in CO₂ emissions from existing houses.



Roof tile photovoltaic power generation system designed to harmonize with the surrounding townscape

Our proprietary roof tile photovoltaic power generation system pleasantly matches the surrounding landscape and boasts an outstanding capability to reduce CO2 emissions while increasing economic efficiency. Backed by these advantages, there has been

growing demand for the PV system in our remodeling projects.

For example, in Green Hills Yunoyama, one of the largest residential communities in the Shikoku region developed by Sekisui House in Matsuyama City (where sale of subdivisions began in 1986), we have received an increasing number of orders for our roof tile photovoltaic power generation system, which enjoys greater popularity for its design that pleasantly merges with the townscape and the ability to bring greater comfort and economic efficiency to lives



We decided to install a PV system because of its energy-saving effect. We also liked the idea of earning extra income by selling surplus electricity. Since the PV system was installed, we have become more environmentally conscious. We check the electricity produced and consumed everyday, while sharing information with our neighbors



The roof tile photovoltaic power generation system is also favorably received by neighboring residents.

Norimitsu Kaneta Manager, Ehime Sales Office Sekisui House Remodeling Co., Ltd.



We provide detailed information about the economic benefits of our PV system to homeowners who are interested in remodeling with this system, to deepen their understanding of the subsidy program extended by the national government to eco-friendly remodeling as well as our corresponding program, and the surplus energy purchase program offered by electric power companies. Our roof tile photovoltaic power generation system enjoys popularity among local residents for its design that "does not disturb the townscape" and it is installed in an increasing number of houses in the neighborhood.

Condominium

We are promoting our "Green First" initiative in the field of condominium sales.

We are pursuing greater comfort, economic efficiency and environmental friendliness under our Green First concept also in promoting sales of "Grand Maison" line of condominiums that are designed to harmonize with the surrounding environment and constitute a "valuable part of community."

Grande Maison Jiyugaoka Terrace (102 residential units: Nagoya City)



PV systems and long-lasting LED lighting fixtures are installed, while close attention is paid to the protection of the ecosystem of the adiacent park.

The condominium is provided with the latest housing facilities that contribute to reducing CO_2 emissions and conserving energy, including PV systems and LED lighting fixtures. The condominium is also designed to harmonize with the natural environment of Chayagasaka Park that faces the building, thereby creating a pleasant space beneficial to both people and

Grande Maison Jiyugaoka Terrace is the first condominium for sale in the Chubu Region to be awarded the "Environmentally Symbiotic Housing" Certification by the Institute for Building Environment and Energy Conservation. The certification was given in recognition of its outstanding quality in the categories of "energy conservation" and "harmony with the local and natural environment."

Grande Maison Takamiya (29 residential units: Fukuoka City)



The condominium boasts the latest energy-saving solutions such as PV systems, high-efficiency water heaters, and energy efficient bath fixtures as well as its design to preserve existing trees.

*Artist's rendering

PV systems, high-efficiency water heaters, and energy efficient bath fixtures together contribute to a drastic reduction in CO₂ emissions. The building is designed in a manner that effectively uses wind and sunlight. By preserving and transplanting existing trees and piling up locally produced natural stones, we ensure that the building constitutes a natural part of the

Working to reduce CO₂ emissions from our corporate activities

Shin Umeda City was adopted as a model town under the Challenge 25 Regional Development Program for fiscal year 2009, where we are engaged in a demonstrative experiment to reduce CO2 emissions.

In March 2010, Sekisui House was appointed to conduct a demonstrative experiment to achieve a 25% reduction in CO₂ emissions from Shin Umeda Sky Building (which houses our head office) in the Shin Umeda City district in Osaka City, together with three other tenant companies,* under the Challenge 25 Regional Development Program for fiscal year 2009 led by the Ministry of the Environment.

Under this program, the projects of six local governments around Japan were adopted, including Osaka Prefectural Government. The Shin Umeda City development project was selected as one of the projects led by the Osaka Prefectural Government. We launched measures to achieve an approximate 7.9% reduction in CO₂ emissions, on top of the 14% reduction we had already attained, by replacing some of the cooling systems with ice thermal storage systems and introducing PV systems, and in February 2011, all the systems installed under the program went into full operation. We also set monitor displays in three locations within the building to offer information about our CO₂ reduction efforts in an easy-to-understand manner and inspire office workers to take action for reducing CO2 emissions themselves.

Learning from our involvement in the Challenge 25 Regional Development Program, we will continue concerted efforts to reduce our energy use at our factories and business sites in order to better play our part in preventing global warming and comply with our obligations under the amended Energy Saving

*Sekisui House, Ltd., NREG Toshiba Building Co., Ltd., Daihatsu Diesel Umeda City K.K., and Telwin Corporation. We have an approximate 47% co-ownership interest in the building



As part of our efforts to reduce CO₂ emissions, we also focus on the building materials production process and work to achieve an improvement in energy intensity per unit area in line with the Challenge 25 Campaign, a national movement geared toward prevention of global warming.

Improvement measures we took at our factories during fiscal year 2010 include: enhancing the heat retaining efficiency of dry kilns by reducing heat loss; replacing general lighting by mercury lamps with task lighting by fluorescent lamps to introduce LED lighting in the near future; using liquefied petroleum gas (LPG) and liquefied natural gas (LNG) as fuels in place of oil (kerosene) to reduce emissions of CO2, nitrogen oxide (NOx) and sulfur oxide (SOx) from burning fuels; continuing to introduce inverter models and higher efficiency models of energy-consuming equipment, such as boilers, compressors and transformers.

To promote eco-friendly transportation, we began to implement a modal shift from truck to train in January 2011 for transporting iron frames, which are major components of our 50th anniversary commemorative product, BeSai+e, produced in our Shizuoka Factory in Kakegawa City, Shizuoka Prefecture. By effecting a shift from road to rail in the transportation of building components for 720 homes a year, we can achieve an annual reduction of approximately 162 tons of CO₂ compared to conventional truck-only transportation and thus make a meaningful contribution to mitigating environmental impacts.

We partner with Senko Co., Ltd. and Japan Freight Railway Company in implementing the modal shift. This initiative was adopted as the Green Logistics Partnership Project for fiscal year 2010 promoted by the Green Logistics Partnership Conference and the New Energy and Industrial Technology Development Organization (NEDO). Our expenses to purchase containers are covered in part by their subsidy.





The monitor allows office workers to check the progress of our CO₂ reduction efforts.





Mercury lamps for general lighting were replaced with fluorescent lamps



Containers transferred from



We introduced original long containers for rail transportation as a first in the industry. Sekisui House logo is printed on the surface of the container to publicize our commitment to environmental preservation.

2

Preserving Biodiversity



We have remained committed to preserving biodiversity through our homebuilding practices, facing up to the reality that the housing industry impacts the environment and ecosystems.

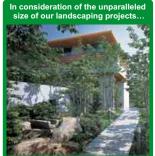
The comfort and convenience of modern lifestyles are completely dependent on valuable resources provided by biodiversity and services provided by ecosystems. Aware of our responsibility as a homebuilder that uses large quantities of materials and directly affects the natural environment, we place a special emphasis on preserving biodiversity and ecosystems from a long-term perspective. In 2011, a year proclaimed to be the International Year of Forests by the United Nations, we will continue and further enhance our efforts to achieve greater results.

Involving domestic and overseas suppliers in our biodiversity preservation efforts

Aware of our responsibility as a housing manufacturer that has offered more than two million houses and used large quantities of biological raw materials, we were quick to begin working with experts and environmental NGOs to study and analyze the impacts of homebuilding on biodiversity, while encouraging many of our suppliers, both domestic and overseas, to join our efforts.

For example, we have enlisted the cooperation of many of our suppliers to procure wood materials only from responsibly managed sources, thus discouraging illegal logging. In light of the environmental impacts of home garden and street landscaping projects, we have also encouraged our suppliers of garden trees to supply indigenous and native tree species that are rarely seen in the market. In this way, we have been deepening cooperative ties with our suppliers.





we established our own Wood

we have been promoting landscaping under our "Gohon no ki" landscaping concept since 2001.

Participating in the Interactive Fair for Biodiversity held in conjunction with COP 10

In October 2010, we participated in the Interactive Fair for Biodiversity, an international exhibition held in conjunction with the tenth Conference of the Parties to the Convention on Biological Diversity (COP10), where we set up a booth to publicize our environmental initiatives. Our exemplary practices in environmental protection were also exhibited at the booths of the Business and Biodiversity Initiative and governmental agencies, which greatly helped increase the public's recognition of our environmental commitments.

Continued steady and persistent efforts to achieve "sustainability" since 2001

Restoring well-balanced ecosystems is a critical requisite for a sustainable society. We developed the "Gohon no ki" landscaping concept by introducing an ecosystem-oriented approach into the conventional garden design that focuses on landscaping, and launched activities under the concept in 2001 when the term "biodiversity" was hardly known to the public. Under the principle of "three trees for birds and two for butterflies," which is at the core of our Gohon no ki landscaping concept (Gohon no ki means "five trees"), we have been carrying out garden landscaping projects by planting local and indigenous tree species to create an environment that is friendly to small local creatures and thus restore local ecosystem networks. The number of trees we have planted under this concept has totaled approx. 7,160,000 so far. This gardening concept serves as our own guidelines for biodiversity protection and we take pride in the results we have achieved over these ten years under this



Sekisui House deserves high recognition for its unshakable determination to contribute to the environment through its <u>core business</u> of homebuilding.

COP 10 held in Japan in 2010 evoked public interest in biodiversity and prompted many Japanese companies to launch measures for biodiversity protection, but this is not the case for Sekisui House. Sekisui House was quick to realize the importance of biodiversity and has continued consistent efforts as part of their core business of homebuilding, which deserves high recognition. Specifically, they have been promoting their *Gohon no ki* landscaping concept for ten years now, and developed their own Wood Procurement Guidelines four years ago. Admirably, their initiatives have resulted in many tangible outcomes, such as an increase in fauna and flora populations in the residential areas developed under their *Gohon no ki* landscaping concept, and the rise in the procurement ranking among their wood materials suppliers.

I hope that Sekisui House will continue to pursue their ongoing initiatives to the fullest, while embarking on new endeavors.

Dr. Naoki Adachi

CEO, Response Ability, Inc.

Response Ability assists corporations in their sustainability initiatives by providing consulting services for biodiversity protection and CSR procurement. Dr. Adachi serves on a committee organized by the Ministry of the Environment to examine guidelines for corporations to take action on biodiversity protection.



reated in Shin Umeda City, where the head office of Sekisui House is located, across 0.8 hectares of green space. The grounds are mainly planted with native and local trees and vegetation, providing a home for a diverse variety of living creatures amid an urban environment. The grounds are designed to grow to become a blueprint of how nature can coexist in an urban environment.





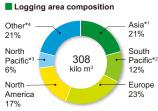
Developing our own Wood Procurement Guidelines based on the results of supplier surveys

Every year, thirteen million hectares of land are deforested around the world, for various reasons ranging from illegal logging and overdevelopment to the inappropriate use of "slash-and-burn" practices and man-made forest fires.

To prevent the already serious negative impacts of deforestation on natural ecosystems and our lives, and encourage the sustainable use of woods, we, at Sekisui House, have been engaged in FairWood* procurement, a practice of purchasing wood materials in a socially fair way. We unveiled the Wood Procurement Guidelines in 2007, which outline ten principles. We use these principles to determine the ratings of woods to be procured by assigning one of four ratings (S, A, B and C) based on the total points. Our suppliers strive to raise their procurement level by using this wood rating system as a reference, and on increasing occasions, ask us to rate the woods they consider handling. These joint efforts toward raising the procurement level have resulted in a steady increase in the proportion of the highest S rank woods.

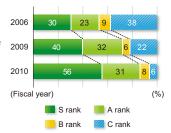
*FairWood refers to woods and wood products sourced in a manner that takes into account the conditions of the forest environment and/or the local communities where logging takes place. The FairWood program is implemented by the Global Environmental Forum and the international environmental NGO, FoE Japan.

Wood Procurement Data



- *1 Asia: including Japanese products *2 South Pacific: Indonesia, Malaysia, etc.
- *3 North Pacific: Russia, et *4 Other: South America, Africa, including
- wood waste materials

Proportion of procurement ranking



Ensuring sound forest management and increasing use of

As a means to ensure sound forest management and reduce CO₂ emissions from transportation, we began using laminated woods from Japanese sources. Today, we use Japanese woods in a more diverse range of building materials, such as interior components made from domestic broadleaf trees. As a result, the ratio of domestic woods to all the woods we used grew to 19%, an increase of four percentage points from the previous

Educating salespersons in charge of the "SHAWOOD" model on our initiatives

Sekisui House employees are required to have a correct understanding of the significance of our Wood Procurement Guidelines and FairWood procurement. We have educated salespersons in charge of our SHAWOOD wooden houses on these initiatives through SHAWOOD Academy, which has been attended by 1,103 people in total.

Working with an international environmental NGO

In developing and implementing the Wood Procurement Guidelines, we partner with an international environmental NGO, FoE Japan* to ensure objectivity and transparency in these processes.

*FoE Japan is a Japanese member of the Friends of the Earth International that is engaged in addressing global environmental issues.

Wood Procurement Guidelines: Ten Principles

- Wood products that are sourced from areas where there is low risk of illegal logging.
- Wood products that are sourced from areas that do not form part of ecosystems recognized as having outstanding value.
- Wood products that are not sourced from ecosystems that are severely damaged or areas where large-scale logging of natural forests has occurred.
- Wood products that are not sourced from endangered species.
- 6 Wood products that are sourced from areas close to where they will be used
- Wood products that are not sourced from areas subject to conflict or hostility with regard to wood production.
- Wood products that are sourced from areas where the amount of logging does not exceed the recovery rate of the forest.
- Wood products that are sourced from domestic forests in Japan.
- Wood products that are sourced from plantation forests that are managed according to methods that encourage the preservation and generation of a natural ecosystem.
- Wood products that are made from previously used wood.

Procurement Levels: Determining procurement rankings

Total Points (maximum of 43 points)	Ranking
34 or more	S
26 or higher but less than 34	Α
17 or higher but less than 26	В
Less than 17	С

Using total procurement guideline points, products are classified as S. A. B. or C level, with S being the highest, while a separate borderline is established for guidelines 1 and 4, which are particularly important.

Since 20<u>07</u>

Holding explanatory meetings for suppliers and conducting supplier surveys to take improvement measures as part of the PDCA process

We hold explanatory meetings for about sixty main suppliers from which we purchase wood materials and conduct supplier surveys annually. By offering advice on wood materials and giving individual guidance, we have helped them raise their procurement levels.

In light of the increase in the procurement level among our suppliers in recent years, we are going to revise the point allocation in our Wood Procurement Guidelines to achieve greater sustainability in our wood procurement practices during fiscal year 2011. Also, we will start the process to obtain environmental certification at our laminated wood processing factory.

Achieving tangible outcomes under the "Gohon no ki" landscaping concept in cooperation with tree growers over ten years

Selecting native and indigenous tree species and creating green space attractive to local creatures, assisted by our tree doctors and environmental NGOs

We developed the "Gohon no ki" landscaping concept by drawing inspiration from the satoyama environment that has long been part of Japan's traditional landscape. While keeping nature intact is one way to protect the environment, this is not feasible for Japan with its small land area. Instead, we have opted to preserve the environment by reproducing the traditional satoyama landscape, typically consisting of rice paddies, vegetable fields, brooks and wooded areas, which Japanese people created by moderately intervening in local natural environments and managing them in a sustainable manner. As such, the satoyama environment has provided a home to a diverse range of creatures, while allowing local residents to reap the seasonal benefits of nature. We have adopted this satoyama approach in creating and maintaining home gardens, and planted native and indigenous tree species that are best suited to the local climate. The satoyama-like environment created in home gardens attracts many creatures such as wild birds and butterflies, thus helping to conserve ecosystems and allowing homeowners to enjoy interactions with nature at the same time.

We have been promoting the Gohon no ki landscaping concept on a nationwide basis since 2001, assisted by the advice of environmental NGOs, while striving to educate employees and our business partners on this concept by holding study meetings and organizing tours, in which our employees with tree doctor qualification serve as lecturers.

Creating ecosystem networks that connect urban areas and forest/satoyama areas

An indigenous tree can nurture hundreds of species of creatures including wild birds on its own. Our Gohon no ki landscaping concept was given the 2006 Good Design Award in the New

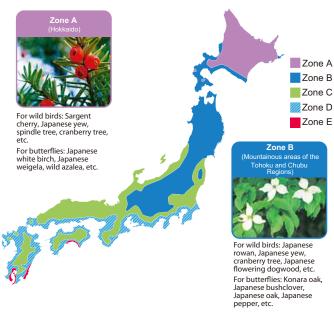


Network of Satoyama Landscapes

Frontier Design category in recognition of its "contribution to the process of creating a sustainable society by planting selected tree species that do not disturb ecosystems."

Trees planted under the "Gohon no ki" landscaping concept

We divide Japan into five zones and plant a total of more than 120 native and indigenous species that are best suited to respective zones.





For wild birds: Japanese bayberry, false daphne, Japanese cheesewood, Kobushi magnolia, etc. For butterflies: Japanese silver tree, Sawtooth oak, banana tree, Japanese bushclover, etc.



For wild birds: Japanese cherry, Kobushi magnolia, Japanese eurya, cranberry tree, etc.

For butterflies: Sawtooth Japanese silver tree, etc.



For wild birds: Japanese cherry, longstalk holly, prickwood, nandina, etc. For butterflies: Japanese

Tracking the benefits of the "Gohon no ki" landscaping concept through a biodiversity survey

We initiated an ongoing biodiversity survey in September 2008 in partnership with experts, in order to track the benefits of our Gohon no ki landscaping concept. In the survey, we examine fauna and flora populations before and after construction of residential developments that employ the Gohon no ki landscaping concept and measure its benefits over time and in comparison with nearby environments.

Past surveys were conducted twice a year, in summer and winter, in six subdivisions in five locations including Sendai and

Miyazaki with the participation of local residents. These surveys indicate that the growth of trees we planted has brought about an increase in quantity and variety of biological species.



"Gohon no ki" mobile phone website This website allows users to search the names of birds. butterflies, and trees by specifying shape, size, and/or color. This website also contains audible examples of birdcalls, and helps users identify bird species. This site contains: 24 bird species (including their calls) 24 butterfly species Butterfly 92 tree species ■ Access the site by typing the URL ■ Access the site by scanning the http://5honnoki.jp QR code

7,160,000 trees planted in ten years—Bringing greater comfort to homeowners through the "Gohon no ki" landscaping concept

Home gardens that employ the Gohon no ki landscaping concept are designed to provide well-balanced green space to offer home to small creatures and bring greater comfort to homeowners at the same time.

For example, a combination of deciduous broadleaf trees and evergreen trees adds to the value of housing, with the former attracting birds with their fruits and the latter providing them shelter. Furthermore, deciduous broadleaf trees help homeowners reduce power consumption for air conditioning in summer, as they create pleasant shade and cool the air through transpiration. In winter when leaves fall, they bring warm sunlight directly into the home, thus minimizing the use of heaters. Evergreen trees, on the other hand, stay green all year round and serve as a natural wall to protect privacy. Abundant greenery that grows year by year makes homeowners feel increasingly attached to their housing, and enhances the value of the house and community. The number of trees we have planted under the Gohon no ki landscaping concept over these past ten years has totaled 7,160,000.

We communicate the outcomes of this initiative to society as part of our efforts to increase public awareness of the importance of biodiversity preservation. Specifically, we offer a hands-on environmental education program, "Letters from Dr. Forest," through our website, which can be downloaded for free and used in schools, while maintaining the Gohon no ki mobile phone website that helps users identify tree and wild bird species. During fiscal year 2010, we produced a booklet titled "Let's start a comfortable life with our Gohon no ki concept" and a picture book "Gururururu" that emphasizes the importance of biodiversity and succession of lives and distributed them to visitors to the Interactive Fair for Biodiversity held in conjunction with COP 10.

Trees planted by Sekisui House



Working with eighty tree growers and landscaping companies across Japan to promote tree planting without relying on foreign tree species, in a manner that does not disturb ecosystems

We have built a network that encompasses approximately eighty tree growers and landscaping companies across Japan. These partners share our vision of sustainable landscaping that does not disturb ecosystems, and assist us by growing trees to be planted in home gardens under the Gohon no ki landscaping concept.

The tree species that we have been planting under the Gohon no ki landscaping concept were viewed as miscellaneous trees with little value before we launched this initiative ten years ago, and very few of these species were distributed on the market. Today, an increasing number of landscaping companies are growing these species from seedlings for years, making them more widely available on the market.

Training green experts internally

We train employees in advanced gardening and landscaping techniques and teach them about biodiversity preservation under our internal green expert program. The green experts provide technical support in landscaping projects across Japan and direct the work of our gardening contractors.

Designing green space in a manner that provides a sense of oneness between interior and exterior areas

Under our Gohon no ki landscaping concept, we encourage landscaping design that creates a greater sense of oneness between interior and exterior areas by providing a transition space like an engawa (veranda-like porch) and an earthen floor that are part of traditional Japanese houses. Such a design allows homeowners to enjoy seasonal changes and the sight of wild birds visiting the garden first-hand.

Creating green space also for our apartments for leasing to feel closer to nature in everyday life



The Gohon no ki landscaping concept is also employed in our low-rise apartment, "Sha-Maison Gardens," which is designed to constitute a natural part of the local townscape and environment and add value to the community.

Creating green residential environment and supplying trees and vegetation under the "Gohon no ki" landscaping concept

We were quick to voice our sympathy with the efforts of Sekisui House to contribute to preserving the natural environment with their Gohon no ki landscaping concept, and since 2001, have been engaged in growing garden trees and implementing landscaping work in a manner that preserves biodiversity, capitalizing on our network of tree growers. In line with the idea of reproducing the satoyama environment in home gardens by planting local indigenous tree species, we have been striving to create attractive gardens that integrate well with the local natural environment, as part of our community development efforts. In doing so, we hope to achieve a greater harmony between local residents and ecosystems.

We will remain committed to working for the creation of a pleasant green residential environment and continuing to

supply native trees and vegetation and implement landscaping work under the Gohon no ki landscaping

Mr. Takaaki Yamazaki President, Yamazaki Zuisho-en

Yamazaki Zuisho-en grows native and indigenous tree species for Sekisui House's "Gohon no ki" landscaping concept as a member of the nationwide network of eighty



Building a **Recycling-oriented** Society



Accelerating the shift from disposal to recycling for both homes and resources through our Everloop program and zero-emissions initiatives

Today, building a sustainable recycling-oriented society has become a globally shared goal. In our efforts to maximize the sustainable and responsible use of resources and contribute to the process of creating an ideal recycling-oriented society, we positively implement initiatives to renovate existing homes to the level of new build homes and achieve zero emissions at our construction sites.

Everloop

Creating a market for revitalized homes by supplying homes with prolonged lifecycles

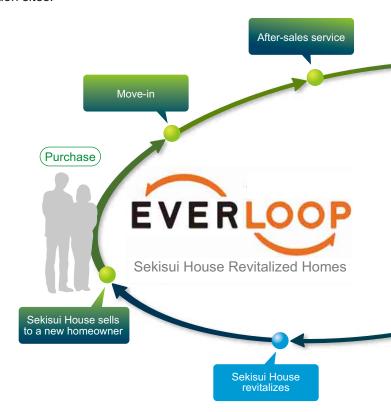
Fulfilling our responsibility as a leading housing manufacturer to revitalize the existing homes we have sold over the past fifty years as high-quality housing stock

The housing industry is required to build high-quality housing stock and put the stock to better use under the 2006 Basic Act for Housing and the 2009 Act on the Promotion of Dissemination of Long-term Quality Housing. In response to this social demand, we launched the Everloop home repurchase program in 2007.

Under the Everloop program, we repurchase existing Sekisui House-built homes from the homeowners, and completely renovate them for resale using our proprietary technologies. By lengthening the lifecycles of homes, we can ensure more efficient use of resources and reduce the amount of energy consumed in rebuilding process, thereby abating environmental impacts. At the same time, this program allows us to create a new market for revitalized homes. We are working to build housing stock of superior quality through our efforts to offer high-quality longer-lasting homes and promote recycling-oriented lifestyles in

Playing a leading role in spreading high-quality stock housing (SumStock)

In July 2008, nine housing manufacturers including Sekisui House jointly established the High-quality Stock Housing (SumStock) Promotion Council (Chairman: Isami Wada, Chairman & CEO of Sekisui House) with a view to encouraging distribution of existing high-quality housing stock and creating a viable market for such stock. Currently, the Council has a membership of ten companies. The Council members, with a common understanding of the definition of "good-quality stock housing" and a unified housing appraisal method, are working together to create a robust market for high-quality stock housing products (SumStock) and make such products more widely available.



Bringing benefits to both sellers and buyers









Sale Homeowner looking to sell Consultation with Sekisui House **Everloop flow** Home inspection and appraisal Sekisui House purchases from the homeowner

Everloop customer interview

Everloop home (seller)

We are satisfied that our beloved home continues to live on intact and that we did not have to pay any brokerage fee.

The F family (Saitama Prefecture)

When we considered moving near to my aged parents to take better care of them, I read an article about the Everloop program in *Kizuna*, Sekisui House's magazine for homeowners. I soon contacted Sekisui House, inquired about the Everloop program, and decided to sell our home under this program. A conventional housing appraisal undertaken by a real estate agent can only present an estimated value of a home. Besides, we cannot determine when to sell our home. Under the Everloop program, on the other hand, we were given the exact value of our home,



which made it easier for us to make financial arrangements and prepare for the relocation. In addition, we could determine when to move out through consultation with Sekisui House, therefore we did not have to rent a temporary home. We sold our home directly to Sekisui House, and thus incurred no brokerage fee. Among other things, we are glad that our beloved home lives on intact.

Promoting the Everloop program backed by our track record of selling 2,000,000 homes and group-wide

Our track record of selling 2,000,000 homes has led us to the development of a stock of homes with superior quality and a proven history. The Everloop program has been made possible by this high-quality housing stock, coupled with the cooperative ties with our Group companies, Sekiwa Construction, Sekiwa Real Estate, and Sekisui House Remodeling.

Our homes are so sturdily built that even 20- and 30-year-old homes can be renovated to have greater safety, durability and comfort by enhancing their earthquake resistance and heat insulation efficiency and replacing interior materials and fixtures with those that employ the latest technologies. In an after-sales questionnaire, many Everloop homeowners responded that they are satisfied with the comfort and quality offered by their home that is comparable to a new build. Furthermore, our U-trus system* provides extended manufacturer's warranty at 10-year intervals after the expiration of the initial warranty period of 20 years on condition that required inspection and maintenance are completed.



Our Everloop home was selected as a "full skeleton revitalization model" in the category of "renovation of existing homes" under the Long-term Quality Housing Lead Model Project led by the national government for the third consecutive year.

Everloop home (buyer)

We like the idea of continuing to use old properties with care.

The M family (Saitama Prefecture)

We are satisfied that we could buy a home almost equal in quality to a new build at a lower cost than a new build, with a 10-year warranty that applies to structural, frame and rainwater-proofing components. I agree with the concept of the Everloop program to use old properties with care, and we are confident of the quality of the renovation work as it was undertaken by Sekisui House, the builder of this home. We like the home's room layout, outer appearance, and lighting which are designed in a coordinated

We are satisfied that we could get a housing loan at a

preferential interest rate. Furthermore, we can save money on electricity thanks to the same superior heat insulation efficiency as a new build home. The high-efficiency insulating multilayer glass prevents dew condensation almost completely. In the eyes of our guests, our home looks like a new build home.



Zero emissions

Committed to implementing resource recycling to the fullest while reducing waste at source



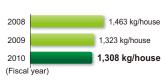
We have already achieved our zero emissions goal at the stages of production, new build construction, after-sales maintenance and remodeling. By "zero emissions" we mean no waste materials are sent to landfills or processed at waste incineration plants without thermal recovery. We maximize our efforts to ensure the proper and complete sorting of waste materials, which helps us keep our workplaces tidy and enhance work efficiency.

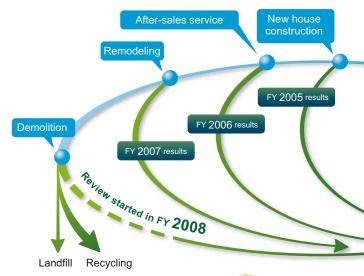
To prevent unnecessary resource consumption, we introduced Japan's first IC tag-based next-generation zero-emissions system that allows us to collect more accurate data on the volume of waste and exercise even stricter controls over waste. The system has been in place nationwide since fiscal year 2010.

Volume of waste per house at a factory



■Volume of waste per house at a new build construction site





Launching Japan's first IC tag-based next-generation zero-emissions systems nationwide





An IC tag is affixed to each waste disposal bag.



Collection of waste disposal bags is requested.



IC tags are scanned with a dedicated device according

Finding out factors that contribute to the generation of waste by analyzing data and exploring effective measures to reduce waste

The system speedily measures the volume of waste materials that have been sorted into 27 categories in each construction site, and manages them according to category. It also identifies trends of waste volume through data analysis, and the findings are incorporated into our waste reduction measures.



Waste materials are recycled into various building



Waste materials are sorted into 80 further categories.

Waste volume is measured by category.

Waste disposal bags are

the Resource Management



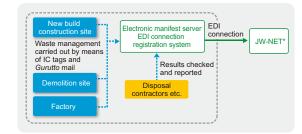
Waste disposal bags are unloaded to be measured in 6

Constructing a waste disposal management framework using an electronic manifest system

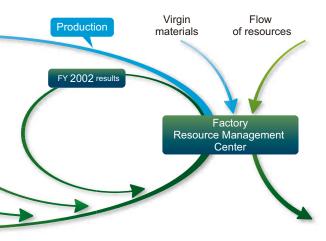
In Japan, repeated illegal dumping of waste has caused serious problems. Against this backdrop, we face an urgent need to properly manage the waste disposal process and trace the movement of waste to our disposal contractors, thus preventing improper disposal. We have replaced the conventional paper manifest (industrial waste control manifest) with an electronic manifest on a group-wide basis, which allows us to exchange data via the Internet and expedite and streamline the industrial waste management process.

*JW-NET is an electronic manifest system implemented by the Japan Industrial Waste Information Center under the Waste Disposal and Public Cleansing Law.

■How the electronic manifest system works at Sekisui







Management Center as a new waste recycling base

We have Resource Management Centers in various parts of Japan to collect waste materials from our construction sites and recycle them into building materials.

In 2010, we opened a new Resource Management Center in Ritto City in Shiga Prefecture. Complete with the latest waste treatment and recycling equipment, this new Resource Management Center covers the Kinki and Tokai regions. Through our



Recycled materials production line of Ritto Resource Management Center

nationwide network of Resource Management Centers, we are striving to increase the varieties of recycled materials while developing new needs.

Developing new value-added materials in succession by recycling waste plasterboard and ceramic roof tiles

Reducing the transmission of floor impact sounds: Filing materials for "Shellshut Slabs"

We use finely pulverized waste roof tiles as filling materials for the "Shellshut Slabs" that constitute our patented SHAIDD55 sound and vibration absorbent floor system. These filling materials are effective in preventing impact sounds from being transmitted from the upper to lower floors at our Sha-Maison low-rise apartments.



Field chalk made entirely from waste materials Platama Powder

We make field chalk by mixing plasterboard waste collected at our construction sites with egg shells that have been washed and dried, and then crush the mixture into fine particles. This field chalk is offered for sale for use at the sports fields of





Made entirely from waste materials, Platama Powder is an Eco Mark product certified in Japan.

elementary and junior high schools and public fitness facilities throughout Japan.



Placing high expectations on Sekisui House, a company that leads society with their cutting edge zero emissions solutions



Teruo Takahashi Ph.D.

Honorary Professor Waseda University Advisor to the Institute of

[Dr. Takahashi's research focuses on system design methodologies including the design of factory business models and logistics. His recent research interest lies in aligning on-site competencies with management strategy to better guide self-governing systems.]

To Sekisui House, waste materials from new build construction sites mean more than things that can be simply discarded: they are new resources to be explored. The process of turning waste into resources has been upgraded and backed by the positive participation of workers at construction sites as well as the introduction of the latest technologies such as IC tags. If Sekisui House makes use of their experience to include waste materials from housing demolition sites in this process, then their initiatives can go beyond the scope of a mere corporate undertaking, and be part of social logistics. If so, they are expected to carry out complex tasks ranging from sorting waste after demolishing houses to transporting them in a systematic manner. In doing so, they will be able to achieve complete recycling of waste materials. I hope that Sekisui House will remain at the cutting edge of society and continue as a leader with state-of-the-art zero emissions solutions.

Activity Report

Building Communities that Deepen Neighborhood Bonds and Grow Increasingly Attractive Over Time



Striving to create pleasant communities that nurture friendly ties among residents and that last for generations

To fulfill our responsibility as a housing manufacturer which offers livable and pleasant environments and communities, we have remained committed to building communities whose attraction increases with the passing of time. While the process of community development requires many different approaches, we focused our attention on neighborhood relationships in fiscal year 2010, which are effective for crime prevention and disaster mitigation. Therefore we launched a systematic approach to create high-quality communities focusing on neighborhood bonds.

tl

Developing communities as common properties of residents this unchanging principle is incorporated in the Sekisui House Urban Development Charter announced in 2005

We have remained faithful to the principle of developing communities as common properties of residents. In 1977, we started our ongoing efforts to build communities that nurture friendly bonds among residents. The names we gave to these communities start with the word "common" such as "Common Life" and "Common City," which reflects our desire to create new hometowns with pleasant and harmonious townscapes, where residents feel pleasure in being members of the community and enjoy friendly interactions with their neighbors. By doing so, we hope to contribute to fostering local and regional culture and enhancing the value of communities as social assets.

The ideas and beliefs behind our community development efforts are summarized in the Sekisui House Urban Development Charter we announced in 2005. We were also quick to establish internal guidelines for community development, such as the Basic Principles of Town Development and the 24 Guidelines for Urban Development. In addition, we are working to increase greenery in common spaces and streets and create townscapes that emphasize linkage between neighbors under our "Gohon no ki" landscaping concept and "n x Yutaka" (n times richer) design concept*. In this way, we have developed many attractive communities in anticipation of future lifestyle trends.

We have taken various approaches to create communities that mature and grow more attractive with the passing of

We have developed communities of various sizes, ranging from small towns to large complexes consisting of condominiums and commercial facilities.

Technically, we not only undertake the design of individual homes, but also determine the size and allocation of public spaces, ensure a unity of design among buildings to create a harmonious landscape, and plant trees so as to strike the right balance of greenery. Furthermore, we often work with residents in drafting architectural agreements to preserve townscapes, organizing seasonal events, and setting up residents' associations and management unions. If we are to build a healthy, viable community, we should be able to develop community infrastructure in a manner that resonates with residents. We will continue our ongoing efforts to create communities that will remain attractive to residents, using various approaches for both housing development and community service.



Attractive communities that bloom with time

A community that inspires residents' attachment to the neighborhood can increase its attractiveness with the passing of time.

In implementing community development projects, we stick to the principle of creating communities whose value continues to increase over years. We place special emphasis on ensuring a unity of design in townscape development and facilitating communications among residents. Even after completion of a community development project, we continue offering support to residents so that they will develop an attachment to their community and so that the community will grow more attractive with time.



Through our Community Visiting Day, we promote our residential developments that feature appealing landscaping and environmental planning consistent with our Urban Development Charter. In fiscal year 2010, this event was held in a total of 567 detached houses at 109 locations and 464 condominium residential units at 25 locations.

Developing communities nationwide that grow more attractive with the passing of time

Detached houses



Common Stage Hikone East (Shiga)

A zelkova tree that has grown to a huge size over a long period of time and many other existing local trees are preserved as valuable assets and constitute an important part of the townscape. The greenery, as well as its ecosystem-friendly design, gives a distinctive character to this community.



Common Garden Soka (Saitama)

Although the homes differ slightly in size and style, their overall color combinations, open exterior spaces, and abundant greenery designed under our "Common Garden Soka Community Development Guidelines" create a pleasant and lively townscape. This community won the 17th Soka City Machinami Landscape Award (in



Common City Kameda-ekimae (Niigata)

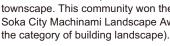
This community features well-planned allocation of trees and natural elements that blend in with the greenery, which together form a townscape with a finely balanced design. The abundant greenery and natural elements that grow and increase their attractiveness over time give residents the pleasure of enjoying the seasonal changes of nature.

Condominium for sale



Grande Maison Itami Ikejiri Literacity (Hyogo)

This condominium houses 368 residential units. Its sophisticated housing features. such as the vegetable garden, the green space designed under the Gohon no ki landscaping concept, and the "Kids Design," allow residents to live happily in their own way and enjoy creative activities.





El cielo azul (Chiba)

In this Sha-Maison town, terrace houses designed like detached houses are allocated around a circular common space. The large green space and pleasant environment will increase the value of the town with the passing of time.

Increasing the value of communities by fostering neighborhood relationships

Promoting community development focusing on neighborhood bonds

Building both a livable residential environment and positive neighborhood relationships

When building a community, we not only focus on infrastructure development including designing parks and streets and the allocation of individual homes, but we also attach weight to the aspect of "growth of the community over time." This insight is behind our ongoing efforts to create communities that transcend generations and grow and mature together with the residents who live there. In communities where many people live together, neighborhood relationships can come in various forms. What we are after is creating communities that allow residents to foster moderately close relationships with their neighbors so that they can enjoy their own home lives while sharing joy and pleasure with neighbors.

Joining efforts with residents in developing communities to deepen neighborhood bonds

If we are to build pleasant communities, we have to create venues for daily interactions among residents, such as parks and assembly halls, and provide opportunities to facilitate communications. In addition, it is necessary to set up an organization that takes charge of the management of neighborhood affairs to sustain interactions among residents. We place special emphasis on neighborhood bonds in our community development projects, and will apply our experience and knowledge gained from past projects to our future initiatives.

Creating venues

for activities which deepen neighborhood bonds



Providing opportunities to develop neighborhood bonds

interactions among



Setting up an organization

that plays a core role in fostering neighborhood bonds

We assist in setting up a neighborhood organization that represents the community and acts to affairs. We also encourage



Example:

Community development focusing on neighborhood bonds

Common Stage Yayoigaoka (Saga, 108 subdivisions)

This is a quiet residential area with 108 subdivisions where streets are separated from walkways in an orderly fashion. Ample spaces are provided at street dead-ends (cul-de-sacs) in several locations, which can be used as venues for small gatherings during the daytime on weekdays when traffic isn't heavy. The Fureai Plaza at the center of the community is used for community-wide events, such as Community Fair (a potluck party organized by residents to encourage communications) and the Green Curtain Seminar to share tips to cope with the summer heat. Through these events, neighborhood bonds are being strengthened.





Supporting Community Fair since the spring of 2010 to deepen neighborhood bonds

Community Fair is an effective tool to deepen neighborhood bonds in the community. It is a gathering held in an open space in a community where participants contribute food to be shared among them. Starting as a citizens' movement in Paris, Community Fair has seen increasing participation in Japan since 2009 when its Japanese office was opened.

We were first involved in a Community Fair event in our residential area in Nagasaki Prefecture and have since supported this event a total of ninety-six times in housing complexes around Japan. This residents-led event is highly effective in deepening solidarity among community members and it is now a critical part of our community development efforts focusing on neighborhood

(Website of the Community Fair Japanese Office: http://www.rinjinmatsuri.jp)

Creating venues for activities which deeper neighborhood bonds

Providing opportunities Setting up an organization that plays a core role in fostering neighborhood bonds







Sharing food generates conversations.



Greenery events are also effective in strengthening neighborhood relationships.











The event facilitates conversation among members and helps expand the circle of friendship within the community.

We interviewed residents of Common City Midorigaoka (Yokkaichi City in Mie) about their community development efforts

Community members befriended each other during the Community Fair event and now enjoy further interactions through friendship events such as girls-only and boys-only gatherings. The neighborhood bonds have provided voluntary and mutual support to parents with small children as a natural part of our lives.



(From the left) Ms. Matano, Ms. Yada and Ms. Doi who acted as organizer of the first and second Community Fair events

Common City Midorigaoka residential area is located in a pleasant green environment near the Hazuyama Green Park. Here, the Community Fair event has been held twice. We interviewed Ms. Yada, Ms. Doi and Ms. Matano, who were involved in the organization of this event.

At first, we couldn't determine the right amount of food and sweets to prepare for the potluck, but gradually we introduced rules, such as "participants are asked to bring about a platter full of food." We employed various measures to deepen ties among participants, such as asking participants to write a brief personal profile on a name tag and wear it during the event, and assigning a seat to each participant on a first come first served basis to ensure that no tables would be occupied by a group of acquaintances only. The Community Fair event has resulted in various positive outcomes. For example, thanks to the stronger neighborhood ties, our children are now cared for and protected on a community-wide basis. Some couples first met each other at the Community Fair event, and community members who made friends during this event hold girls-only and boys-only gatherings from time to time, which further promotes friendship. This event is also helpful for newcomers to get acquainted with their neighbors. We hope the Community Fair event will continue to be held, led by community members who take turns acting as organizers.