

Features of the Sustainability Report 2013

- The content and materiality of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration social conditions and survey responses to the Sustainability Report 2012 received from approximately 2,379 internal and external stakeholders.
- This report is designed so as to lead readers to topics of their interest by inserting a section that provides an overall description of the CSR efforts of the Sekisui House Group.
- Special focus is given to the expansion and progress of our Green First initiative, which was launched to achieve our Sustainable Vision, as well as the Smart Common City project to promote smart towns as part of the Green First initiative.
- This report provides a general outline of our restoration and reconstruction activities for the areas stricken by the Great East Japan Earthquake.
- As an annual report, this brochure also contains a summary of our corporate activities during fiscal year 2012 in the section titled "Activity Report." This report also includes self-evaluation of performance towards our goal.
- This report also shows the change in Key Performance Indicators (KPI) on important areas such as the progress of the Eco-First promise.
- The report also includes comments from stakeholders in various sectors including our customers and external experts to provide objective third-party views of our corporate activities.

Scope of This Report

Areas of Business

This report covers a total of 55 companies: Sekisui House, Ltd.; its consolidated subsidiaries that are principal actors in CSR and environmental management including, Sekiwa Real Estate, Ltd. (6 companies), Sekisui House Remodeling, Ltd., Sekiwa Construction, Ltd. (20 companies) and 13 other companies including Sekiwa Wood, Ltd.; and its 14 main overseas subsidiaries out of 106 overseas subsidiaries. (Refer to pp. 3-4 for the overview of the Sekisui House Group.) In total, this report covers 99.8% of the entire Sekisui House Group in terms of number of employees.

Areas of Business Activity

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

● Period Covered

Fiscal year 2012 (February 1, 2012 to January 31, 2013)

*Some activities undertaken in fiscal year 2013 are covered in this report.

● Date of Publication

This report is published annually in Japanese around April.

*English and Chinese versions are published annually around June.

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About the Cover

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

One of the community development projects underway in the United States (Waterset in Florida)

Camden Hills, a newly developed residential area in the suburbs of Sydney, Australia (Artist's rendering)

Editorial Policy

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

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"SLOW & SMART" Meeting Social Challenges

Our Initiatives 1

To deliver ideal solutions to various social problems with Sekisui House's smart towns

We are fully dedicated to the implementation of the "Smart Common City" project. ... 23



Activity Report for Fiscal Year 2012

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Activity Report 1 Preventing global warming 49

Contributing to a reduction of CO₂ emissions steadily by promoting our Green First design
Main initiatives: increase the ratio of Green First models to all Sekisui House-built detached homes and low-rise apartments for leasing; promote retrofitting of existing homes with photovoltaic power generation systems; encourage introduction of mega solar systems; save electricity at workplaces



Activity Report 2 Preserving biodiversity 53

Planting 1,000,000 trees a year to preserve the local ecosystem under our "Gohon no ki" landscaping concept
Main initiatives: promote "Gohon no ki" landscaping concept; conduct biodiversity survey; enhance wood procurement levels; revise the Wood Procurement Guidelines; encourage the use of domestic products from domestic sources; conduct supply chain survey



Activity Report 3 Building a recycling-oriented society 57

Building a recycling-oriented industrial system with our own innovative resource recycling solutions
Main initiatives: introduce an electronic manifest system to all facilities to ensure proper waste disposal management; develop new materials from waste and promote the use of such materials; improve the pre-cut method; expand the "SHEQAS" seismic vibration absorption system; promote the Everloop home repurchase program



Activity Report 4 Coping with changes in the social structure to better meet emerging needs 61

Offering living environments where all people, including the elderly, children, and people with disabilities can live healthy and comfortable lives
Main initiatives: launch the industry's first residential care homes for the elderly; construct rental apartments for multigenerational interactions



Activity Report 5 Commitment to stakeholders 65

Fostering relationships of trust with all stakeholders associated with our business to grow together and achieve co-prosperity
Main initiatives: strengthen collaborative ties with business partners and the Sekisui House Association; offer opportunities to female employees to play leading roles in their workplaces; return profits to our shareholders



Activity Report 6 Contributing to the wellbeing of society 71

Acting in cooperation with various sectors with a "love of humanity" as our guiding principle to continue working for the wellbeing of communities and addressing social challenges
Main initiatives: offer grant aids under the Sekisui House Matching Program; support the independence of people with disabilities; operate the Kobe Machizukuri Rokko Island Fund; cooperate in the construction of the "Child Chemo House"



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Contributing to the creation of a sustainable society under the motto of “SLOW & SMART”

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

Adopting “SLOW & SMART—housing innovation to make your heart feel at home” as our brand vision, we have been implementing a growth strategy with our focus placed on the area of “housing.” We will continue our efforts to create safe, durable, healthy and comfortable living environments with the highest quality products and state-of-the-art technology, while offering new values in response to demands of the times. In doing so, we hope to find solutions to various social problems and accelerate the process toward a sustainable society.

(We built 45,098 houses during fiscal year 2012, and have built 2,135,437 houses in total.)

Detached housing business

Contracting, design and construction of detached houses



“IS ROY+E”: Luxury Modern Series, two-story steel-frame detached house



“BIENA” three-story steel-frame detached house



“Gravis Bellsa” wooden-frame detached house

Subsidiaries and Affiliates

© Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (construction and remodeling of homes and exterior construction work)

Rental housing business

Contracting, design and construction of rental housing and medical and nursing care facilities



“CELEBLIO” residential care homes for the elderly

Subsidiaries and Affiliates

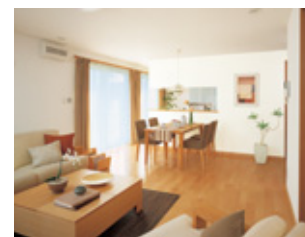
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 © Sekiwa Real Estate, Ltd. and 14 other companies (purchase/sale, brokerage, leasing and management of real estate)

Remodeling business

Expansion and renovation of houses



Before remodeling



After remodeling

Subsidiaries and Affiliates

© Sekisui House Remodeling, Ltd. (housing remodeling)
 © Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (construction and remodeling of homes and exterior construction work)
 © Sekiwa Real Estate, Ltd. and 14 other companies (purchase/sale, brokerage, leasing and management of real estate)

Corporate Profile (as of January 31, 2013)

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: ¥186,554,190,000
 Number of shares outstanding: 676,885,078
 Employees: 21,476 (consolidated); 13,049 (non-consolidated)

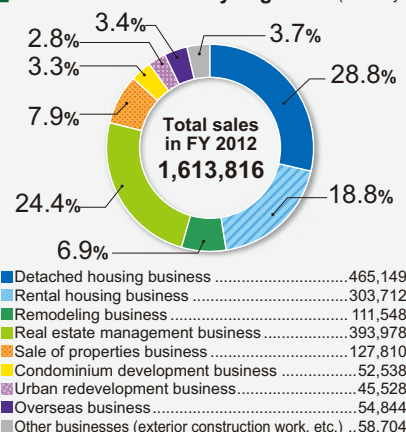
Sales and Service Offices (as of January 31, 2013)

Branch and sales offices: 123	R&D Institute: 1
Customer Centers: 30	Consolidated subsidiaries: 148
Model homes: 423	Companies accounted for under the equity method: 18
Factories: 5	

Business Performance Review

During fiscal year 2012, we promoted sales of the “Green First HYBRID,” an advanced smart house model incorporating solar, fuel and storage cells, which are operated by our proprietary Home Energy Management System (HEMS), as part of our environmental strategy. We also launched a wider range of storage cells for eco-friendly housing products. In this way, we directed our efforts to the “Green First” initiative under our three-year medium-term management plan that commenced in fiscal year 2010, and successfully attained the targets for the fiscal year under review. In November 2012, we announced a new medium-term management plan, in which a growth strategy focusing on the area of “housing” is placed at the core of the management policy. Committed to our brand vision, “SLOW & SMART,” we will strive to achieve a continuous increase in profitability in the domestic market, while steering our overseas business operations on a path to exponential growth.

Consolidated sales by segment (million yen)



Real estate management business

Subleasing, management, operation and brokerage of real estate



"BEREO" heavy-steel rental apartment

Subsidiaries and Affiliates

◎ Sekiwa Real Estate, Ltd. and 14 other companies (purchase/sale, brokerage, leasing and management of real estate)

Subleasing Activities

Sekiwa Real Estate, Ltd. engages in building sublease activities where fixed monthly lease payments are made to the building owner regardless of occupancy rate. As the building lessee, Sekiwa Real Estate acts as the direct lessor for individual tenants, reducing workload and improving operating efficiencies for the building owner. Sekiwa Real Estate has served many customers for over 30 years. Under this system, Sekiwa Real Estate has developed a strong reputation in the segment for reliable long-term property management.

Sale of properties business

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



Smart town "Smart Common City Akaishidai"

Subsidiaries and Affiliates

◎ Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (construction and remodeling of homes and exterior construction work)
 ◎ Sekiwa Real Estate, Ltd. and 14 other companies (purchase/sale, brokerage, leasing and management of real estate)

Condominium development business

Sale of condominiums



"Grande Maison Shirogane" condominium project

[Subsidiaries and Affiliates]

◎ Sekiwa Kanri Co., Ltd. and three other companies (management of real estate)

Urban redevelopment business

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



"Gotenyama Project," a large-scale mixed-use development project

Overseas business

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



Wentworth Point in Australia

Cinco Ranch in the U.S.

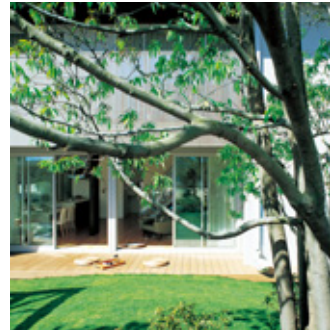


Subsidiaries and Affiliates

◎ Sekisui House Australia Holdings Pty Ltd. and 105 other companies

Other businesses

Exterior construction work, etc.



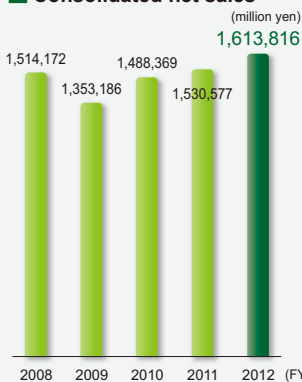
Exterior construction work

Subsidiaries and Affiliates

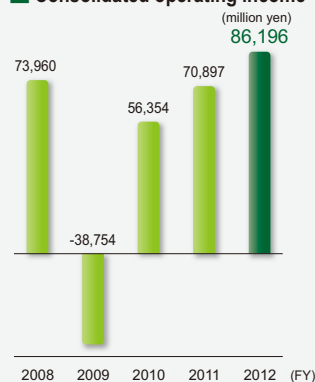
◎ Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (construction and remodeling of homes and exterior construction work)

◎ ...Consolidated subsidiaries ○ ...Other affiliated companies

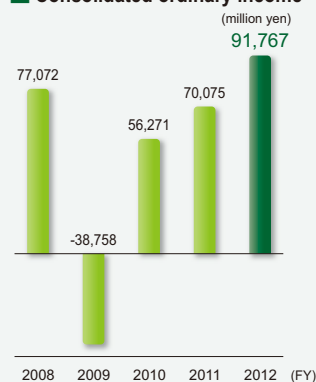
Consolidated net sales



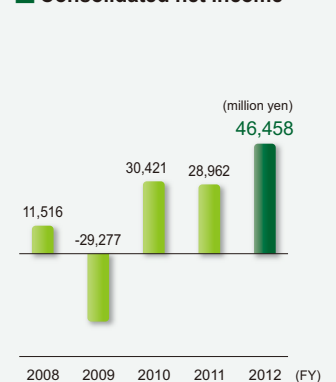
Consolidated operating income



Consolidated ordinary income



Consolidated net income



Creating a home from a resident's viewpoint, from first contact with customers to after-sales support

1

Before embarking on a homebuilding project

Maintaining contact points with customers nationwide

Attaching importance to being a community-based company, we believe that homebuilding sites should be opened to society as much as possible. Accordingly, we strive to offer information on housing and living and make our sites open to the public as much as possible. These activities are mainly undertaken at our housing construction sites across Japan as well as model homes and hands-on learning facilities including the Large-scale Experience-based Facilities, all of which are important venues where we can connect with customers. Through these activities, we ensure that visitors will be convinced of the superior quality of Sekisui House homes built under our "customer-specific design flexibility" concept, and our ability to cater to customer needs with a wide range of attractive proposals and technical excellence before starting a homebuilding project.



All workers involved in a homebuilding project act from a customer's viewpoint.

Construction sites

Making homebuilding sites open to the public through cooperation from homeowners

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



We have been organizing our nationwide "Sekisui House Visiting Day" event since 1989, with the cooperation of homeowners. In 2012, we held this event at 1,293 locations with participation of 63,768 groups of visitors.

Model homes

Offering concrete images of lifestyles and ideal solutions while serving as venues for community events

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



We have a total of 423 model homes in various parts of Japan. (As of January 31, 2013)

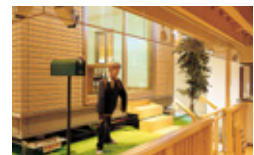


The "Slow Living" open space on the second floor gives a sense of being close to the sky and is a great place for relaxation.

Hands-on learning facilities

The Large-scale Experience-based Facilities allow visitors to experience and check specifications that cannot be seen at model homes

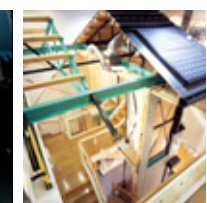
We have opened six Large-scale Experience-based Facilities throughout Japan for hands-on learning for better housing. These facilities are "housing theme parks" where visitors are offered opportunities for enjoyable experiences to learn first-hand about various housing features such as the strength of housing structures, environmental performance and usability of housing fixtures. We also run Sumai-no-kagakukan, which are other experience-based facilities, in various locations including Tokyo.



A full-sized housing structure makes visitors aware of the robustness of a seismically-isolated home.



Sekisui House's Large-scale Experience-based Facilities received 95,421 visitors in fiscal year 2012.



Sumai-no-kagakukan (medium-sized experience-based facilities) received 87,691 visitors in fiscal year 2012.

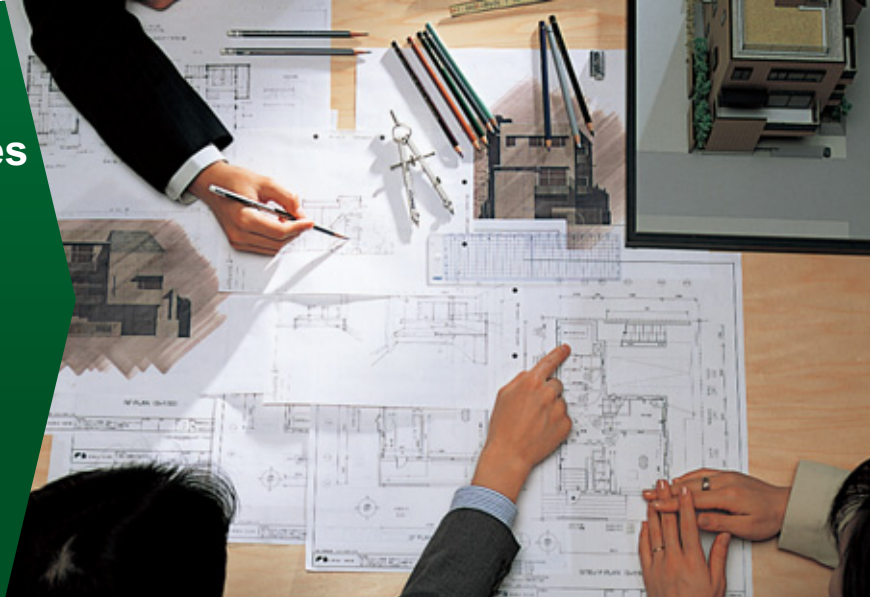
Essentially, homes should be built one by one in a manner specifically tailored to local conditions such as climate, geographical features and site conditions, as well as family structure, lifestyle and life stage of customers. Since our inception, we at Sekisui House have remained true to our “customer-specific design flexibility” policy to maximize customer satisfaction by addressing the different conditions and needs of our customers with our proprietary construction method and production system and offering the best solutions in terms of both physical structure and comfortable living environments. At Sekisui House, customers are never asked to choose from among a limited number of pre-designed housing plans. Instead, we take time to discuss housing plans with customers face-to-face through our “Housing Consultation” service, and act from a customer’s viewpoint across the entire homebuilding process from initial contact, design, production and construction to after-sales support.

2

Up to completion of a home

Creating personalized homes supported by our people and technology

We have continued persistent research efforts to pursue perfection in both physical housing structure and comfortable living standards, and to ensure higher quality at each step of our homebuilding process. We have developed proprietary construction methods and production and construction systems and brought them to a higher level of sophistication, thereby increasing the degree of freedom in design to better meet diversified customer requirements, while ensuring the safety of housing structure by leveraging the advantages of industrialized housing.



Sekisui House adheres to the “customer-specific design flexibility” concept through our “Housing Consultation” approach.

Customer-specific design

Catering to different customer needs under our “customer-specific design flexibility” policy

Our salespersons, serving as direct contacts with customers, first listen to customers’ needs carefully, such as personal tastes and preferences, as well as lifestyle and life stage of respective family members when discussing housing plans with customers. When conducting site surveys, we make it a rule to closely inspect the environment in the vicinity as well. This is an important step for us, because by doing so we can offer meaningful proposals to customers to ensure they will continue to live pleasant lives into the future. In the process of developing housing plans, we use the latest systems we developed independently, such as an environmental simulation tool to determine which environmental technologies are best suited for the specific conditions of customers, and a structural planning system to ensure the safety of housing structures.



Our sales staff carefully listen to customers’ needs to have a full understanding of their lifestyles and preferences.

Production

Supplying high-quality building components by producing diversified products under the policy of “customer-specific production” while maintaining high production efficiency

At our factories, high-quality, high-precision original building components are produced. In line with our “customer-specific production” concept, our factories handle production of diversified products efficiently with automated production lines and advanced manufacturing equipment. Strict quality control measures are also taken by dedicated quality assurance personnel.



Welding by robot assures consistent high quality.



Strict quality assurance measures are implemented.

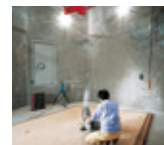
R&D

Conducting R&D on proprietary construction methods, new technologies and lifestyles at our Comprehensive Housing R&D Institute

Consistent R&D efforts have been underway in our Comprehensive Housing R&D Institute (in Kizugawa City, Kyoto) to enhance both the physical value and comfort of our housing products. Vibration tests of building structures and durability tests of building components are conducted to ensure high levels of earthquake resistance and a comfortable standard of living. Internal testing of housing performance conducted at the R&D Institute allows us to quickly identify problems and take corrective measures, which resulted in a number of our proprietary innovations, such as the “SHEQAS” seismic vibration absorption system. R&D efforts are also focused on universal design, new environmental technologies and lifestyles based on human engineering for a high-quality life.



A full-sized structure is used to verify the performance of SHEQAS, Sekisui House’s original seismic vibration absorption system.



Floor sound insulation and sound proof performance is tested in a reverberation chamber.



Research on sleeping space is underway to ensure good sleep.

Construction

Achieving higher construction quality backed by our specialized teams and technical excellence

Under our project accountability system, we produced a Construction Technology Manual in which work procedures and rules are specified in detail to ensure the highest possible accuracy in construction. We are constantly striving to improve our construction quality, and we have developed our proprietary construction techniques and equipment. We train young construction workers at our own training education center (a vocational training school approved by the governor of Ibaraki Prefecture), while organizing various training sessions and implementing internal qualification programs for construction personnel to further develop their knowledge and skills, so that they can better carry out work at construction sites.



A total of 2,208 trainees

completed the training school course, and a total of 14,301 construction workers passed the “Sekisui House Senior Technician Test,” an internal test of Sekisui House which is accredited by the Ministry of Health, Labour and Welfare.

3 Ensuring permanent safety and comfort

Supporting homeowners even after they have moved into their new homes

We have substantial warranty programs to ensure our homes last for generations, such as our proprietary 20-year manufacturer warranty program and “U-trus system,” while offering reliable after-sales support to homeowners through our Customer Center personnel dedicated to this service. Also, we have implemented an efficient system to address the remodeling, rebuilding and relocation needs of homeowners. In this way, the entire Sekisui House Group is committed to ensuring our housing remains safe, durable and comfortable for as long as possible.



Customer Center personnel provide reliable maintenance services to ensure the prolonged lifespan of houses.

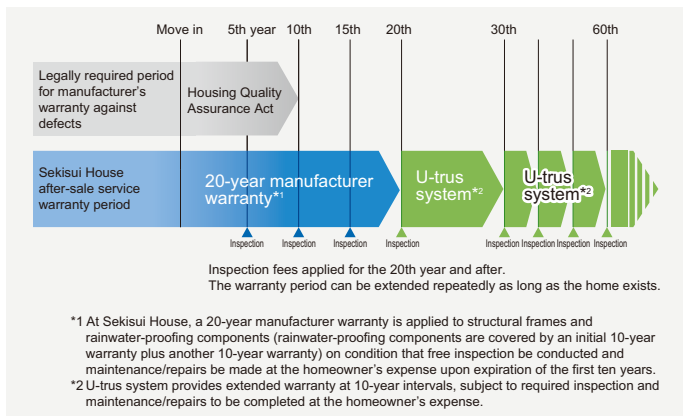
Long-term warranty

Providing a manufacturer warranty for a longer period of time than the legally required term to ensure utmost longevity of our homes

At Sekisui House, a 20-year manufacturer warranty is applied to structural frames and rainwater-proofing components (rainwater-proofing components are covered by an initial 10-year warranty plus another 10-year warranty) on condition that free inspection be conducted and maintenance/repairs be made at the homeowner’s expense upon expiration of the first 10-year period. After the expiration of the 20-year warranty period, the “U-trus system” provides another 10-year warranty, subject to inspection and maintenance/repairs to be completed at 10-year intervals at the homeowner’s expense.



Upon delivery of the home, a brochure called “Home Maintenance Guide” is handed over to the homeowner along with a manufacturer warranty of the home.



Regular inspection and maintenance

Allocating about 10% of our employees to after-sales service at Customer Centers to provide prompt and reliable support service to homeowners

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



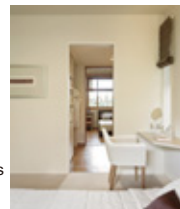
On non-business days of Customer Centers, our telephone center responds to calls from homeowners.

Remodeling

Achieving “comfortable living—now and always” by offering our proprietary remodeling solutions tailored to the needs of homeowners

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

A remodeling solution is offered to better cater to the needs that change as family members grow.



Installation of a photovoltaic power generation system is encouraged.

Housing revitalization

Revitalizing our customers' beloved homes as social assets under the Everloop home repurchase program

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

After revitalization

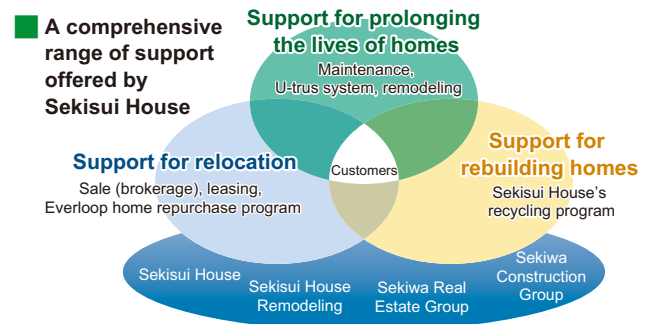
Before revitalization



Support for relocation

With its extensive nationwide network, Sekiwa Real Estate is ready to provide a comprehensive range of services to meet homeowners' needs

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



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

Kankan kyo

We participated in the Smart Network Project, a demonstration experiment commissioned by the Ministry of Internal Affairs and Communications that aims to establish a telecommunications standard and test its validity to accelerate the process toward a low-carbon society. As the only housing manufacturer involved in this project, we built a SHAWOOD wooden-frame home as a prototype smart house, called "Kankan kyo," in the Yokohama Minato Mirai 21 district. With our smart house design that combines our Green First concept with advanced network technology, we hope to contribute to a more comfortable future lifestyle that is friendly to both the environment and people.



Committed to creating an ideal housing environment combined with an electric vehicle

Sustainable Design Laboratory

The Sekisui House Sustainable Design Laboratory (in Kunitachi City, Tokyo) explores ideal future living environments that incorporate traditional Japanese lifestyle elements, focusing on ensuring efficient use of energy, using environmentally friendly building materials, and enjoying interactions with nature in everyday life. The most distinct characteristic of this laboratory is that it engages in research from a resident's perspective and conducts tests on comfort levels, as well as analyses experimental data.



The laboratory incorporates natural elements to create pleasant living environments, such as a Japanese traditional veranda-like porch and skylight windows to let air in.

Home Amenities Experience Studio that offers hands-on learning opportunities

The Home Amenities Experience Studio located on the premises of the Comprehensive Housing R&D Institute (in Kizugawa City, Kyoto) allows visitors to check, compare and better understand important homebuilding factors firsthand, using their five senses. Experiences of visitors to this studio provide us with valuable data. Questionnaire responses from visitors are used to develop new R&D plans and visions on future housing and lifestyles, and are also widely shared with society.



Experiences of visitors to this studio are used as valuable data.

Questionnaire responses are shown in our booklet, Data-Pal, which is made publicly available to help to create a more pleasant living environment.

SUMUFUMULAB

On April 26, 2013, we opened SUMUFUMULAB in Knowledge Capital—a central part of Grand Front Osaka, a new shopping and business complex in Osaka City. SUMUFUMULAB is the industry's first information and R&D base designed to involve visitors in developing new lifestyles and together create desirable housing environments to better enjoy life under the motto, "quality housing is the key to a happy life." This is where visitors can discover their ideal lifestyles through two-way information exchanges.

*For more details, please refer to p. 33.

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

Concerted efforts of Sekisui House Group toward reconstruction of the regions affected by the Great East Japan Earthquake

To fulfill our social responsibility as a housing manufacturer, we remain committed to continuing dedicated efforts to achieve post-earthquake rehabilitation and reconstruction of the stricken areas.

More than two years have passed since the Great East Japan Earthquake. Immediately after the earthquake, we, at the Sekisui House Group, embarked on customer support activities in the stricken areas, while facilitating restoration and reconstruction work and construction of temporary houses and public housing for those displaced by the disaster. Since then, measures have been promoted through which to mitigate damage from tsunamis in the future, such as collective relocation from coastal areas and land readjustment. However, many people are still suffering from the aftereffects of the disaster and are unable to return to their hometowns. Against this backdrop, we have renewed our awareness that as a housing manufacturer, we have a responsibility and obligation to society to construct and provide a safe and comfortable place to live for the people affected by the disaster as quickly as possible. We will continue group-wide efforts to improve our construction capabilities to accelerate the reconstruction of the stricken areas, while precisely addressing the needs of our customers and local communities.

Organizational arrangements

From the initial stage of the response, we strived to secure and strengthen necessary construction capabilities by mobilizing construction workers from all over Japan to the stricken areas to facilitate rebuilding homes for disaster victims.

Mobilizing a total of 230,000 construction workers to help our customers return to their normal lives as quickly as possible

In the wake of the earthquake, we promptly opened a disaster response headquarters and organized a support system combining the strengths of sales and service offices of Sekisui House and its group companies around Japan and the Sekisui House Association. In this way, we contacted customers to inquire about their safety and any damage to their homes, delivered aid supplies, and carried out restoration work and construction of temporary houses.

Two years after the earthquake, some people have returned to their normal lives by themselves by building new homes or rebuilding existing ones, but many people still remain unable to move from temporary to permanent houses due to a severe lack of housing. In addition, companies about to resume full-scale operations in the stricken areas have an urgent need to secure offices and accommodation facilities, while the demand for rental housing is growing to provide accommodations to people from all over Japan visiting the stricken areas for support activities. To accelerate the process to restoration and rehabilitation in the stricken areas, we should be able to precisely address such complicated local needs and promptly build stable construction capabilities.

From the initial stage of our response action, we built a support system centering on the nationwide network of Sekiwa Construction and the Sekisui House Association, and have since mobilized about 230,000 workers to promote restoration and rehabilitation of the stricken areas. Our efforts for post-earthquake restoration are still underway, with about 300 workers assigned to restoration work per day.



Restoration and reconstruction work

We have been quick to address the growing demand for housing construction to help people affected by the disaster return to their normal lives as quickly as possible.



A total of 230,000 workers have been sent to the stricken areas since the earthquake, and 300 workers are assigned to restoration work per day still today.

Introducing a system to start housing construction earlier than usual and ensure timely delivery

Aware of the importance of initial response action to be taken as a housing manufacturer in case of emergency, the Sekisui House Group has developed its own Business Continuity Plan (BCP). In the stricken areas, demands for rebuilding homes to enhance safety and durability and for building new homes in new sites are increasing with the passing of time. Against this backdrop, the delay in supplying housing has become a serious problem due to shortage of building materials and construction workers.

We are aware that it is our responsibility and obligation to society as a housing manufacturer to promptly start housing construction and provide safe places to live as quickly as possible in times of emergency. In the wake of the Great East Japan Earthquake, we launched a system to promptly resume production and ensure the early start of housing construction based on our experiences learned from past disasters, which enabled our Kanto Factory and Tohoku Factory to resume shipping operations only about one week after the disaster. Under this system, Sekisui House's sales and service offices and group companies all over Japan and the Sekisui House Association joined efforts to send workers to various locations in the stricken areas. We organized teams of workers to prepare for early start of housing construction and timely delivery of homes, and catered to the needs of people affected by the disaster for housing construction, starting from the locations where restoration work was completed.

We will continue to place the highest priority on helping people affected return to their normal lives and easing the housing shortage.



Impact of the earthquake on Sekisui House buildings

No. of Sekisui House buildings in the stricken areas	177,488 buildings in the areas that registered a seismic intensity of 5 upper or more
No. of Sekisui House buildings that required repair	About 2% of the above buildings
No. of Sekisui House buildings partially or entirely destroyed	No buildings destroyed by the shaking. *Some buildings were affected by ground movement and the tsunami.

Main aid supplies sent by Sekisui House (carried by a total of eighty-nine 10-ton trucks)

Drinking water	348,000 liters	Diapers	45,700
Food	411,000 dishes	Sandbags	17,000
Clothing and blankets	9,600 items	Plastic sheets	12,800 sheets

(As of the end of August 2011)

No. of temporary houses built by the Sekisui House Group in each prefecture

Iwate	Miyagi	Fukushima	Total
658 houses	1,879 houses	234 houses	2,771 houses

Detached houses

Promoting creation of disaster-resistant houses and communities

In our efforts to promptly provide a safe and comfortable place to live to the people affected by the disaster, we launched "Ganbaro Tohoku," a new housing product shipped with the "SHEQAS," seismic vibration absorption system (one of our original developments), which is specifically designed for the stricken areas. By promoting this product, which allows us to start construction earlier than other models and thus requires a shorter construction time, we hope to reduce the anxiety of people in the stricken areas that are frequently stricken by aftershocks still now. We are also promoting the "Green First HYBRID" model, which incorporates three different cells—solar, fuel, and storage—that work together under automatic control, and allows residents to meet basic living needs even when a disaster strikes. In April 2012, we opened "Smart Common City Akaishidai," the first community in Japan that embodies our smart town concept, while participating in the "Smart Village Project" that constitutes part of the "Tagonishi Eco-town Project" to be started under the program to develop disaster-resistant urban foundations. (Both of these projects are implemented in Miyagi Prefecture.) In this way, we will remain fully committed to restoring the stricken areas.

Rental houses

Addressing the housing needs of companies resuming business operations and people visiting the stricken areas for support activities

In the stricken areas, an increasing number of people have moved from temporary houses to rental houses. Construction of rental houses is also needed for employees of companies and factories affected by the disaster that have become ready to resume business operations, and for visitors to the stricken areas from all over Japan for support activities. We are striving to promote construction of high quality rental houses that can provide more accommodation space, as this is one of the important objectives of our restoration efforts.

Customers' Voices

- After our house was completely destroyed by the disaster, we really wanted to build a new house by the end of the year. The sales person of Sekisui House we contacted kindly listened to our request and gave valuable advice. In the area stricken by the tsunami, many Sekisui House homes stood intact. This sight convinced us of their superiority in resistance to earthquakes and tsunamis. We were grateful for the sincere attitudes of the Sekisui House persons in charge of sales, design and construction, and hope to have a long-term relationship with this company. (The E family in Miyagi Prefecture)
- We are very much satisfied with our Sekisui House home that fully meets our requests and is furnished with innovations that ensure safety in life. We were also impressed with the responsible attitude of the Sekisui House person assigned to us. For these reasons, we will recommend Sekisui House to our acquaintances considering building a home. (The M family in Fukushima Prefecture)
- Our family members had to live separately after the earthquake, but thanks to Sekisui House's early start of construction and early delivery, we could live together again earlier than we had expected. (The A family in Miyagi Prefecture)

Restoration and rehabilitation work undertaken by the Sekisui House Group

Total number of construction workers	228,179 (as of the end of December 2012)
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*Today, about 300 workers are assigned to restoration work per day.

Public housing for those displaced by the disaster

Promoting construction of public housing for those who have difficulties in building a home on their own

Building three model houses on the premises of the Tohoku Factory

We were the first housing manufacturer to embark on construction of temporary houses after the earthquake. We mobilized a total of 60,000 construction workers and managed to complete the construction of all 2,771 temporary houses we contracted on time, with no single house requiring repair or improvement (as of 2011).

In 2012, we began full-scale construction of houses specifically designed for the stricken areas and public housing for those displaced by the disaster. The latter is a public rental house for disaster victims who have difficulties in building a home on their own, construction of which should comply with designated design guidelines and be undertaken under a redevelopment plan specified for each district.

In June 2012, we built model public housing for those displaced by the disaster on the premises of the Tohoku Factory. These consist of three housing types; namely, a light steel-frame one-story house, a terrace house, and a wooden house built in the conventional method using posts and beams. While a light steel-frame house is not included in the category of public housing for those displaced by the disaster specified by the local governments of the affected prefectures, we opted to propose this structure because this type of house requires less construction time and thus can meet the needs of displaced people for a safe and comfortable home more quickly. These model houses have been visited by many people from the national, prefectural and municipal governments and the Urban Renaissance Agency (UR). In building these houses, we use high-quality factory-produced components to maximize comfort, just as we do for our temporary houses.

Model public housing for those displaced by the disaster built on the premises of the Tohoku Factory



These model houses were visited by 169 people from 28 organizations in total, including the national and local governments, for about three months since their opening in June 2012.

Locally produced components employed in these houses



Our model public housing for those displaced by the disaster employs building components produced in the three prefectures stricken by the earthquake (e.g. multi-layered insulating glass, glass wool, storage equipment, lighting, and wood materials).

Revitalizing the industry in the disaster-stricken areas by promoting use of locally produced building components

We engage in construction of public housing for those displaced by the disaster in the three affected prefectures (Iwate, Miyagi and Fukushima) under the projects led by each prefectural government. To effectively facilitate construction work, we ensure optimized allocation of construction workers and supervisors. We also encourage use of locally produced building components for the construction of these houses with a view to revitalizing the industry in the Tohoku region, and for this purpose, we have established shipment procedures in partnership with local component manufacturers.

A lot of time is still required before completing the rehabilitation of the affected areas. We will continue group-wide efforts to address the varied needs of customers in the affected areas and promote housing construction and community development to facilitate the process to restoration, so that we can bring safe and comfortable living environments to people affected by the disaster as quickly as possible.

Projects currently underway



Public housing for those displaced by the disaster in Soma City, Fukushima Prefecture



Public housing for those displaced by the disaster in Ozuchi-cho, Iwate Prefecture



Public housing for those displaced by the disaster in Higashimatsushima City, Miyagi Prefecture

We also undertake construction of dormitories for restoration workers and business offices

- UR office in Higashimatsushima City
- Tagonishi Eco-town Project
- UR dormitory in Ishinomaki City
- UR dormitory for restoration workers in Ishinomaki City

Some of the activities of the Sekisui House Group to facilitate post-earthquake restoration

○ Launching "Ganbaro Tohoku," a new housing product specially designed for the stricken areas

We developed and launched a new packaged housing product to meet the urgent housing needs of our customers.



○ Opening consultation centers for customers in areas heavily damaged by the disaster

We opened consultation centers to address concerns of our customers and better serve their needs in Kamaishi City and other locations that suffered serious damage due to the tsunami. We also opened "Sha-Maison Station Ishinomaki Office for Restoration and Rehabilitation" that serves as a center for our rental housing service.



○ Participating in Tagonishi Eco-town Project

We participate in a project carried out jointly by the Tagonishi Land Readjustment Association in Sendai City, Miyagi Prefectural Government, Sendai Municipal Government, Tohoku University and related companies with a view to reducing energy consumption; developing a mechanism conducive to safe, secure and comfortable living; achieving harmony with nature; and creating a disaster-resistant urban foundation. As a member of this project, we will build smart houses in the Smart Village.

○ Achieving electricity saving targets during summer months

In fiscal year 2012, we succeeded in reducing electricity consumption at our offices and model homes by 26% from the 2010 level, exceeding the target of a 15% reduction. At our five factories, the reduction of electricity consumption during peak hours ranged from 10.4% to 24% from the 2010 level, which also exceeded the target of a more than 10% reduction.

Initiatives to facilitate restoration of the affected areas

Continuing efforts to contribute to post-earthquake restoration with a “love of humanity” at the core of our corporate philosophy

All new employees participated in restoration activities in the stricken areas, such as visiting elderly persons living alone.

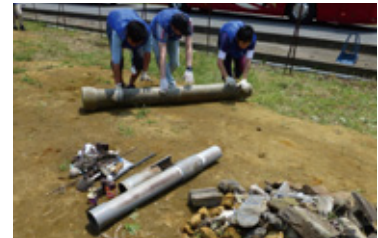
All the 347 new Sekisui House employees took turns to engage in post-earthquake restoration work for five days in the stricken areas as part of a three-month training period starting from April 2012, in order to assist local residents in returning to their normal lives. Through their experiences in the stricken areas, these new employees are expected to learn to act and think from other people’s perspectives based on our corporate philosophy: “love of humanity” and our “Conduct Principles,” in order to deepen their understanding of the significance of the housing business.

In the stricken areas, they worked in partnership with NPOs to listen to people living in temporary houses to identify local day-to-day problems,



Sekisui House employees visiting temporary houses

and helped to solve such problems by making storage sheds, cleaning garbage collection sites, creating space for children to play, visiting elderly persons living alone, and assisting in the operation of a community cafe. New employees who joined Sekisui House in fiscal year 2013 also engage in the same activities as part of their training which started in April 2013.



New employees are working to clear ground to create a space for children to play.

Humanitarian support and contribution to society

Maintaining and further deepening cooperative relationships with governmental agencies, NPOs, companies and citizens to expand the scope of support

Offering financial aid amounting to 100 million yen to Momo-Kaki Orphans Fund with recognition of the significance of the Fund’s mission

Sympathetic to the purpose of the Momo-Kaki Orphans Fund (an organization established to offer financial assistance to children orphaned by the Great East Japan Earthquake), we introduced our own Momo-Kaki Orphans Fund Program, based on the Sekisui House Matching Program, a joint employee-company donation program. Under this program, we will continue to offer financial aid which will amount to 100 million yen over ten years from 2011.

Cooperating with the “Minna De Kaouya (Purchase by everyone)” project to support welfare facilities for people with disabilities in the disaster-affected areas

In fiscal year 2012, we continued our support for the “Minna De Kaouya” project, implemented in major cities in Japan, to sell products made by people with disabilities at earthquake-affected welfare facilities in the Tohoku region.

Continuing cooperation for a model “New Public Commons” project

In fiscal year 2012, we continued our cooperation with the Osaka Prefectural Government in carrying out a model “New Public Commons” project that aims to enhance earthquake preparedness.

Project name: Support earthquake-stricken areas using pro-bono—building a mechanism and communities conducive to awareness raising and innovations

Participating in “Yui no ba,” a resource matching program implemented by the Reconstruction Agency to offer solutions to companies in the earthquake-affected areas

The “Yui no ba” program aims to help earthquake-affected companies find solutions by offering management resources of leading companies such as manpower, materials, information and know-how. We continue our support for the restoration of the marine product processing industry.

Cooperating with the “Minna De Tsukurouya (Create by everyone)” project to support independence of people with disabilities by subcontracting them work

This project is designed to develop relationships and partnerships between people with disabilities in the affected areas and companies all over Japan through jobs. We subcontracted production of novelty products and some of our operations to them.

Participating in the “Co-Creation” initiative to accelerate the process to restoration of the affected areas

The “Study Group on Restoration Promotion Project through Co-Creation” was established to contribute to the early restoration of the affected areas by offering venues for NPOs and local governments in the affected areas that have a good understanding of local needs to share problems and objectives with a lot of companies and embark on “co-creation” efforts together. As a member of this study group, we engage in the planning of a model project while working with the Reconstruction Agency.

Cooperating in the organization of “3.11 from KANSAI,” an event to encourage post-earthquake restoration

We cooperated in organizing an event to encourage post-earthquake restoration titled “3.11 from Kansai—We’ve Just Begun,” which was held at the Umeda Sky Building, where our head office is located, on March 10 and 11, 2012. In this event, up-to-date information on the Tohoku region was offered through reports on restoration activities and exhibitions, while local products were sold and various stage performances, which were designed to encourage people in the affected areas to take a further step ahead, were given. In 2013, this event was held on March 10.

Cooperating in the organization of the “Hand in Hand” project to call for support for post-earthquake restoration and send a message of gratitude to the world through a musical concert

The “Hand in Hand” project was launched to encourage restoration from the Great East Japan Earthquake by organizing a concert in which high school students from the affected areas and musicians around the world perform together and send a message from the affected areas that are steadily on the way to reconstruction. We agree with the purpose of this project and have continued to offer support. Under this project, a second concert was held on March 22, 2013 in the Lincoln Center in New York where *Requiem* by Verdi was performed to an enthralled audience.

Implementing the “Community Greening Project” to contribute to restoration of the local green environment and prosperity of local communities

Sekisui House employees in the earthquake-affected areas collected and grew seeds of indigenous and native plant species and offered them as “seedlings of hope” to residents. We also provided temporary houses with green curtains of bitter melon in cooperation with the associations of temporary housing residents, as well as local welfare facilities and NPOs. In addition, we organize seminars on growing plants and harvest festivals in our efforts to contribute to the restoration of rich green environments in local communities.

Encouraging employees to organize company trips to three prefectures in the Tohoku region

As part of our efforts to offer economic support to the affected areas, we encourage employees to choose any of the three prefectures in the Tohoku region (Iwate, Miyagi and Fukushima prefectures) as the destination of their company trip by partly covering travel expenses.

VOICE

Contribution of Sekisui House to facilitating post-earthquake restoration by leveraging its unique “strengths”

First, I would like to commend Sekisui House for their sincerity in fulfilling their responsibility as a housing manufacturer, and, furthermore, for their continued efforts to support people with disabilities and companies in the affected areas in partnership with NPOs and other relevant organizations. While the restoration and reconstruction process requires speedy action on a large scale, Sekisui House has been always attentive in addressing individual needs and offering support by leveraging their own strengths, and such an attitude deserves high appraisal. While it will be a long time before we see completion of the restoration process, I hope Sekisui House will continue their sincere efforts based on the concept of “love of humanity” that is at the core of their corporate philosophy.



Mr. Taro Tamura

Representative of the Institute for Human Diversity Japan and Senior Official for Party Policy Research at the Reconstruction Agency

Mr. Tamura works with companies and local governments to create organizations and communities where human diversity is respected. As a part-time official of the Reconstruction Agency, he is also in charge of developing cooperative relationships with the private sector.



Isami Wada,
Chairman & CEO

We will remain committed to contributing to creating a sustainable future with the belief that housing is social capital that helps us find solutions to various social problems.

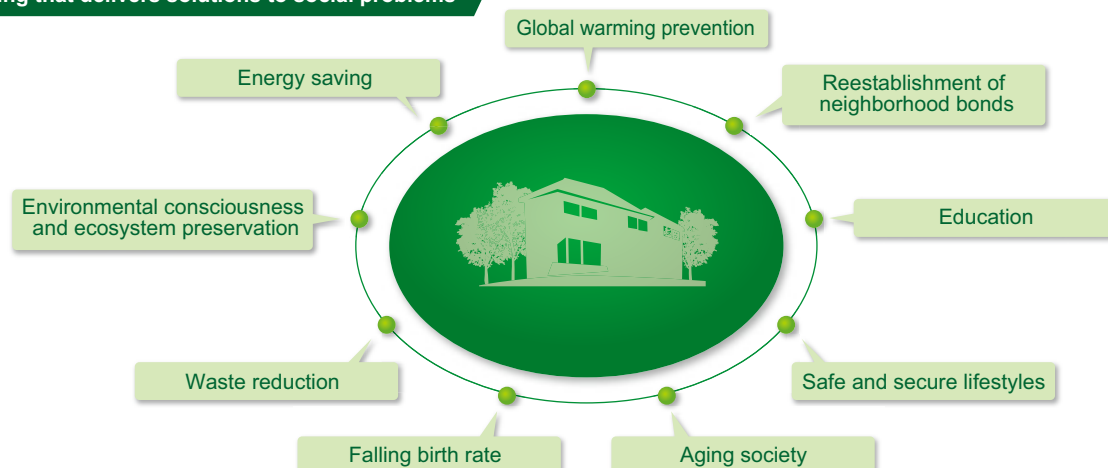
Fulfilling our responsibility to society as a homebuilder

With the introduction of the so-called “Abenomics” strategy by the Abe administration upon its inauguration, we are finally seeing signs of the end of the long deflationary spiral and revival of Japanese economy. Due to its extensive coverage, the housing industry has long been said to be the most typical of the industries that stimulate domestic demand. On the other hand, energy problems are now attracting greater attention in the wake of the Great East Japan Earthquake, and the smart house and smart city initiatives are rapidly gaining public interest. This means that the housing industry is now expected to play an important role in giving rise to economic ripple effects anew.

Today, housing takes on new meaning, not only for its ability

to deliver solutions to energy problems, but also as a shelter to protect families’ lives, properties and mental well-being, as a base for healthy living, and as social capital that allows residents to live there for a longer period of time. Housing is also expected to provide venues to pursue lifestyles that match an aging society with fewer children; explore new home education that better meets the needs of the times; secure safe and secure lifestyles to reestablish neighborhood bonds and create crime-free communities; and even develop local culture. In doing so, housing will serve as new social infrastructure capable of solving many problems that affect today’s society. Positioned at the center of society and at the leading edge of our times, the housing industry is now shifting from a low-tech industry to a high-tech industry.

Housing that delivers solutions to social problems



Aware of such rapid change in society, we place the highest priority on fulfilling our responsibility to society as a housing manufacturer by pursuing themes assigned to us reliably and sincerely. Since our inception, we have supplied more than 2,130,000 houses to the domestic market in cumulative total, while promoting homebuilding and community development abroad in an environmentally friendly manner. We are determined to perform our responsibility to society from a global point of view to contribute to creating a future society where people enjoy comfortable and safe lives with peace of mind.

Continuing efforts for what we believe is the good of society with determination and dedication

With the announcement of the Environmental Future Plan in 1999, Sekisui House accelerated our CSR efforts, though we had already engaged in development and sale of highly insulated energy-saving homes before this plan was announced. In the Environmental Future Plan, we declared our firm determination to make concerted efforts for environmental protection, a theme that did not attract much attention at the time. Since then, we have been making steady progress in our CSR efforts and accomplished a series of significant achievements, which include beginning to ship all newly built homes with a next-generation energy-saving design in 2003; issuing the Declaration of Sustainability in 2005; launching carbon neutral houses in 2008; unveiling the Zero Emission House at the G8 Hokkaido Toyako Summit in 2008; becoming a government-certified Eco-First company in 2008; introducing the Green First model in 2009, which was developed building on the above achievements and positioned at the core of our management strategy; and introducing the "Green First HYBRID" smart house model furnished with the world's first power supply system utilizing three kinds of cells in 2011.

We take pride in having been ahead of the times in promoting environmentally friendly practices and leading the industry at all times by continuing dedicated efforts to contribute to the good of society and meet the demands of the public with determination and dedication, and I have been carrying the banner myself to spearhead these efforts. These days, we often hear the term "Creating Shared Value" (CSV). The environmentally conscious homes we have been promoting bring greater comfort and satisfaction to our customers. While such homes may require a somewhat higher initial cost, they will deliver much greater benefits over their lifecycles. Among other things, these homes ensure healthy and enriched living standards for all. By promoting these homes, we can contribute to both the environment and corporate performance, which makes Sekisui House employees proud of working for the company.

Producing renewable energy for family consumption to contribute to the creation of a low-carbon society

Since the Great East Japan Earthquake, Japan's energy policy has been pressed to undergo a drastic change. While promoting a shift to renewable energy remains a priority issue, Japan has to rely on thermal power generation to secure necessary energy

supplies, at least for the time being. Against this backdrop, the Japanese government decided to withdraw its commitment to reduce GHG emissions by 25% from the 1990 level. Still, we cannot put a brake on the process to create a recycling-oriented, low-carbon society by reducing CO₂ emissions, one of the major causes of global warming, and must continue to expand the use of renewable energy in place of fossil fuels.

For the past twenty years, Japan's energy conservation technology has made considerable progress. On the other hand, the amount of CO₂ emissions from residential sources has increased by about 35% during this time. Today, residential users are responsible for about 30% of the national power consumption, and urgent measures are required to reduce power consumption at home. While Sekisui House offers 40,000 to 50,000 newly built homes a year, it should be noted that Japan has a housing stock that totals over 40 million properties and most of them are not provided with sufficient heat insulation. This means that there is still much room to reduce residential power consumption. We will continue to place importance, not only on offering newly built homes, but also on remodeling existing homes by enhancing energy-saving efficiency and retrofitting photovoltaic power generation systems. In doing so, we will fulfill our responsibility to society as a leading housing company.

Building a next-generation network platform to provide advanced medical services and meet the needs of an aging society with fewer children

In light of the rapid fall of the birthrate coupled with the extension of average life expectancy, it is predicted that Japan will become a super aging society by 2050 where one out of every 2.5 citizens is aged 65 or older. We hope to cater to newly emerging needs with our smart town concept, which is effective in creating community environments ideally suited both for families with children and elderly households. Our "Green First" detached house is shipped with our proprietary Home Energy Management System (HEMS). Also, we are working with IBM Japan, Ltd. to build a next-generation network platform to connect homes with society.

By connecting information apparatus and residential equipment with HEMS, this platform offers the same services across different systems, such as centralized management of information and visualization of energy consumption data at home. Furthermore, houses in a smart town are provided with a connection with the community through the information network, which allows access to necessary information whenever needed and exchange of information among residents. Also, this system is expected to facilitate cooperation among local medical and nursing care facilities, and thus helps to create an environment conducive to healthier and more comfortable lives free from anxiety. We will work to offer more services to further improve quality of life.

Extending our SLOW & SMART technology worldwide

The world population is predicted to increase from seven billion to nine billion by 2050. This means new business opportunities are opening in overseas countries where economic growth is underway and housing demand is bound to increase. With our

state-of-the-art energy production and conservation technologies as well as resource recycling and other environmental technologies, we are currently carrying out various international projects for the development of detached houses, collective housing and commercial complexes in partnership with national governments and local developers and homebuilders in Australia, Singapore, China and the United States. Housing products developed as part of our international projects have been already launched on the market and began to post profitability in fiscal year 2012 (the second year of the full-scale implementation of these projects). We aim to increase sales from our international projects to 200 billion yen, about 10% of total sales, in fiscal year 2014.

Overseas, manufacturing of highly systematized industrialized homes is not established as an industry yet. Therefore, we also put effort in the training of local workers. For example, we opened a training school on the premises of a factory in China, and invite foreign workers to Japan to inspect construction sites and learn homebuilding techniques first-hand. We recognize these international projects as investments for future growth. Through the development of housing and complex facilities incorporating our environmentally friendly designs based on "SLOW & SMART" technology and our unique community development philosophy, we hope to facilitate the process toward a low-carbon society and sustainable development. We will continue striving to share the notion that "high-quality housing brings safety, security and health to residents" to people around the world with a view to accelerating the shift to a recycling-oriented society and expanding the Japanese homebuilding practice as a global standard.

In collaboration with an NPO, the Kids Design Association, for which I have served as Chairperson since its inception, we have been leading awareness-raising initiatives to promote the designs that are safe and comfortable for children, that foster creativity in children and contribute to their future growth, and that are suited for households with children. We think such initiatives bear great significance, considering that not only the

housing industry including Sekisui House, but also other Japanese industries are now required to renew their commitments to resolving changing social issues by launching innovative business models. In 2013, the "Prime Minister Award" was established as the highest of the Kids Design Awards in recognition of the importance of our initiatives.

Promoting a growth strategy focusing on the area of "housing"

Since November 2012, our new medium-term management plan has been underway, including a growth strategy that focuses on the area of "housing." As mentioned at the beginning of this message, we will continue our sincere efforts, constantly aware of the significance of our mission as a housing manufacturer and the impacts that our corporate activities can give to society.

I often instruct employees to carefully read this Sustainability Report to the extent that they can convey what is written here in their own words. I also use this report as a reference when giving lectures on various occasions. I believe that employees with a CSR-oriented mindset can contribute to both solving social problems and improving business performance.

Today, employees who have only known a period of deflation and recession since their birth account for almost 50% of all our employees. Against this backdrop, we will train personnel with an international mindset who are eager to make dedicated efforts and pursue efficient team management in order to achieve continuous growth. Of course, I place special importance on opportunities to interact with young leaders and employees in person.

Taking steps toward the realization of our "Sustainable Vision" following the guidelines of the ISO 26000 standard

Our CSR activities are based on our "Sustainable Vision," with a main focus placed on achieving customer satisfaction (CS), employee satisfaction (ES) and shareholder satisfaction (SS). We always ensure that our business practices comply with the ISO 26000 standard, an international guide for CSR management, and continue sincere efforts to fulfill our responsibility to society and help build a sustainable future.

Isami Wada, Chairman & CEO





Toshinori Abe,
President & COO

As a company needed by society, we will foster a relationship of trust with our customers with our state-of-the-art technology.

Mobilizing the group-wide workforce to facilitate the post-earthquake rehabilitation process with our reliable construction capabilities as part of our responsibility to society

Two years have passed since the Great East Japan Earthquake. During this time, we have been making every effort to facilitate construction work by mobilizing our organizational strength both locally and nationwide to help people affected return to safe and comfortable lives at their homes and workplaces as quickly as possible. I would like to take this opportunity once again to express my condolences to the victims of the disaster and everyone involved, and pledge that the entire Sekisui House Group remains fully committed to post-earthquake rehabilitation.

In the disaster-stricken areas, housing demand has grown so rapidly that it has been quite difficult to provide enough workers for continued construction work. Despite such difficulty, we have been successful in meeting our responsibility to society as a housing manufacturer to deliver products within a reasonable construction time while maintaining high construction quality. In the face of this emergency situation, the entire Sekisui House Group is now increasingly aware of the importance of our responsibility.

Under our Business Continuity Plan (BCP), we have sent a total of 230,000 workers to the stricken areas over the two years since the earthquake. Also, working in unison with our twenty group companies all over Japan and the Sekisui House Association that is comprised of about 7,000 partner building contractors, we continue our reconstruction efforts with about 300 construction workers and supervisors working per day. We believe that we can best meet the desire of people affected to return to peaceful lives, by remaining faithful to our principles of “reasonable construction period” and “reliable construction capabilities” on a long-term basis. With the awareness that our actual capacity as a company is now put to the test, we remain committed to meeting the needs of people affected and continue our support of the stricken areas, including procuring locally produced building materials whenever possible.

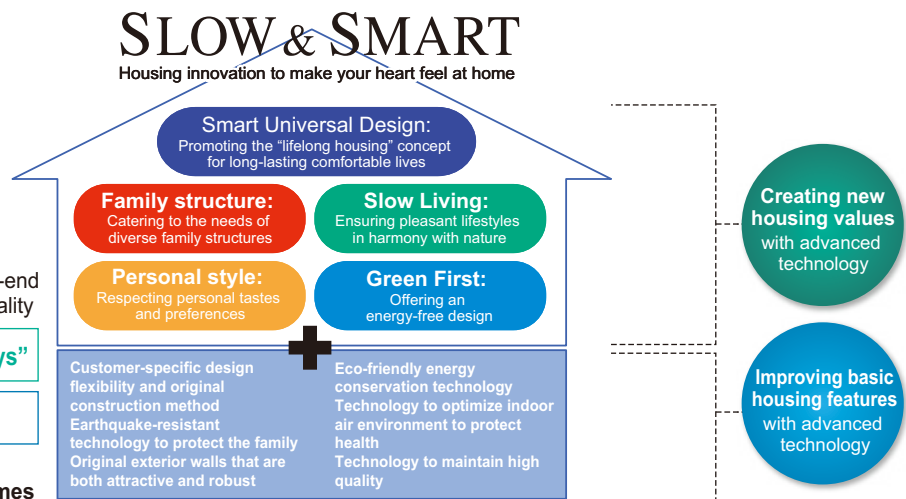
Constructing public housing for those displaced by the disaster with our capability of delivering high-quality housing in a short period of time

Today, about 24,400 public houses are required in the stricken areas to accommodate people who suffered such serious damage that they have difficulties in rebuilding homes on their own. In order to deliver comfort to as many people as possible, we offer a range of models of public housing including our unique light steel-frame housing model that is high quality but can be built in a shorter period of time. Working with the Reconstruction Agency and local governments, we will strive to deliver safe and comfortable homes as quickly as possible in a manner that suits local conditions.

We should be a company needed by society and embody the “love of humanity” that constitutes the core of our corporate philosophy of desiring happiness for others and treating their joy as our own. Our true worth is determined not by our performance in ordinary times alone, but, more importantly, by how effectively we can launch post-disaster responses and how quickly we can help restore comfort, safety and security after a disaster. In this sense, we may say that our value as a housing manufacturer is now being tested. We will continue our utmost efforts to accelerate the process to rehabilitation of the stricken areas, leveraging our nationwide organizational strength.

Offering “SLOW & SMART” lifestyles by enhancing our management speed

During fiscal year 2012, we strived to promote our SLOW & SMART concept and ensure speedy management. The SLOW & SMART concept represents our resolution to maintain a comfortable, time-honored way of living (SLOW), while meeting the changing needs of the times with our leading-edge technologies (SMART). In other words, SLOW & SMART is our brand vision with “SLOW” meaning our aspirations and purposes, and “SMART” implying the measures to achieve them, both of which work together as a driving force of the Sekisui House Group. The embodiment of this brand vision is our “Green First” eco-friendly home, which has achieved greater success in the



Striving to continue growth as a leading supplier of high- to medium-end detached and rental homes of higher quality

“Comfortable living—now and always”

Basic housing features

Our excellence in these technical capabilities enables us to lead our times

market than originally expected and is strongly driving our growth strategy.

By enhancing our management speed, we mean reviewing the ongoing business cycle from contracting with customers to shipment and delivery of housing products, in order to streamline our operations. Behind our commitment to accelerating shipment and improving our construction capabilities is our sincere desire to serve customers and satisfy their needs as quickly as possible.

Directing greater efforts to promoting the net zero energy house (ZEH) design following the increase of the ratio of the “Green First” model to all the Sekisui House new detached homes to more than 80%

In the wake of the Great East Japan Earthquake and the serious electricity shortages that followed, more people have become increasingly aware of the importance of renewable energy, durability of homes, and healthy and safe lifestyles. We have launched the “Green First HYBRID” model, which is furnished with the world’s first power supply system utilizing three different types of cells—solar, fuel and storage. In addition, Sekisui House’s new detached homes are now shipped with the “Airkis” high-quality indoor air system developed to protect the health of children who are more vulnerable than adults. This system sets allowable indoor concentrations of five chemical substances at levels less than 50% of the national guidelines specified by the Ministry of Health, Labour and Welfare.

We are also promoting our “SHEQAS” seismic vibration absorption system accredited by the Minister of Land, Infrastructure, Transport and Tourism, which is being widely adopted, especially in areas affected by the disaster. In fiscal year 2012, the ratio of the “Green First” model to all the Sekisui House new detached homes exceeded our initial target and reached 83.8%.

Today, the Japanese government is encouraging the adoption of the net zero energy house (ZEH) design to be the standard for newly built homes. At Sekisui House, we have already set a goal to make all our detached houses, both new and existing, to be carbon neutral by 2050 and have been promoting the “Green First” design and encouraging remodeling to retrofit photovoltaic power generation systems. To meet our responsibility to lead our times as a front runner in the industry, we are committed to increasing the ratio of net zero energy house (ZEH) to all our houses to 60% in two years, ahead of the schedule set by the national government. To achieve this goal, we will accelerate our efforts to increase the adoption of our eco-friendly design on a group-wide basis.

Contributing to the prevention of global warming and the creation of a low-carbon society by increasing the ratio of the “Green First” model to all the Sekisui House rental homes

In fiscal year 2012, we achieved a notable increase in the ratio of the “Green First” model to our rental homes. Specifically, the proportion of the “Sha-Maison Green First” model equipped with a photovoltaic power generation system increased from 27.1% in the previous year to 44.6%, which is largely attributable to the growing recognition of the advantages of the feed-in tariff system.

The “Sha-Maison” homes and other rental collective housing can play an important role in the future development of our smart town concept, as they can produce much more energy more effectively than detached houses and thus better contribute to preventing global warming and creating a low-carbon society. Additionally, we will continue our Green First initiative in construction of condominiums and medical and nursing care facilities.

Promoting the “Smart Common City” community development project nationwide, starting from areas affected by the disaster

Under our “Green First” initiative, we are promoting the smart town community development project Smart Common City all over Japan to create a “SLOW & SMART” living environment that ensures safety and security, health and comfort, energy availability and mutual aid. Smart common cities developed under this project have already accommodated more than 200 households.

In April 2012, Smart Common City Akaishidai was opened in Miyagi Prefecture. This smart town is basically comprised of smart houses, each furnished with the world’s first power supply system utilizing three different types of cells. Already, 106 households have moved to this community (as of the end of March 2013). In response to the needs of society in the wake of the Great East Japan Earthquake, two community disaster preparedness centers were established in this town, which reflects our determination to create our first smart town in the region that was severely affected by the disaster. With 431 houses, Smart Common City Akaishidai will be capable of producing 2,508 MWh of electricity a year, about 1.7 times its annual electricity consumption, which enables this town to meet local electricity needs and also supply a surplus of 1,039 MWh of electricity to neighboring communities.



Creating townscapes that grow more attractive with the passing of time and fostering neighborhood bonds as essential elements of sustainable communities

In pursuing our smart city concept into the future, we place importance not only on improving energy efficiency and flexibility, but also on creating pleasant environments and townscapes that long remain attractive to residents, while nurturing friendly neighborhood bonds, as we believe these are the basic conditions for the development of sustainable communities.

We have been striving to create communities that grow more attractive and inspire residents' attachment to the neighborhood with the passing of time through our unique design concepts according to the "Gohon no ki" landscaping concept announced in 2001 and the guidelines specified in the "Urban Development Charter" established in 2005. Also, we have been engaged in ongoing efforts to build communities, with names including the word "common," where residents are willing to act in cooperation to address social problems arising from a rapidly aging society, coupled with a falling birthrate. For example, we expect residents to join efforts to cater to the daily needs of elderly people; persons in need of nursing care; households with children; and also to improve neighborhood safety, and enhance the townscape.

To provide venues and opportunities for friendly interactions among residents, we create parks, common spaces and assembly halls in each community and assist residents in organizing community fairs. In doing so, we help residents deepen their neighborhood relationships. Aware of the growing importance of developing such vibrant communities, we have taken a systematic approach to fostering neighborhood bonds, while continuing our commitment to creating communities that grow increasingly attractive with the passing of time. In this unique way, we are continuing our community development efforts in various parts of Japan.

Leveraging our pool of diverse human resources to expand business to cater to the needs of the elderly, as well as the housing stock business

To improve our management practices, we strived to revitalize our organization through structural reform, a streamlining of the production and construction processes, and promotion of our area marketing strategy under the former medium-term management plan, and these efforts resulted in an increase in profitability.

Our medium-term management plan for fiscal year 2012

focused on the promotion of residential care homes for the elderly—a business area for the so-called "platinum generation." In Japan, it is predicted that the number of citizens aged 75 and over will exceed 20 million by 2025. Despite this reality, Japan falls behind Western countries in the availability of much needed residential care homes that cater to the daily needs of elderly citizens in conjunction with medical and nursing care facilities. Against this backdrop, the Japanese government announced a policy to increase the number of residential care homes for the elderly to about ten times the current level by 2020. Now is the time to leverage our advantage as a company that has a wealth of know-how in rental housing management and that launched the industry's first residential care home for the elderly ahead of its competitors.

Successful implementation of our growth strategy depends on the commitment of our employees. We have continued restructuring efforts to better leverage our diverse human resources, while striving to develop effective employee training programs and create a workplace environment which allows employees to demonstrate their competence to the fullest. With 280 female employees in sales positions, Sekisui House tops other companies in the housing industry in the number of female sales persons, and on a group-wide basis, 550 female employees are engaged in remodeling operations as sales persons. As shown by these figures, we take various measures to support female employees in their work so that they can make meaningful contributions to the company while successfully balancing work and family life/motherhood. These efforts were publicly recognized when the Tokyo Stock Exchange chose us to be part of their women-empowering roster named the "Nadeshiko" list.

We are also embarking on new challenges, not bound by conventional business practices. To be specific, we opened SUMUFUMULAB as the industry's first open innovation base in Knowledge Capital in Grand Front Osaka, a new shopping and business complex. This new facility is designed to involve citizens, experts, universities and companies in co-creating next-generation housing culture while considering how social changes will affect our lifestyles. In this way, we will work with various stakeholders to explore ideal housing and living environments in the future and contribute to the development of housing culture.

Ensuring full compliance

With an ethical awareness and a sense of responsibility, we remain committed to developing fair relationships with all our stakeholders, including customers, employees and business partners under our corporate philosophy, never forgetting that under no circumstances may corporations disregard social rules in the pursuit of profit. Sontoku Ninomiya, a nineteenth-century Japanese philosopher, said, "economy without morals is criminal." With these words in mind, we will make every endeavor to engage in more transparent, healthier management, while maintaining both our economic and social focus.

We ensure that managers at all our business sites show exemplary leadership at all times and also that directors and employees make continued efforts to further increase compliance awareness. We will continue to carry out a Governance Awareness Survey to check the compliance at each business site to inspire employee commitment to compliance. In doing so, we will promote management in good faith on a group-wide basis and fulfill our responsibility to society.

Toshinori Abe, President & COO