

Sustainability Report 2012

For the year ended January 31, 2012



Sustainability Report 2012

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 2007 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.

Features of the Sustainability Report 2012

- 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 2011 received from approximately 3,000 internal and external stakeholders.
- In this report, emphasis is placed on how the Sekisui House Group carried out its social responsibility in the wake of the Great East Japan Earthquake, by adequately meeting the changing needs of Japanese society and at every stage of the rehabilitation and reconstruction work.
- In the section titled "Organizational management toward a sustainable society," the "4 values and 13 guidelines," the principles that guide us to our "Sustainable Vision," are examined in comparison with ISO 26000, an international standard which provides guidance on social responsibility, to verify that the ongoing CSR activities of the Sekisui House Group meet the expectations of international society.
- This brochure serves as an annual report for fiscal year 2011. Major activities during the period are reported in the section titled "Activity Report."
- Special focus is given to the expansion and progress of our "Green First" initiative, which is positioned as the driving force of our business under the medium-term management plan.
- 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

The scope of this report covers a total of 113 companies, namely Sekisui House, Ltd., its 78 overseas subsidiaries, and 35 consolidated subsidiaries that are principal actors in CSR and environmental management including, Sekiwa Real Estate, Ltd. (6 companies); Sekisui House Remodeling, Co., Ltd.; Sekiwa Construction, Ltd. (20 companies); Landtech Sekiwa, Ltd.; Sekisui House Umeda Operation Co., Ltd.; and Sekiwa Wood Co., Ltd. (Refer to pp.3-4 for the profile of the Sekisui House Group.)

■ Areas of Business Activity

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

Period Covered

Fiscal year 2011 (February 1, 2011 to January 31, 2012)

*Some activities undertaken in fiscal year 2012 are covered in this report.

Date of Publication

This report is published annually in Japanese around April.

*The Sustainability Report 2011 was published in June 2011.

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About the Cover

The photographs on the cover page represent our commitment to contributing to creating a sustainable society. Against the backdrop of the steady progress in international project development, the Sekisui House Group is now ready to promote its CSR activities on a global scale.



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Sekisui House Group Overview

Being pioneers of every era and contributing to the creation of a sustainable society by remaining committed to bringing new values.

Detached housing business (contracting, design and construction of detached houses)



"IS ROY+E" two-story steel-frame detached house



"Slow Living" with a great sense of spaciousness



"BIENA" three-story steel-frame detached house



"Gravis Villa" wooden-frame detached house



"Active Floor" design for an attic space under a 31-degree pitched roof

Subsidiaries and Affiliates

- Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (housing construction, landscaping, and exterior construction work)
- Landtech Sekiwa, Ltd. (land surveys and ground surveys)
- Sekiwa Wood Co., Ltd. (manufacture and sale of housing components)

Rental housing business (contracting, design and construction of rental housing and medical and nursing care facilities)



Sha-Maison, "PRO+NUBE" two-story low-rise apartment

Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies (purchase/sale, leasing and brokerage of real estate)
- Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (housing construction, landscaping, and exterior construction work)
- Landtech Sekiwa, Ltd. (land surveys and ground surveys)
- Sekiwa Wood Co., Ltd. (manufacture and sale of housing components)

Sales of lots business (sale of houses and residential land; contracting, design and construction of houses on residential land for sale)



Residential land for sale "Kazusa no Mori: Chihara Dai"

Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies (purchase/sale, leasing and brokerage of real estate)
- Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (housing construction, landscaping, and exterior construction work)
- Landtech Sekiwa, Ltd. (land surveys and ground surveys)
- Sekiwa Wood Co., Ltd. (manufacture and sale of housing components)

Corporate Profile (as of January 31, 2012)

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: 21,275 (consolidated); 13,108 (non-consolidated)

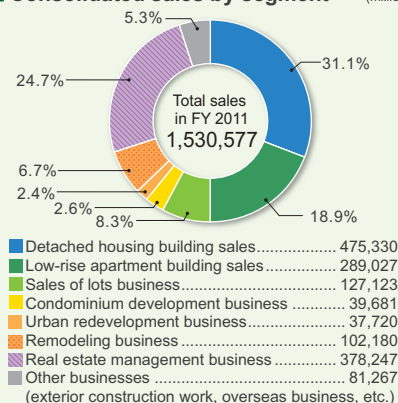
Sales and Service Offices (as of January 31, 2012)

Sales and business administration headquarters: 17
 Branch and sales offices: 124
 Customer Centers: 30
 Factories: 5
 R&D Institute: 1
 Consolidated subsidiaries: 123
 Companies accounted for under the equity method: 15

Business Performance Review

The Great East Japan Earthquake brought about a significant change in public awareness for safe, durable and comfortable housing environments, and highlighted the importance of saving electricity and securing energy in the event of a disaster. At Sekisui House, we have been committed to increasing the availability of disaster-resistant and environmentally friendly housing products, by promoting sales of houses incorporating "SHEQAS," our proprietary seismic vibration absorption system that reduces building deformation by about 50%, and "Green First" houses equipped with photovoltaic power generation and fuel cell systems. Also, we have launched the "Green First HYBRID," a new smart house of our own development, which is furnished with the world's first power supply system utilizing three different cells—solar, fuel and storage. In addition, we successfully increased our sales against the backdrop of the increasing demand for housing reconstruction in the areas stricken by the Great East Japan Earthquake and for rental housing in urban areas. As a result, we posted favorable results in fiscal year 2011, the second year of our medium-term management plan.

Consolidated sales by segment (million yen)



Since its inception, the Sekisui House Group has always put customer satisfaction (CS) at the core of its corporate activities, and through construction of custom-built detached houses and low-rise apartments; sale of ready-built detached houses and condominiums; and promotion of urban redevelopment projects, it has been contributing to the creation of comfortable living environments where both communities and homeowners thrive. As a leading housing manufacturer to first reach the 2-million-home milestone in Japan, we will continue our efforts to fulfill our mission to “protect the lives and possessions of our customers” with the highest quality products and state-of-the-art technology and continue to offer 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 45,300 houses during fiscal year 2011 and have built 2,090,339 houses in cumulative total.)

Condominium development business



“Grande Maison Iseyama,” condominium project

Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies (purchase/sale, leasing and brokerage of real estate)
- Sekiwa Kanri Kansai Co., Ltd. (management of condominiums and buildings)

Urban redevelopment business (development of office buildings and commercial facilities, management and operation of real estate in possession)



“Hommachi Garden City”

Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies (purchase/sale, leasing and brokerage of real estate)
- Sekiwa Kanri Kansai Co., Ltd. (management of condominiums and buildings)
- Sekisui House Umeda Operation Co., Ltd. (management and operation of Shin-Umeda City, support of tenants)

Remodeling business (expansion and renovation of houses)



Before remodeling



After remodeling

Subsidiaries and Affiliates

- Sekisui House Remodeling, Co., Ltd. (contracting of housing remodeling, design and construction)
- Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (contracting of housing remodeling, design and construction)
- Sekiwa Real Estate, Ltd. and 5 other companies (contracting of housing remodeling, design and construction)

Real estate management business (subleasing, management, operation and brokerage of real estate)



Sha-Maison, “Bereo” four-story apartment (for combined residential and commercial use)

Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies (purchase/sale, leasing and brokerage of real estate)

Subleasing Activities

Sekiwa Real Estate, Ltd., which consists of six group companies, 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.

Other businesses (exterior construction work, overseas business, etc.)



Exterior construction work (conceptual image)



Overseas business (Wentworth Point in Australia)

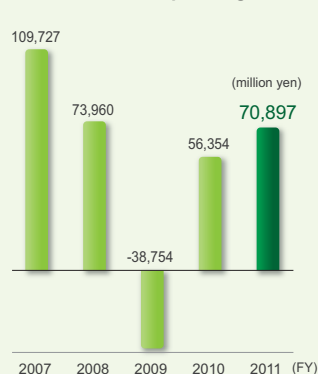
Subsidiaries and Affiliates

- Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (landscaping, and exterior construction work)
- Sekisui House Australia Holdings Pty Ltd. and 77 other companies engaged in international projects

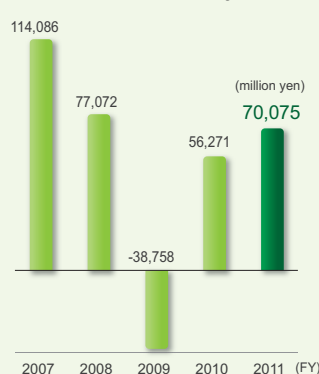
Consolidated net sales



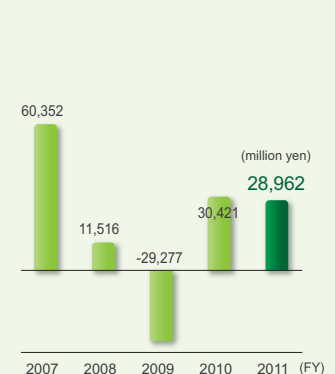
Consolidated operating income



Consolidated ordinary income



Consolidated net income



Acting from a resident's viewpoint at all stages of homebuilding 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 "community-based company," we believe that homebuilding sites should be opened to society as much as possible. Accordingly, we strive for disclosure of housing information and make our homebuilding sites open to the public to the fullest possible extent. 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 that connect customers with us. Through these activities, we ensure that visitors to these sites will be convinced of the superior quality of Sekisui House homes built under our "customer-specific design flexibility" concept, as well as 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

Under our accountability system, we remain fully responsible for the entire process of homebuilding until 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 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 2011, we held this event at 2,256 locations with participation of 144,605 groups of visitors.

Model homes

Offering concrete images of lifestyles and ideal solutions while serving as venues for local 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.



A total of 425 model homes in various parts of Japan.



We organize seminars on handy everyday tips, such as gardening and storage.

Hands-on learning facilities

The Large-scale Experience-based Facilities allow visitors to experience and check specifications that cannot be inspected 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.



The Kanto Large-scale Experience-based Facilities with various theme pavilions (Koga City, Ibaraki Prefecture)



In the Earthquake Resistance Pavilion, the differences between earthquake-resistant and seismically-isolated structures are demonstrated using a full-sized housing structure.



The Housing Environment Pavilion makes visitors aware of the importance of energy.

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 comfort of living 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.



Customer-specific Design

Catering to diversified customer needs with our "customer-specific design flexibility" concept

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.



SHIC system used to discuss interior finish work with customers.

Production

Supplying high-quality building components by producing diversified products under the policy of "customer-distinctive production" while maintaining high production efficiency

At our factories, high-precision original building components are produced. In line with our "customer-specific design flexibility" concept, the name of each customer is specified when an order is issued to a factory and production and shipment are undertaken. With automated production lines and advanced manufacturing equipment, our factories handle production of diversified products efficiently. Strict quality control measures are also taken by dedicated quality assurance personnel.

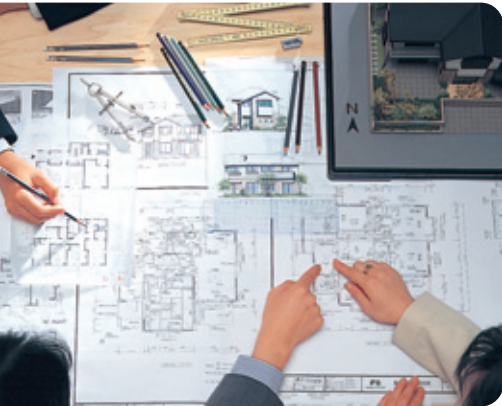


Automated production lines that can produce a wide range of housing frames entirely on a customer-distinctive basis (Shizuoka Factory)

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. At Sekisui House, customers are never asked to choose from among a limited number of pre-designed housing plans. Through our "Housing Consultation,"* we carry out our "customer-specific design flexibility" policy to ensure greater customer satisfaction across the entire homebuilding process from initial contact, design, production and construction to after-sales support.

*The notion of "Housing Consultation" has remained at the heart of our homebuilding business since our inception. This concept refers to our commitment to maximizing customer satisfaction by catering to the individual needs of our customers with our proprietary construction method and production system and offering the best solutions in terms of both physical structure and comfort of living in a manner tailored precisely to the different conditions and needs of customers.

3 Ensuring permanent safety and comfort



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

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 (Kizugawa City in Kyoto Prefecture) 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 performances 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.



The Home Amenities Experience Studio that offers hands-on learning experiences is located on the premises of the Comprehensive Housing R&D Institute.

Testing to validate heat insulation effect is conducted in an artificial weather control room.

Data of bodies and motions of children are collected for development of "Kids Design."

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 2,174 trainees completed the training school course, and a total of 14,096 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.

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 manufacture 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 regular inspection and maintenance service.

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 extended warranty at 10-year intervals, subject to inspection and maintenance/repairs to be completed at the homeowner's expense.



Handing over the key with a 20-year manufacturer warranty to the homeowner.

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 99 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.



Supporting and consulting on the smallest issues that homeowners face in everyday life.

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 Co., Ltd., our group company that has 42 sales offices throughout Japan and shares our consistent homebuilding principles. Changes in families and lifestyles give rise to remodeling needs. We serve these needs by offering various solutions, such as changing room layouts and improving heat insulation efficiency and other housing features. Based on a detailed house history record, we implement remodeling to exacting Sekisui House standards.



before



after

Housing revitalization

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

Under the Everloop 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.



before



after

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

The Sekisui House Sustainable Design Laboratory (Kunitachi City, Tokyo) explores ideal future living environments that incorporate traditional Japanese lifestyle elements. The most distinct characteristic of this laboratory is that it engages in research from a resident's perspective and conduct tests on comfort levels, as well as analysis of experimental data. At the Home Amenities Experience Studio located on the premises of the Comprehensive Housing R&D Institute, valuable data is collected from visitors to this facility. 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. These initiatives connect us to future customers and additional housing projects.



Sustainable Design Laboratory

Housing can help resolve changing social issues. We will fulfill our mission to transform the fabric of society by implementing a business model that plays to our unique strengths.



Isami Wada, Chairman & CEO

Social values have changed as a result of the earthquake. We have come to a fresh recognition of our weighty responsibility as a housing manufacturer.

More than a year has passed since the Great East Japan Earthquake, which caused damage at a level hitherto unprecedented in Japan. The Sekisui House Group is continuing to strive wholeheartedly to engage in efforts toward full-scale reconstruction. I would like to take this opportunity once again to express my sincere condolences to the victims of the disaster.

In 2011, the effect of the accident at the nuclear power plant has required a major shift in the manner in which our lifestyles are supported by electricity. In global terms, too, the effect on product supply by flood damage in Thailand and the economic uncertainty in the European Union that originated in Greece over the past year have aroused a new awareness of the fragility of the social foundations that affect our everyday lives.

Due to this situation, people's way of thinking has also changed. Housing is seen as the place where the family can relax, and there is a new recognition of the importance of bonds between family members and connections between people, with a clear shift toward valuing attempts to rebuild interpersonal relationships in local communities. I was also moved by the sight of people taking the initiative to participate as volunteers. I believe it is extremely significant that we have been reminded afresh of the importance of collaborating with each other, especially in times of difficulty.

I still cannot forget the scene following the Great Hanshin-Awaji Earthquake. At that time I was responsible for supervising measures for reconstruction on the ground, and the words of thanks I received from people whose homes had not collapsed and whose families were safe gave me a real sense of joy in my involvement in this work. When I think of the immense scale of damage from last year's disaster, however, I am intensely aware of our weighty responsibility in engaging in this work of protecting lives and property, and the thought of the mission that Sekisui House is pledged to fulfill through the housing business fills me with renewed determination.

Transforming the fabric of society through housing that protects life, property, and the "heart" of the family

At Sekisui House, based on the belief that housing provides shelter for families' lives and property, we are working to improve the basic

performance of housing, not only in terms of earthquake resistance but also by developing the “SHEQAS” system that absorbs earthquake energy by converting it into heat.

To offer organizational support, we have also introduced a Business Continuity Plan for emergencies, including the development of systems capable of communicating with and assisting our customers from the day a disaster occurs, and these enabled us to respond swiftly after last year’s earthquake.

One absolute prerequisite for ensuring that houses can provide safety, peace of mind, and a refuge for the “heart and soul” of families in an emergency is the capacity to offer support that includes the securing of energy provision in the event that lifelines have not withstood a disaster.

The “Green First HYBRID” system developed by Sekisui House in 2011 is the world’s first to combine three different cells—solar, fuel, and storage—operated by a proprietary control system, in a smart house in which energy availability is maintained even in an emergency. This transforms housing from the location of energy consumption to one of energy production, meaning that it also fulfills infrastructure functions. Housing is thus capable of playing a leading role in making major changes to the fabric of society, including the issue of residential energy. At Sekisui House, we will continue to provide an immediate response to the desires expressed by people who want to live with greater peace of mind in answer to the changing demands of society.

From the expansion of “Green First” to the development of a smart grid

In expanding the sales of “Green First,” Sekisui House is engaged in the important mission of achieving a low-carbon society by reducing CO₂ emissions, which are increasing in the residential sector. This will also lead directly to the creation of social infrastructure with a view to the development of a smart grid (next-generation power transmission network), forming new electricity generation networks.

Houses are evolving into “smart houses” in which information, appliances, photovoltaic power generation systems, storage cells, and electric cars are centrally controlled. The time is near when individual smart houses will be linked together in neighborhoods, forming smart towns that optimize local electricity supply and demand. Given today’s hunger for conversion to renewable energy and sustainable next-generation social infrastructure, Sekisui House will contribute to the creation of a comfortable society with a low energy burden by leading the expansion of smart houses and smart towns.

New impetus for the Japanese economy through the advanced business model of smart houses and smart towns

Through participation in nationally commissioned projects and demonstration experiments in collaboration with a range of other companies, Sekisui House has already been moving forward with the practical application of smart house technology and its concrete development into smart towns.

Although companies in the fields of IT and infrastructure are also entering this sector, it is houses themselves that are the locations of electricity generation, storage, and conservation, and from the perspective of the development of urban planning, by linking individual housing across a wide area, housing forms the focal point for a wide range of industries involved in smart grids.

This has clear advantages for Sekisui House, which has already generated results by prioritizing the construction of houses with zero CO₂ emissions and next-generation smart houses in addition to initiatives such as smart grid residential experiments, based on its “Green First” and

“Green First HYBRID” designs. In future, we intend to put together an innovative business model capable of outstripping international competition in the global market through highly regarded technological capabilities, providing a source of impetus for the Japanese economy.

As a leading company in the housing industry, Sekisui House is going beyond the confines of conventional housing and urban planning to focus on the construction of redistributive social infrastructure capable of taking in large quantities of clean energy and using it to the greatest possible extent as a key area. The company is also engaged in carrying out its new social mission to achieve the development of a low-carbon society.

Helping achieve the development of a low-carbon society by adding solar panels to the industry’s most diverse housing stock

Installing photovoltaic power generation systems in existing homes should be actively pursued as a measure for advancing the shift to a recycling-oriented society and achieving a low-carbon society.

Sekisui House has already supplied more than two million houses. We are actively pressing ahead with remodeling on a nationwide scale with the aim of improving the performance of this housing stock, many of which incorporate photovoltaic power generation systems. If our entire stock could be remodeled, this would generate a massive amount of usable renewable energy, constituting one effective measure to help resolve social issues.

The home remodeling market is expanding every year, and the circulation of housing stock is also key to domestic economic growth. Sekisui House has more customers than any other company in the housing industry, and reflecting cutting-edge energy production, conservation, and storage technologies in existing homes is thus one of the company’s strengths.

We have also set out our medium- and long-term vision for all new detached houses to be Carbon Neutral Houses (zero net CO₂ emissions) as standard by 2030, and all existing housing stock by 2050. We will continue to focus on remodeling to ensure a comfortable lifestyle for our customers and to help resolve social issues.

Housing and neighborhoods that rebuild bonds between people

Since 1977, Sekisui House has been engaged in urban planning with “common” as one of its keywords, and via 2005’s Sekisui House Urban Development Charter, this has now been sublimated into the concept of high-quality communities that nurture neighborhood bonds, contributing to the promotion of communication between local residents.

Last year’s earthquake and tsunami generated a renewed appreciation of the importance of connections and bonds between people. The vital importance of everyday relationships with close neighbors was evident in the range of ways in which people helped each other during and after the disaster, and we strongly hope to continue to be engaged in further strengthening community development.

Sekisui House has always propounded family life in multigenerational homes, and as a new initiative in 2011 we embarked on the construction of collective housing for elderly households and families with children within the same building, designed to enable multigenerational communication. These are not special facilities, but are rather designed to foster communication within a single building, enabling elderly people, with their rich life experience, to observe children’s growth whilst spending their lives in an environment which resembles an extended family. I believe that intergenerational communication may offer clues for resolving some of the issues facing contemporary society, such as education and long-term care.



We are extending Japanese environmental and energy-conservation technology worldwide, with the goal of contributing to improvements in local living environments.

There is no industry providing highly systematized, industrialized housing throughout the world that compares with Japan, yet frameworks for providing housing with consistently high levels of quality and function have yet to be established. However, Sekisui House intends to change this situation.

We have welcomed many visiting experts and government officials from overseas who are interested in creating environmentally friendly houses and neighborhoods, and who have taken note of our initiatives. We pride ourselves that our cutting-edge energy generation and conservation technologies, environmental technologies for resource recycling, and attitudes set the bar at an extremely high level in global terms.

Sekisui House believes this represents a good opportunity to globalize our business, and in our international projects we are actively involved not only in terms of physical aspects such as technology, but also in promoting the concept of fair wood purchasing in line with our in-house guidelines, and planting indigenous trees to preserve biodiversity networks. We are also continuing our involvement in creating sustainable societies and communities from a variety of angles, through the synergistic effect of mergers and acquisitions as well as collaboration with outstanding developers and home builders to develop our platform.

Our international projects are starting to show a profit, and we are also accelerating environmental initiatives.

Our international projects have expanded to include detached houses, collective housing, and commercial complexes incorporating our concepts of design and community development.

In Australia, known for its exceptionally strict environmental design standards, we are taking part in the Central Park Project, a large development in central Sydney. Sales of some areas have already begun, including a number of projects already underway on the east coast, and have made a good start. In Camden Hills, a suburb of Sydney, several display houses are already complete that offer carefully thought-out presentations of our philosophy of housing creation. In Ripley Valley, the “smart city” concept is currently under consideration, in cooperation with municipal authorities. If this comes to pass, it will attract attention as one step toward the realization of our “Sustainable Vision.”

In China, where we are involved in government projects, we are developing a production environment with a view to a recycling-oriented society.

Several simultaneous projects in China are also currently underway. In Shenyang and Suzhou, Sekisui House started building large condominiums in spring 2012. We are also scheduled to start construction in Taicang and Wuxi. In Shenyang in particular, we are establishing our presence as a core company on state projects through the development themes of “low carbon” and “sustainable development,” and have constructed and operated production plants to meet the demand for next-generation energy conservation and high-performance housing in China. Demand in China is rising, not only for housing volume but also in terms of lifestyle affluence and environmental technology, and the government has high expectations of our attitude toward design and manufacturing at Sekisui House, including training technicians.

Our aim for the future is to achieve yearly sales in Singapore (which is continuing to experience economic growth), the United States and elsewhere of around ¥200 billion. When undertaking urban development and manufacturing plant construction, we are striving not only to ensure that local cultures and atmospheres are not lost but also to spread the use of our zero emissions methods.

This expansion into the global market is imparting new energy to employees of the Sekisui House Group. Our company’s working environment emphasizes diversity through Human Resources Sustainability. I hope that members of the younger generation in particular will turn their eyes to the wide range of possibilities inherent in the world, not bound by past norms or existing concepts, and resolutely broaden the sphere of their activities.

Building a sustainable society with an awareness of ISO 26000

CSR activities by Sekisui House are based on our “Sustainable Vision,” with our main focus being to achieve customer satisfaction (CS), shareholder satisfaction (SS), and employee satisfaction (ES). The ISO 26000 standard was issued in 2010 as a guide for management incorporating CSR. At Sekisui House, we are aware of ISO 26000 as a standard for meeting our stakeholders’ expectations, and will continue to hold firm under all circumstances, striving for growth as a company with wide support and to working to help build a sustainable future.

Isami Wada, Chairman & CEO

Our goal is to achieve “SLOW & SMART” lifestyles through further development of “Green First” and by offering the ultimate energy-free design.



Toshinori Abe, President & COO

The power of people, which functioned effectively during crisis relief, and the organizational capacity to assist in recovery from a disaster

The Sekisui House Group has been making every effort to contribute to recovery after the Great East Japan Earthquake, and this process is still underway. I would like to take this opportunity once again to express my condolences to the victims of the disaster and everyone involved, and to pledge that the entire group will continue to do everything we can in future.

The Great East Japan Earthquake was followed by a tsunami that greatly exceeded all predictions, and as people who have been involved in building safe, reliable housing based on our experiences with many past earthquakes, it came as a great shock to us.

The question posed to us as house makers by this degree of devastation goes beyond the earthquake resistance of housing. The issue is how quickly we can help residents return to their normal lifestyles after a disaster occurs, and how swiftly we can devise and implement frameworks for action to assist people's activities in times of emergency. I believe our actual capacity as a company was put to the test.

In the Great East Japan Earthquake, the extent and severity of the devastation tested the speed of our initial response. On this point, the nationwide organizational strength of Sekisui House, with its business premises and construction subsidiaries located throughout the country, proved its worth. Our customer-first attitude, which is part of our corporate DNA, provided the driving force, and we were able to utilize systems that had been strengthened by experiences including the Great Hanshin-Awaji Earthquake to start confirming the safety of our customers in the stricken areas from the actual day of the earthquake, including dispatching staff and other personnel in a mass wave of direct visits.

We also began transporting emergency supplies we had stocked in plants outside the affected areas from three hours after the earthquake hit, sending large volumes of relief supplies from all around Japan to assist with reconstruction. We secured around 150,000 construction assistants from all around Japan, mainly from Customer Centers responsible for maintenance but also in cooperation with the Sekisui House Association, which comprises construction companies under contract with us, including Sekiwa Construction (one of our group companies), and this enabled us to carry out recovery and reconstruction work at an early stage.

We will strengthen ties with related companies, continuing to be “a company needed by society” and “a group with a spirit of gratitude”

The mutual collaboration between Sekisui House, the various group companies, and the Sekisui House Association that came to the fore during this crisis relief gave me a new awareness of our deep bonds as a community linked by destiny. I felt strongly that we should be a company that is needed by society. As an organization we should 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,” and as a group with a spirit of gratitude, we must strengthen this further.

Our nationwide organizational capacity, held together by this mindset, is the starting point for our development as a company. Many of our group employees and other personnel took the initiative to participate in volunteer activities in the regions affected by the Great East Japan Earthquake, and we are all aware that it is our individual ideas and actions that give shape to Sekisui House.

“Green First HYBRID,” the world’s first housing design combining three different cells, launched in response to social demand

Issues of electric power supply came to the forefront after the Great East Japan Earthquake, and our customers’ attitudes also clearly began to change. In response to this social demand, we brought forward our initial plans and launched the “Green First HYBRID,” the world’s first housing design fitted with three different cells—solar, fuel, and storage—in August 2011.

The three cell types are controlled by Sekisui House’s proprietary Home Energy Management System (HEMS), which features residents’-viewpoint specifications that mean it switches automatically in a power blackout. This product was awarded the Minister of Economy, Trade and Industry Award, the highest of the New Energy Awards, in FY 2011. This illustrates the high value placed on its innovative nature by the government.

“Green First” will drive growth: Aiming for a standard of zero net CO₂ emissions by newly constructed detached houses

The “Green First HYBRID” is a smart house that represents the evolutionary development of “Green First” high-performance eco-friendly housing, which is the key to the business strategy of Sekisui House’s medium-term management plan. Sekisui House has already described the “Green First” strategy as the driver of growth, and has focused on increasing understanding among its customers of its outstanding comfort, energy production, and energy conservation. As a result, in FY 2011 we exceeded our initial target, with 77.9% of new houses being “Green First” designs. We will continue to increase the proportion of “Green First” houses, thus contributing to the resolution of energy and environmental issues. Our goal is for all new detached houses to be carbon neutral (zero

net CO₂ emissions) as a standard by 2030.

Since the earthquake, the need for remodeling to provide energy production and conservation has also increased, and this market is expected to expand further in FY 2012. Those involved in such remodeling have put forward the joint slogan “Photovoltaic panels on every roof in Japan,” including our company’s existing homes, and are investing the management resources required to promote remodeling to install photovoltaic panels. Of course, we are actively extending the “Green First” strategy not only for detached houses, but also Sha-Maison rental homes, condominium projects, and medical and nursing home projects.

Achieving the ultimate energy-free design: Sekisui House is at the forefront of R&D and market penetration in this area

Based on our “Green First” strategy, we are pressing ahead with several projects in the field of smart networks and smart houses. The “Kankan kyo” prototype house constructed in Yokohama offers central control of household appliances, residential equipment, electric cars, and other devices, as well as a range of other information, and an integrated in-house network system for supplying energy was demonstrated in 2010.

Since 2011, we have also been working together with Osaka Gas Co., Ltd. on “Smart Energy House” prototype housing, which was awarded the first Life Cycle Carbon Minus Housing Certification from the Institute for Building Environment and Energy Conservation.

We were the first housing manufacturer to exhibit at the Tokyo Motor Show 2011, demonstrating the coordination between an electric car and our “Green First HYBRID” smart house fitted with three different types of cell. In 2012, we will take a further step forward, launching sales of housing capable of interchanging and controlling electric power between houses and electric cars.

Sekisui House believes that its future house building is helping to improve social infrastructure and changing the energy structure of society and the way people live by offering the ultimate energy-free design that offers stress-free energy use in situations ranging from everyday living to times of disaster.

From smart houses to “smart common cities”: Strategic promotion of options that utilize the advantage of scale

Based on our proven track record in the development of smart houses, we are taking practical steps toward community development based on the concept of sustainable smart towns that can achieve energy self-sufficiency. Starting with Smart Common City Akaishidai, in the suburbs of Sendai (Miyagi Prefecture), we are now expanding these nationwide to locations in Ibaraki, Chiba, Yokohama, and Fukuoka, among others. People have already begun to lead comfortable lifestyles through advanced technology.

One-stop solutions provided through collaboration between several different companies will be vital for the development and spread of such smart towns. Sekisui House’s “Green First” housing will be pivotal for this.

We are also taking part in Smart City projects, which bring together

complementary technology and expertise from some of the world's leading companies.

Pursuing comfort and lifestyles that support environmental conservation through advanced technology, with the slogan "SLOW & SMART"

Sekisui House is the leader in the housing industry, having built over two million homes since its inception. Our mission is to take the initiative in engaging in the development and spread of new technologies to support comfortable lifestyles and reduce the burden on the environment, and our slogan for the type of lifestyle we aim to achieve through this is "SLOW & SMART."

This slogan embodies the idea that advanced technology in environmentally friendly homes will enable residents to lead tranquil lives with peace of mind. 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 in areas affected by the disaster, as another important element for supporting "SLOW & SMART" lifestyles.

Sekisui House is also working to improve air quality within homes in consideration of the health of children, who are more vulnerable than adults. In July 2011 we made the "Airkis" air environment specification, which sets standards for the indoor concentrations of five chemical substances at less than half the standards specified in Ministry of Health, Labour and Welfare guidelines, the standard specification for our main steel-frame detached house products, and are encouraging its widespread adoption.

Involvement in collaboration between industry, government, and academia to build healthy home environments

The background to this collaboration is our record of involvement in industry-government-academia collaboration through the construction of a test home in our participation in the Chemi-less Town Project (from 2007) led by Chiba University. The "Airkis" is the fruit of dedicated research, from receiving Chemi-less Certification in October 2009 for our prototype detached house from the Association for Promotion of Chemi-less Town (NPO) after completing measures to prevent sick building syndrome, to the start of sales of houses with "Chemicare design" in November that year.

In November 2011, Sekisui House registered as a corporate supporter of the Japan Environment and Children's Study (JECS) being carried out by the Ministry of the Environment. In an effort to raise the level of awareness of this study, we are supporting its promotion. Chemical substances have been identified as potentially affecting the nervous and immune systems of unborn children.

We will continue to review living environments from the health perspective, and to engage in collaboration between industry, government, and academia to build healthy residential environments.



Compliance is basic to CSR. We will strive to raise awareness from an ethical viewpoint and with a sense of mission

We will continue to work to revitalize our organization through structural reform and to enhance group collaboration. While making efforts to promote communication between in-house divisions and group companies and to foster our corporate culture, we will further develop the potential of our young staff and continue to develop human resources capable of exercising their versatile abilities.

In terms of compliance, we will develop 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. We will move into international markets in earnest, making every endeavor to engage in even more transparent, healthy management.

With regard to raising awareness and changing actions, in addition to having leaders on the ground act as key persons setting an example in order to raise awareness among directors and employees still further, we are also carrying out a Governance Awareness Survey in all our business premises and working to improve our system of checks.

This is also the eighth year of activities for the CSR Committee, and these have taken root not only among the management team but also among senior executives in group companies. Its members repeatedly speak of its significance, consistently maintaining the importance of constant efforts.

Based on the twin pillars of compliance and corporate governance, we will continue to fulfill our social responsibility as a company while maintaining both our economic and social focus.

Toshinori Abe, President & COO



Management philosophy directed towards implementation of a sustainable society

The value which we have sincerely nurtured as a leading company in the housing industry, and have shared with our customers is sublimated into our “Sustainable Vision.”

Today, we are faced with many problems that require global approaches, such as global warming and the consequent occurrence of extreme weather events, an increase in natural disasters, a decline in natural resources, and the destruction of ecosystems, as well as an increase in energy consumption resulting from today’s lifestyles and economic activities and the vulnerability of the energy supply system.

These problems indicate that we are in an age where we need to be sensitive to the impacts of our lifestyles on the global environment and society, so as to enjoy safe, secure, healthy and comfortable living environments.

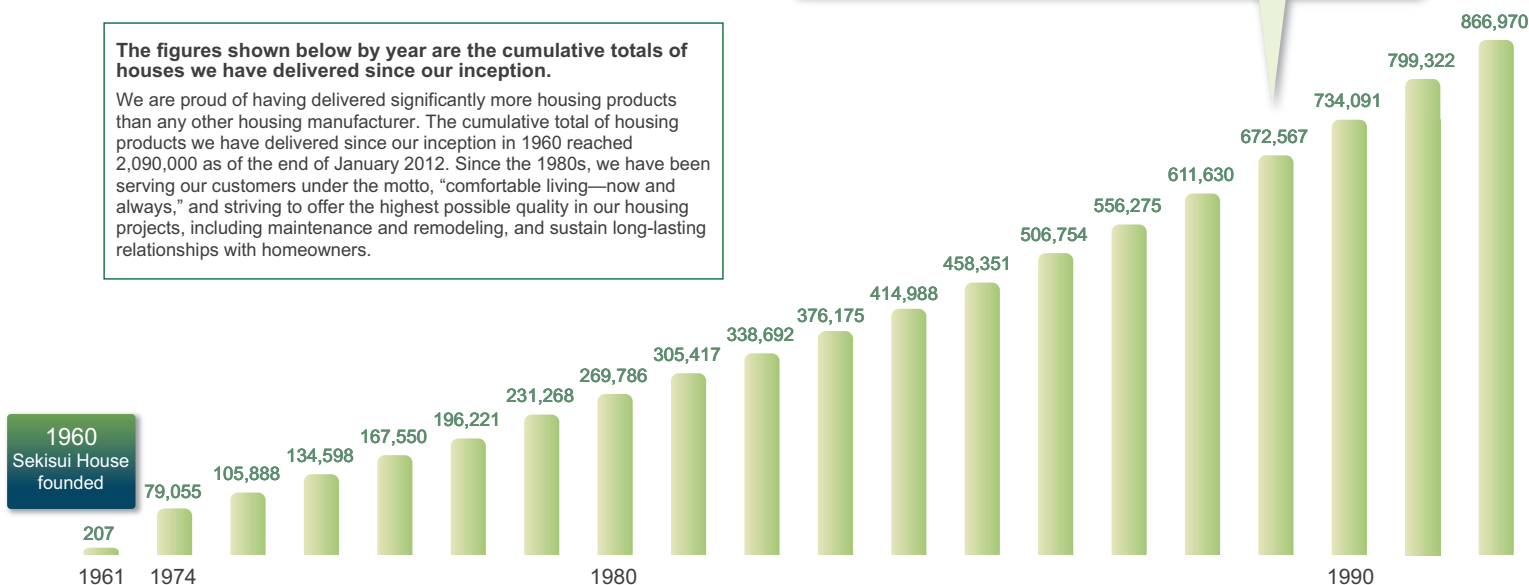
With the belief that “housing can both enable residents to live happily and find solutions to various social problems,” we have continued to explore how we should act as a housing manufacturer based on our management philosophy that focuses on sustainability—“Sustainable Vision.” This section highlights the environmental-impact reducing technologies we have developed as a leading housing manufacturer and our management philosophy and principles with which we bring new values to society to resolve social issues.

In anticipation of future housing needs, we have always engaged in homebuilding from the viewpoint of residents to offer housing products that ensure “comfortable living—now and always.”

If we are to satisfy varying customer needs for “comfortable living—now and always” by offering attractive forward-looking proposals, all Sekisui personnel need to share the vision of a sustainable society and combine efforts on a group-wide basis in line with the management philosophy.

The figures shown below by year are the cumulative totals of houses we have delivered since our inception.

We are proud of having delivered significantly more housing products than any other housing manufacturer. The cumulative total of housing products we have delivered since our inception in 1960 reached 2,090,000 as of the end of January 2012. Since the 1980s, we have been serving our customers under the motto, “comfortable living—now and always,” and striving to offer the highest possible quality in our housing projects, including maintenance and remodeling, and sustain long-lasting relationships with homeowners.



Addressing the needs of society through our core business

1960- Emergence of built-to-order housing business

1980- Emphasis on “design,” “performance offer” and “nature friendliness”

1990-

1989: Corporate philosophy established

Love of humanity

Our underlying philosophy love of humanity means doing all things in good faith with a spirit of service, desiring happiness for others and treating their joy as our own, with the awareness that each and every human being has irreplaceable value.

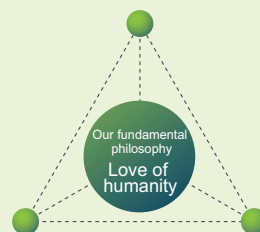
It is our belief that a company is a group of individuals, and the mindset of each employee and the relationships between them constitute the very basis of corporate activities and management, and the source of our commitment to contributing to society.

[Background]

While Sekisui House has continued to steadily grow since its inception, drastic changes in the social environment required us to introduce a “spiritual guidepost” to remind us of our basic principles—a customer-oriented attitude, pride in pursuing the highest quality, and the importance of relationships among employees including partner building contractors. Adopted against this backdrop, our corporate philosophy encourages employees to question whether they remain fully committed to the pursuit of best practice, both mentally and in action, and to exercise self-discipline.

[Our stance]

Truth and trust



[Our objective]

Superior quality and leading technology

[Our business focus]

Comfortable housing and ecologically sound communities



2004: Medium-term management vision

As a leading company in the housing industry, we declared our commitment to promoting our business activities in a manner that improves customer satisfaction (CS), employee satisfaction (ES), and shareholder satisfaction (SS), and also to fulfilling our obligations to all stakeholders in good faith, with corporate social responsibility (CSR) at the core of our corporate management.

[Background]

Seeing the signs of recovery from the economic recession, we reorganized the Sekisui Group so that we have enough strength to cope with changes in the economic climate and business environment, and adopted a new management strategy to achieve further growth.

2008: Eco-First Promise

We became the first government-certified Eco-First Company in the housing industry under the Eco-First program launched by the Ministry of the Environment. We promised the Minister of the Environment that we would accelerate our efforts toward creating a low-carbon society, restoring ecosystem networks, and promoting resource recycling, and made clear our commitment to enhancing the level of environmental measures in the entire industry, aware of our responsibility as the leader of the industry. (For information on the Eco-First program, please refer to p. 37)

2005: Declaration of Sustainability

We defined our vision for a "sustainable society." To move closer to this vision and ensure our progress, we also declared our determination to carry out corporate management in a manner that balances 4 key values: economy, environment, society and residential homeowner needs, the last of which we added as our responsibility as a housing manufacturer.

In 2006, we introduced 13 guidelines by further exploring each of the 4 values, to determine the direction of our corporate activities and decision making.

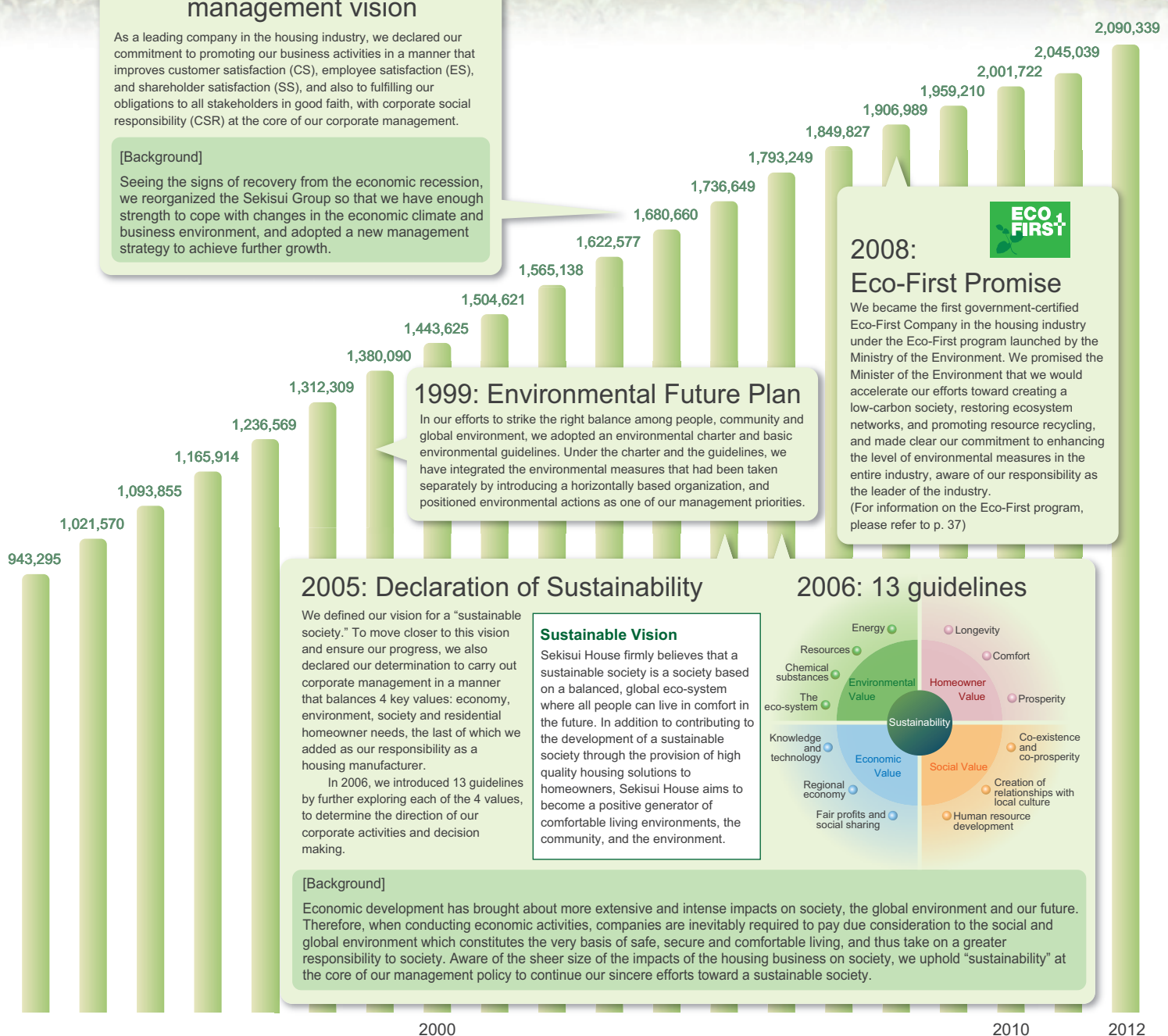
Sustainable Vision

Sekisui House firmly believes that a sustainable society is a society based on a balanced, global eco-system where all people can live in comfort in the future. In addition to contributing to the development of a sustainable society through the provision of high quality housing solutions to homeowners, Sekisui House aims to become a positive generator of comfortable living environments, the community, and the environment.

[Background]

Economic development has brought about more extensive and intense impacts on society, the global environment and our future. Therefore, when conducting economic activities, companies are inevitably required to pay due consideration to the social and global environment which constitutes the very basis of safe, secure and comfortable living, and thus take on a greater responsibility to society. Aware of the sheer size of the impacts of the housing business on society, we uphold "sustainability" at the core of our management policy to continue our sincere efforts toward a sustainable society.

2006: 13 guidelines





Management philosophy directed towards implementation of a sustainable society

“Green First” homes bring “comfortable living—now and always” to homeowners. We are aiming toward a sustainable society by promoting and refining our “Green First” initiative.

If we are to continue our pursuit of safe, secure and comfortable living, we must also have serious environmental consideration. We believe that we can deliver permanently sustainable housing products only through our efforts to bring comfortable living to homeowners in an environmentally friendly manner.

SLOW & SMART

“Slow life” design concept backed by our smart housing technology

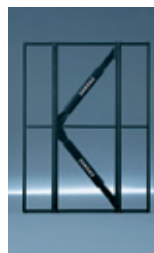
We are promoting our homebuilding to bring to our customers a higher level of comfort, economic efficiency and environmental friendliness by refining our “Green First” initiative under the slogan “SLOW life backed by SMART technology.”



Protecting homeowners with our advanced structural technology that ensures quick recovery from damage caused by an earthquake

“SHEQAS,” Sekisui House’s original seismic vibration absorption system that is accredited by the Minister of Land, Infrastructure, Transport and Tourism

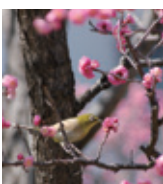
This system converts seismic energy into heat energy and absorbs it. It reduces building deformation by about 50% and demonstrates superior resistance to repeated shakings.



Enjoying everyday life in a green environment

Creating home gardens in a manner best suited to the local climate under the “Gohon no ki” landscaping concept

We create home gardens by planting indigenous tree species best suited to the local climate in various parts of Japan. The environment created in our home gardens attracts various creatures and enables homeowners to enjoy interactions with nature in everyday life.



Design method that gives shape to the concept of “comfortable living—now and always”

Smart Universal Design that ensures greater safety, durability and user friendliness, coupled with enhanced comfort

Our proprietary “Smart Universal Design” method combines the advantages of Universal Design that ensure comfortable living, now and in the future for all the family members by taking into consideration age-associated changes in physical construction, strength and function, with a greater sense of comfort such as pleasant textures and user friendliness.



Our commitment to creating an ideal living environment with our “Green First” initiative

We are offering homes that combine a higher level of comfort, cost performance and environmental consideration in a well-balanced manner from the viewpoint of customers. With this product, we have successfully catered to the demands of the times.

Bringing safety, peace of mind, and healthy and comfortable living to homeowners

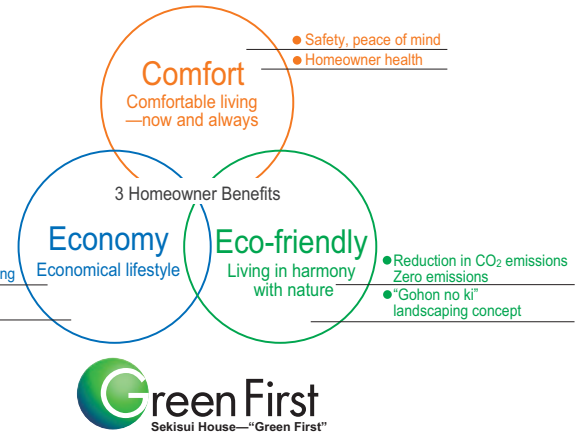
With our outstanding track record in implementation of homebuilding, we bring a pleasant living environment to homeowners in a manner that best suits individual lifestyles and site conditions.

Increasing longevity of homes and enhancing their value as assets

Besides ensuring the best cost performance of our homes in everyday life, we create homes that grow more attractive with the passing of time to enhance their value as assets in the future.

Moving toward a low-carbon, recycle-oriented and environmentally conscious society

Through our homebuilding projects, we are striving to contribute to the creation of a sustainable society by pursuing a more comfortable life while simultaneously preserving the foundation of our lives—the global environment.



An indoor air environment created in consideration of the health of children is also beneficial to all family members.

“Airkis” high-quality indoor air design, customers can now choose indoor air quality.

In July 2011, we introduced “Airkis” as an additional feature of our “Green First” homes. All of our major steel-framed detached homes are shipped with this system. With this system, we can reduce the indoor concentrations of five chemical substances, which are subject to regulation under the housing performance indication system, by more than 50% from the guideline values set by the national government.



Protecting homeowners’ lifestyles by ensuring safety and security in the event of a disaster and performing environmentally friendly practices on a daily basis “Green First HYBRID” home, a new self-sustained house furnished with the world’s first power supply system utilizing three different kinds of cells

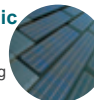
In August 2011, we launched our “Green First HYBRID” home, which incorporates three different cells—solar, fuel, and storage—combined with HEMS (Home Energy Management System). While bringing a high level of comfort, it makes it possible to dramatically save energy and allows people to meet basic living needs if a disaster strikes. The home can also serve as a power generation plant for the local community. Advancement of smart houses will become an important issue for future society.



Fuel cells
generate both electricity and hot water at the same time



Photovoltaic cells
generate electricity using solar power



Storage cells
store electricity



Concerted efforts of the Sekisui House Group to facilitate the process of reconstruction and rehabilitation of the areas stricken by the Great East Japan Earthquake

The entire Sekisui House Group is fully committed to continuing concerted efforts to achieve post-earthquake rehabilitation and reconstruction of the stricken areas as quickly as possible.

More than one year has passed since March 11, 2011 when the Great East Japan Earthquake occurred and caused devastation of an unprecedented scale in the Tohoku and Kanto regions.

Immediately after the earthquake, we, at the Sekisui House Group, embarked on customer support activities under our Customer First policy, took prompt initial response actions and provided centralized management of instructions on a group-wide basis.

The number of Sekisui House Group employees who have taken part in the post-earthquake rehabilitation and reconstruction activities from various parts of Japan during the past year amounts to 150,000.

We have been doing our utmost to facilitate restoration and reconstruction work and construction of temporary houses, out of our desire to accelerate the process of recovery from the devastation as much as possible.

Still, much more time and effort is necessary before the stricken areas achieve full recovery from the damage, and many obstacles have yet to be overcome.

We are determined to carry out our responsibility to society as a housing manufacturer, responding to the needs of communities, as well as those of our customers.

Organizational arrangements

Providing centralized management of instructions on a group-wide basis under our Customer First policy

We promptly opened a disaster response headquarters to provide information on a centralized basis and established an internal system to take initial response actions on the day of the earthquake.

On the day of the earthquake, we established the Tohoku/Off-Pacific Coast Earthquake Response Headquarters, for which our president doubled as Disaster Response Director. Based on lessons learned from past disasters, we provided centralized management of disaster-related information and instructions, and opened local disaster response stations in nine locations in the stricken areas. In this way, we promptly took initial action, while maintaining close communication between employees. Despite difficult circumstances, we confirmed the safety of all employees of the Sekisui House Group and their family members by March 15, and immediately made preparations to contact customers to inquire about their safety and any damage their homes had suffered.



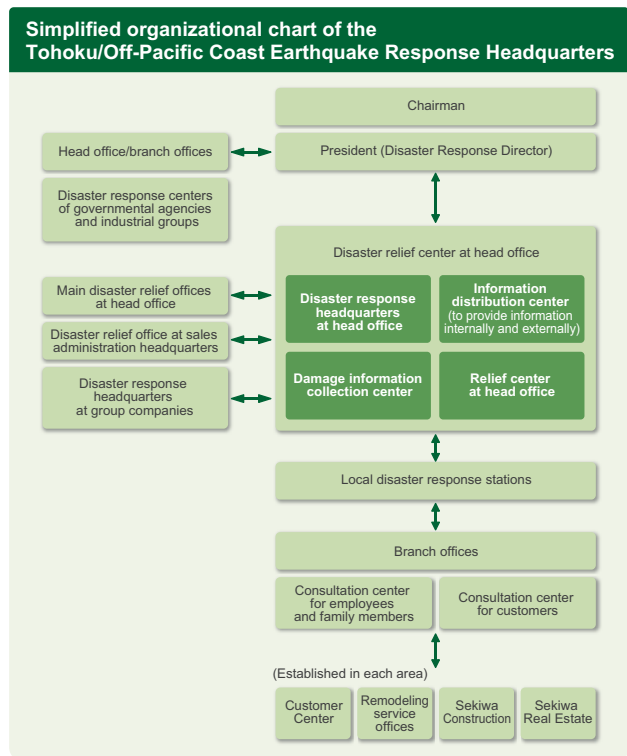
Disaster response headquarters and local disaster response stations were opened in our head office and respective sales administration headquarters respectively to provide centralized management of information.

We implemented an action program that incorporates lessons learned from past disasters.

The Great East Japan Earthquake caused serious damage so extensively that it was very difficult to achieve early recovery. To prepare for such an emergency, we had already developed a Business Continuity Plan (BCP) internally with awareness of the importance of initial action for housing manufacturers. We also implemented the Action Program for Natural Disaster Response to effectively offer needed support to the restoration of stricken areas on a group-wide basis and in cooperation with our business partners, as part of our comprehensive efforts to promote disaster-proof housing design.



Employees of the Sekisui House Group from various parts of Japan joined relief activities immediately after the earthquake.



[Impacts of the earthquake on Sekisui House buildings]

There were 177,458 buildings we had constructed in the areas that registered a seismic intensity of 5 upper or more. Immediately after the earthquake, we launched group-wide efforts to contact our customers in the stricken areas to inquire about damage to their homes, and completed inquiries in less than a month. (For information on our emergency measures and restoration and reconstruction work, please refer to p. 19)

■ Impact of the earthquake on Sekisui House buildings

No. of Sekisui House buildings in the stricken areas	177,458 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.

Initial response action

Promptly taking initial response action through group-wide efforts according to the Action Program for Natural Disaster Response

We completed confirming the safety of our customers and the degree of damage to their homes within approximately three weeks after the earthquake occurred.

On the day of the earthquake, Sekisui House employees took action by collecting information to confirm the safety of our customers and the degree of damage to their homes in their respective territories. On March 15, a disaster response center was opened at our head office to respond to telephone inquiries from customers in the stricken areas. Each of the employees staffed at the center, while collecting information on damage to homes and accepting restoration requests, listened attentively to customers who felt uneasy after the earthquake to reduce their anxiety.

The earthquake and tsunami also caused massive damage to supplies of electricity and gas and other infrastructure. We mobilized group-wide manpower to directly visit customers in the areas that could not be reached by telephone. In this way, we had completed confirming the safety of our customers and damage to their homes within approximately three weeks. There were cases where our visits helped customers confirm the safety of their relatives.



We mobilized group-wide manpower to visit customers in the stricken areas and promptly collected information regarding their safety and damaged homes.

Delivery of aid supplies commenced three hours after the earthquake

Immediately after the earthquake, we began sending aid supplies to our customers and local offices in the stricken areas which were extremely difficult to access due to the damage to major transportation networks. Three hours after the earthquake occurred, the first truck laden with aid supplies left our Shizuoka Factory where food and water had been stockpiled to prepare for a widely expected Tokai earthquake. This was soon followed by other trucks bound for the stricken areas from various parts of Japan. (As of the end of August 2011, aid supplies were carried by a total of eighty-nine 10-ton trucks.)

The aid supplies were delivered not only to our customers, employees and other affiliated parties, but also to local residents and hospitals and shelters where water supplies were likely to remain disrupted for a prolonged period of time. All Sekisui House Group companies and our business partners exerted concerted efforts to support people in the stricken areas, sharing trucks to deliver aid supplies.



We promptly took action to deliver aid supplies to our customers and shelters.

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

Drinking water	348,000 liters	Plastic sheets	12,800 sheets	Diapers	45,700
Staple food	292,000 dishes	Portable gas burners for daily use	3,800 units	Sandbags	17,000
Non-staple food	119,000 dishes	Gas cartridges for daily use	14,800 units	Motorbikes	150 vehicles
Clothing and blankets	9,600 items	Disposable warmers	205,000		

(As of the end of August 2011)

Each employee of the Sekisui House Group took individual action as responsible corporate citizens.

Based on our experiences learned from past disasters, we prioritized what we could do as responsible corporate citizens “for the benefit of customers and communities” and took the lead in carrying out various relief activities, such as offering tents for outdoor kitchens to prepare and supply meals to affected people and for reception desks to accept aid supplies; installing temporary lavatories; and offering some of the rental houses managed by the Sekiwa Real Estate Group to those who lost their homes in the disaster.

Sekisui House Group employees who visited shelters to confirm the safety of customers or deliver aid supplies offered assistance to those who took refuge in the shelters, saying, for example, “Let me communicate your wellbeing to your family members/relatives in other locations or shelters.” By making many telephone calls to deliver the messages received, we considered what we could do for the earthquake victims and volunteered to take action and provide aid.



Seeing the disaster from the point of view of the earthquake victims, we decided to install tents and temporary lavatories.

Major actions taken by the Sekisui House Group since the occurrence of the earthquake

- Mar. 11, 2011 ▶
 - Tohoku/Off-Pacific Coast Earthquake Response Headquarters opened at head office. (Renamed the Great East Japan Earthquake Restoration Headquarters on April 1.)
 - Local disaster response stations are opened in respective sales administration headquarters in the stricken areas.
 - Commenced contacting employees, their family members and customers to confirm their safety and degree of damage to their homes.
 - Aid supplies in stock are sent from our Shizuoka Factory three hours after the earthquake.
- Mar. 12 ▶
 - Begin contacting and visiting customers to inquire about their condition, starting from accessible areas.
 - Begin inspecting the damage to buildings and launch restoration work.
- Mar. 13 ▶
 - Collection of monetary donations begins.
- Mar. 15 ▶
 - Disaster response center is opened at head office to address inquiries from customers.
 - Toll-free telephone service is introduced to all the Customer Centers in the stricken areas.
 - Sekisui House finishes confirming the safety of employees and their family members in the stricken areas.
- Mar. 18 ▶
 - Kanto Factory resumes shipping operations.
- Mar. 19 ▶
 - Tohoku Factory resumes shipping operations.
- Apr. 1 ▶
 - Sekisui House begins accepting orders for “Ganbaro Tohoku,” a new housing product specially designed for the stricken areas.
 - A special payment program is introduced for employees affected by the earthquake.
- Apr. 5 ▶
 - Construction of temporary houses begins.
- Apr. 27 ▶
 - Construction of temporary houses is completed in Ishinomaki City in Miyagi Prefecture.
- May 18 ▶
 - Submission of “Electricity saving measures and targets during the peak hours in summer” to the Minister of the Environment.
- Jul. 1 ▶
 - Sekisui House starts rotating operation in the Tohoku and Kanto Factories to reduce consumption of electricity during peak hours.
- Jul. 27 ▶
 - Ground breaking ceremony is carried out at the site of Smart Common City Akaishidai (Tomiya-machi, Miyagi Prefecture).
- Aug. 8 ▶
 - “Green First HYBRID” is launched on the market.
- Sep. 14 ▶
 - Construction of temporary houses is completed (2,771 houses in Iwate, Miyagi and Fukushima Prefectures).
- Apr. 27, 2012 ▶
 - Smart Common City Akaishidai opens.

Construction of temporary houses

Meeting a tight schedule and completing the delivery of 2,771 temporary houses with nationwide support

We are the first housing manufacturer to start construction of temporary houses.

In response to a request from the national government, we began construction of temporary houses in Ishinomaki City in Miyagi Prefecture. To help people affected by the disaster resume their normal lives as early as possible, we promptly began to procure construction materials and produce building components at our factories to prepare for construction of temporary houses, and on April 5, we became the first housing manufacturer to embark on construction of temporary houses. While considerable difficulties were experienced in search of construction sites, we immediately began site inspection and drew up plot plans once construction sites were determined. Following approval of the respective prefectures, we proceeded with construction.



Construction personnel worked from early morning until late at night, including weekends.

With the concerted efforts of 60,000 workers, we could complete the construction project on time.

In the temporary housing construction project, we had to meet an unusually tight schedule to complete construction of each house in about two weeks. Working in close cooperation with the Sekiwa Construction Group and the Sekisui House Association which is comprised of our partner building contractors, we mobilized a total of 60,000 construction workers and could manage to complete the construction on time, with no single house requiring repair or improvement. On September 14, we completed the construction of all 2,771 temporary houses as scheduled.

■ 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

Restoration and reconstruction work

Mobilizing a total of approximately 150,000 workers across the Sekisui House Group to engage in restoration and reconstruction of the stricken areas

Specialists from each of the Sekisui House Group companies took action promptly and systematically.

We organized a support system combining the strengths of sales and service offices of Sekisui House and group companies around Japan and the Sekisui House Association to promote restoration and reconstruction of the stricken areas. This system has a total of 150,000 workers with professional skills, including more than 800 after-sales support and maintenance service personnel from the Customer Centers, and many expert workers of Sekisui House Remodeling, Sekiwa Real Estate, Sekiwa Construction companies, and the Sekisui House Association. Through this system, the entire Sekisui House Group personnel joined efforts to accelerate the process of restoration and reconstruction. In implementing the construction project, we drew up a detailed plan for rotating the use of construction machines, such as cranes and other heavy machines, trucks and power generators, so that we could procure and transport the machinery needed for particular stages of construction work without fail.



We remain fully committed to advancing the process from restoration to reconstruction.

up buildings.

In some areas, we needed considerable time in our work due to damage to infrastructure or building restrictions, but we could almost complete the restoration work by the summer of 2011 through our concerted efforts made under the Customer First policy.

We launched “Ganbaro Tohoku,” a new housing product specially designed for the stricken areas, on Smart Common City project.

In our efforts to provide a safe and comfortable place to live for the people affected by the disaster and help them return to their normal lives as quickly as possible, we launched “Ganbaro Tohoku,” a new housing product specially designed for the stricken areas on April 1, 2011 to promptly meet the urgent housing needs of our customers. This new housing model allows us to start construction earlier than other models and thus requires a much shorter construction time.

In August 2011, we introduced the “Green First HYBRID” model, which incorporates three different cells—solar, fuel and storage—and allows residents to meet basic living needs even when a disaster strikes. Also, we are currently developing Smart Common City Akaishidai (Tomiya-machi in Miyagi Prefecture) and Smart Common Stage Keyakidaira (Koga City in Ibaraki Prefecture), the embodiment of our smart town concept.



A “Ganbaro Tohoku” house under construction in the stricken area

We assigned a specific task to each team of workers to ensure completion of restoration work at the earliest possible time and to restore buildings to their best possible condition.

In conducting restoration work, we inspected the damage to buildings in each area, and categorized the damage into damage requiring urgent repairs, light damage, damage to foundation, damage to exterior, damage to fixtures, etc. We also organized teams of workers to share the tasks of “repairing the outer sections of buildings” and “modification of houses.” These teams were promptly sent to customers who needed urgent help so that restoration work could be started as early as possible and to restore buildings to their best possible condition. The nationwide network we had built as a leading housing manufacturer enabled us to secure a stable supply of housing materials, building components and construction equipment.

In the coastal areas where the earthquake induced ground liquefaction and caused uneven settlement of buildings, we sent our teams of workers to each of the affected sites to remove sand and take remediation measures using the latest techniques that require professional skills, such as jacking

[Further enhancing our Business Continuity Plan]

The disaster helped us identify the areas that require further enhancement. With renewed awareness of the importance of day-to-day risk management, we will reinforce disaster preparedness at each of our sales administration headquarters and sales and service offices by securing transportation routes and ensuring availability of vehicles and fuels in case of emergency, and increasing stocks of water, food and sanitary items. By doing so, we will further enhance our Business Continuity Plan.

Deepening our ties with the government, NPOs, companies and citizens to expand the scope of support

Aid supplies

We jointly implemented the “Ainori (ride-together) Project” to promptly offer support to people in need.

We joined in the efforts of the Osaka municipal government and Osaka Voluntary Action Center to develop the “Ainori (ride-together) Project” from the initial stages of its creation. The system is designed to deliver aid supplies to areas and facilities that are difficult to access.

Immediately after the earthquake, the Sekisui House Group began delivering aid supplies to affected people via our bases in the Tohoku region. This project stemmed from the idea of using our physical distribution system to transport aid supplies that the Osaka municipal government was asking citizens to donate. In our efforts to “listen to the voice of people in the areas where aid supplies are scarce and send needed items to them,” we worked with several other companies to develop a framework for transporting aid supplies. In this way, the government, NPOs, several companies and citizens worked together to directly address the needs of elderly people, people with disabilities, infants, and pregnant women in the stricken areas. Starting from March 22, we arranged ten trips to stricken areas in Iwate, Miyagi, and Fukushima Prefectures, transporting a total of approximately 83 tons of aid supplies, including nursing care and childcare products as well as water and food.

■ Main destinations of our aid

Local government	Iitate village in Fukushima Prefecture, Minamisoma City in Fukushima Prefecture, Minamisanriku-cho in Miyagi Prefecture, Ishinomaki City in Miyagi Prefecture
Shelters, temporary housing areas, volunteer centers	Shelters in Fukushima University; Kesennuma Municipal Niitsuki Junior High School in Miyagi Prefecture; and Miyagi Prefectural Kesennuma High School, “Heisei no Mori” temporary housing area (Minamisanriku-cho, Miyagi Prefecture), Ishinomaki Disaster Volunteer Center
NPOs, medical and welfare facilities	NPO Community Life Support Center, NPO Miyagi Selp Conference, Takuto Rehabilitation Center for Children (Sendai City, Miyagi Prefecture), NPO Fureai Station Ai (Miyako City, Iwate Prefecture), Iwate Prefectural Council of Social Welfare, “Soleil no Oka” care house (Kesennuma City, Miyagi Prefecture)
Educational facilities	Kodomo Egao Genki Project, Civil Action Network for Supporting Restoration from the Great East Japan Earthquake, Miyagi University of Education (Sendai City, Miyagi Prefecture)

Monetary donations

Offering monetary donations to victims of the Great East Japan Earthquake

Starting March 2011, we began collecting monetary donations from our affiliated parties, including employees and former employees of the Sekisui House Group all over Japan, the Sekisui House Association, and our business partners, and offered the money to the following organizations. Our donations are meant to be either disbursed directly to people affected by the earthquake by the recipient organizations or used to cover expenses for promptly providing support to meet the needs of people in the stricken areas.

Recipient organization	Amount of donation
Japanese Red Cross Society	¥33,000,000
NPO Japan Platform	¥10,000,000
Osaka Voluntary Action Center	¥4,989,208
Miyagi Prefectural Government, Iwate Prefectural Government, Fukushima Municipal Government	¥35,000,000
Total (including the monetary donations from Sekisui House)	¥82,989,208

Cooperating with Momo-Kaki Orphans Fund to offer financial aid to children orphaned by the earthquake

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. Our Momo-Kaki Orphans Fund Program is joined by about 790 executive officers and employees, and under this program, we will continue our financial assistance for ten years for a total amount of 100 million yen.

*Under this matching program, employees have an amount of their choice withheld from their salaries for donations and Sekisui House matches the donations and contributes the same amount.

Volunteer activities

Sekisui House employees engaging in volunteer activities in the stricken areas

At Sekisui House, sales and service offices and factories offered volunteer opportunities to employees, such as cleaning shelters, collecting items carried by the tsunami, and taking furniture from damaged houses.

Starting April 2012, we implemented a restoration program in the stricken areas which includes cleaning and making storage sheds for temporary houses, as part of training for new employees.



Sekisui House volunteers worked to improve the sanitary conditions of a shelter.

Events and activities to support economic independence of the stricken areas

Producing a “Gift Catalog to Revitalize Tohoku” and promoting sales through the catalog

Our Tohoku Sales Administration Headquarters and TKC Tohoku worked together to produce a “Gift Catalog to Revitalize Tohoku” to support business partners of TKC, and began accepting orders online from August 26, 2011.

Cooperating with the “Minna De Kaouya (Purchase by everyone)” project

We cooperated with 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. For this project, we offered the space in the underground floor of the Umeda Sky Building where our head office is located from May 2011 to the end of March 2012.

Carrying out Tohoku Campaign at canteens of our factories

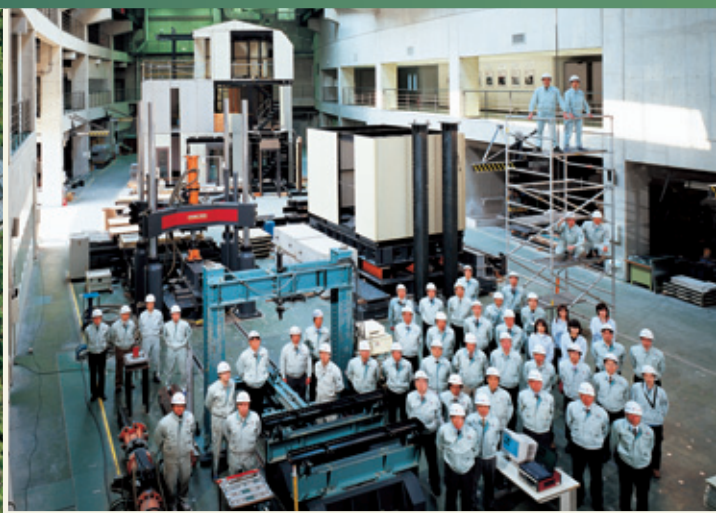
We carried out Tohoku Campaign in the cafeterias of our factories to offer dishes using specialties of the Tohoku region, such as bean paste from Sendai City in Miyagi Prefecture, wheat gluten fried in vegetable oil (*aburafu*) from Tome City in Miyagi Prefecture, and Pacific saury from Ofunato City in Iwate Prefecture.

Cooperating in the organization of 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 on March 10 and 11, 2012. Participants in the event enjoyed various stage performances, offered silent prayers, attended workshops, interacted with people who had moved to Kansai from Tohoku for refuge, and joined various other activities. The number of participants in the event totaled 5,500 over two days.

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

As part of our efforts to offer economic support to the stricken 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 expenses of company trips bound for these destinations.

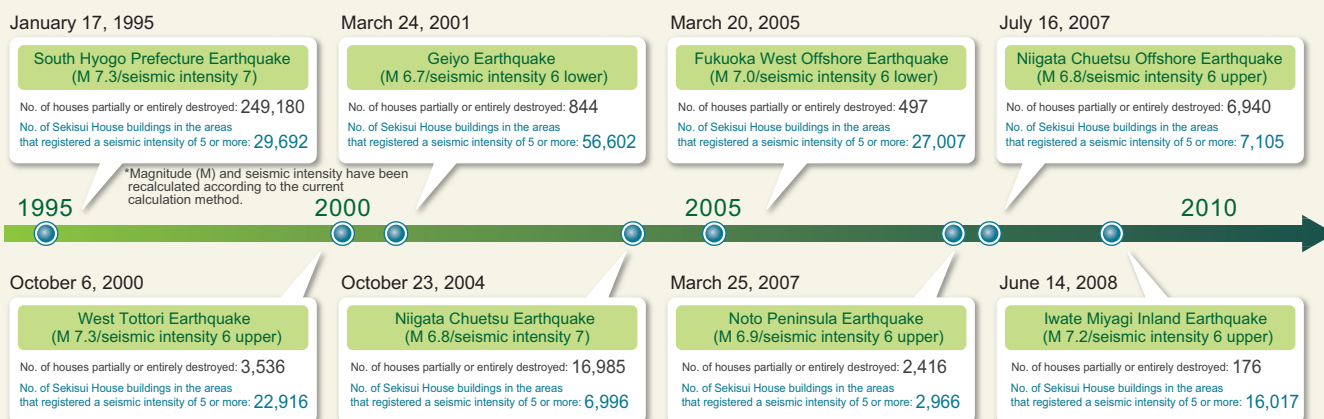


Promoting our “Green First” initiative to meet the post-earthquake needs of the next generation

Striving to perform our responsibilities in the face of a rapid change in society after the earthquake with renewed awareness of the importance of safe living and disaster-proof housing

Our disaster-proof housing design is backed by our track record of building 2,090,000 houses in cumulative total nationwide and the lessons learned from this experience.

Since its inception in 1960, Sekisui House has delivered more than 2,090,000 houses to customers. During this period, several earthquakes with a seismic intensity of six or more occurred in various parts of Japan. As shown in the following table, we have experienced earthquakes with seismic intensities of six or more every three to five years since 1995 when the South Hyogo Prefecture Earthquake occurred. Lessons learned from this experience reminded us of the importance of the basic principles of homebuilding—safety, durability and comfort—and taught that high seismic performance and earthquake-resistant features are indispensable prerequisites for high-quality housing products as social assets.



*Seismic intensity and the number of buildings partially or entirely destroyed are taken from the data of the Japan Meteorological Agency and the Chronological Scientific Tables.
*The number of Sekisui House houses in the areas that registered a seismic intensity of 5 or more is as of the day the earthquake occurred.

Launching energy-saving and disaster-proof housing products to ensure self-sustained lives at home even in times of emergency

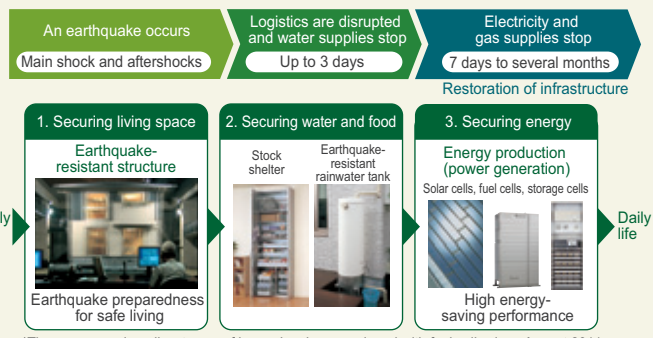
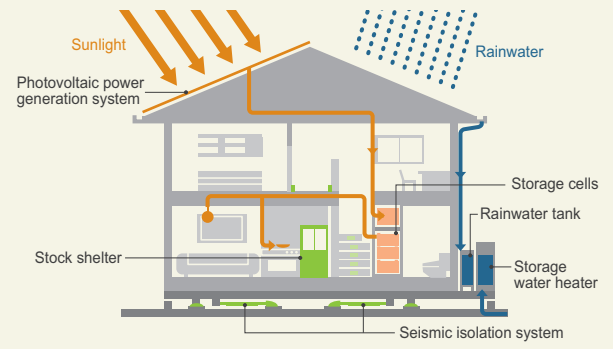
Adding disaster-proof features suited to Japanese houses while prompting residents to increase disaster awareness and preparedness on a daily basis

While no Sekisui House buildings were destroyed solely by shakings in the past earthquakes, we have often heard homeowners in the affected areas say that their houses were intact but they could not continue to live in them, due mainly to damage to infrastructure. Out of our desire to ensure self-sustained lives at home even after a disaster, we launched an energy-saving, disaster-proof house on the market in 2004, a first in the Japanese housing industry.

Designing disaster-proof housing features to meet needs during an emergency that change over time and also be of service and deliver comfort on a daily basis

Our energy-saving, disaster-proof house is characterized by its ability to meet needs during an emergency at each stage in the aftermath of a disaster. As a housing manufacturer, we contribute to disaster mitigation by introducing housing features that allow self-sustained lives even after a disaster occurs, in anticipation of constantly changing situations.

Of course, our housing products are designed to withstand the strong shakings of an earthquake and protect the lives of residents. In addition to this, we introduced unique seismic isolation and resistance technologies to our new disaster-proof house to minimize possible damage to the structure so that residents can continue to live in their homes even after an earthquake occurs, while enhancing measures to prevent dishes from being thrown from cupboards and furniture from falling when experiencing strong shakings. Furthermore, the house is equipped with a stock shelter to store food and drinking water and an earthquake-resistant rainwater tank for toilet flush water, which enable residents to stay in their homes even without a supply of daily necessities for approximately three days. In the event of a disaster, electricity, gas and other utilities may be out of service for a prolonged period of time. Our energy-saving and disaster-proof house allows residents to generate and store electricity at home with its photovoltaic power generation system and electric power storage system, which also help residents reduce energy consumption. In designing this product, we also gave importance to introducing these emergency functions in an ordinary housing environment, not in a special setting.



*The energy-saving, disaster-proof house has been equipped with fuel cells since August 2011.



Model energy-saving, disaster-proof house in Akashi City (now removed)

An increasing need to secure energy and reduce electricity consumption at home as electricity shortages became a reality

The first-ever experience of rolling blackouts reminded us of the preciousness of electricity and taught us what is needed for future homebuilding.

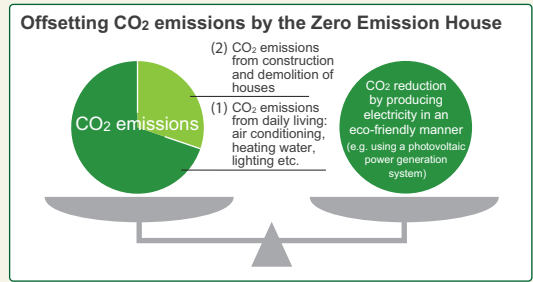
In the G8 Hokkaido Toyako Summit held in 2008, we unveiled our Zero Emission House to the world, and in 2009, we embarked on our "Green First" initiative to bring greater comfort, economic efficiency and eco-friendliness to our customers. Over the years, we have remained committed to developing energy producing and saving technologies to ensure both comfortable living and a reduction of CO₂ emissions to contribute to the prevention of global warming. In 2011, we had the first-ever experience of rolling blackouts and the government's request for significant reduction of power consumption following the Great East Japan Earthquake. This experience posed us the very difficult question of how we can cope with and overcome electricity shortages.



Confusion caused by the rolling blackouts (Courtesy of the Mainichi Newspapers) Dimly lit downtown street due to power saving



Sekisui House cooperated in the construction of the Zero Emission House hosted by the Ministry of Economy, Trade and Industry in the Toyako Summit.



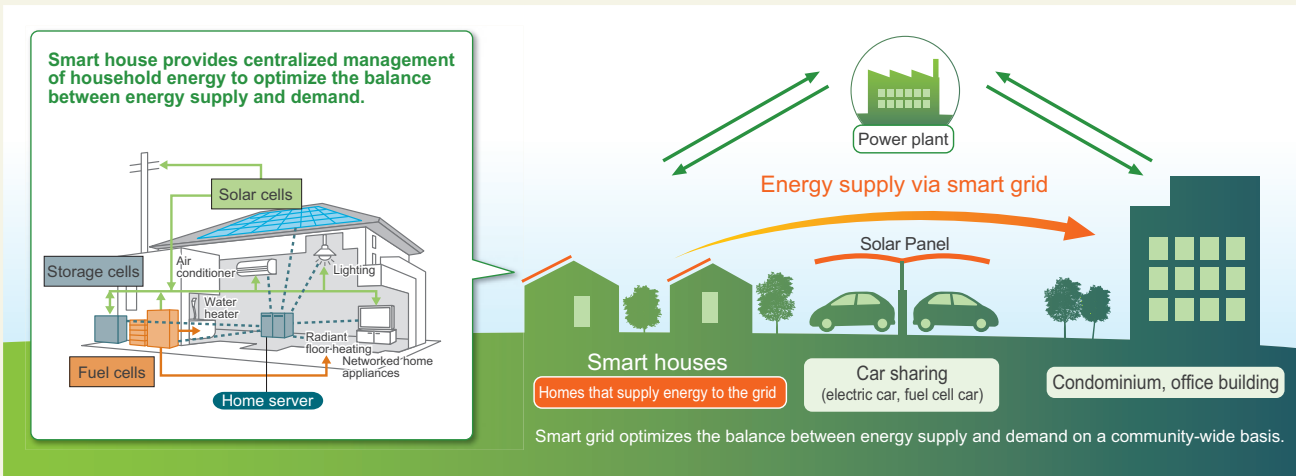
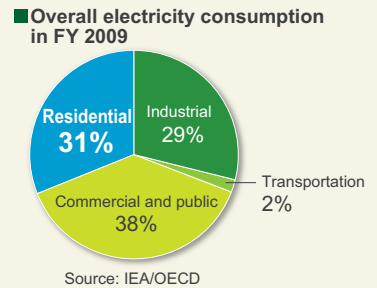
Zero Emission House is designed to reduce to zero CO₂ emissions from (1) daily living and (2) construction and demolition of houses.

With its ability to bring greater comfort, economic efficiency and eco-friendliness in a well-balanced manner, our “Green First” initiative presented a vision of lifestyles in the near future and proved to be a viable solution to the serious energy problems that arose in 2011. By further improving the “Green First” design, we launched the “Green First HYBRID” model, a disaster-resistant smart house capable of producing energy for family consumption.

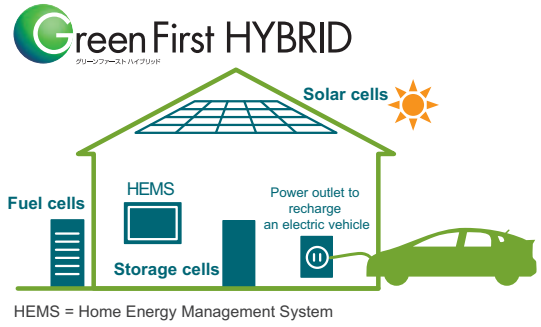
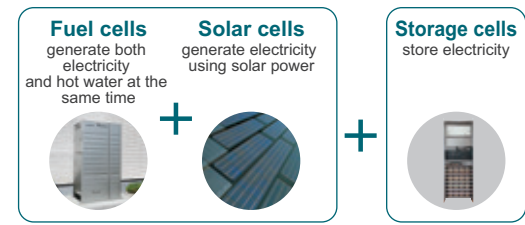
Japan’s energy policy is now undergoing drastic change, shifting its focus to energy production and conservation. The year 2011 will be remembered as the first year of the smart house era.

Today, Japan’s energy policy is at a crucial turning point. In the conventional energy policy, importance was placed on reducing CO₂ emissions and creating a sustainable society by switching from fossil fuels to nuclear energy. However, the 2011 earthquake and the nuclear power plant accident that followed have compelled us to reduce our dependence on nuclear energy. Against this backdrop, we are now required to accelerate the development of technologies to produce energy from renewable energy sources and to save energy without sacrificing comfortable and convenient living standards. The Japanese government has embarked on drastic measures to change the direction of its energy policy, including the Renewable Energy Feed-in Tariff System to be introduced on July 1, 2012, in its efforts to achieve a new future vision that is substantially different to the original vision.

Of course, it is also necessary for us to change our lifestyles at home, as residential users are responsible for about one third of the national power consumption. While many obstacles have yet to be overcome, we believe that we can expedite the process for achieving a sustainable society by offering housing products capable of producing electricity at home for family consumption.



“Green First HYBRID,” the world’s first smart house model that incorporates three different types of cells (launched in August 2011)



In the latter part of 2011, the Japanese housing market saw the hasty introduction of a range of innovations, such as storage cells, HEMS technologies and photovoltaic power generation systems, reflecting the rapidly growing interest in the concept of producing, saving and storing energy at home. In this light, we may call 2011 the first year of the smart house era. Sekisui House launched its “Green First HYBRID,” an advanced smart house equipped with our original HEMS in August 2011. This is the upgraded version of our energy-saving, disaster-proof home we introduced in 2004, and the world’s first mass-produced model that incorporates three different types of cells—solar, fuel, and storage—which work together to ensure self-sustained living at home even during a disaster-induced blackout, while enabling optimal control of electricity consumption by producing electricity for family consumption during ordinary times.

The “Green First HYBRID” model, developed from the viewpoint of residents, brings a largely stress-free environment to homeowners.

- “Green First HYBRID” creates a largely stress-free housing environment by
- 1 Freeing residents from the stress of saving energy
 - 2 Freeing residents from concerns over blackouts
 - 3 Freeing residents from the financial stress of utility costs (reducing utility costs to zero)
 - 4 Freeing residents from the influence of local electricity shortages
 - 5 Enabling residents to join in the efforts to stop global warming



We participated in the Tokyo Motor Show as an exhibitor for the first time as a housing manufacturer, where we presented our “Green First HYBRID” smart house concept and our vision of an ideal lifestyle in the near-future smart mobility city.

At the Tokyo Motor Show held in December 2011, we set up an exhibition booth for the first time as a housing manufacturer to showcase our “Green First HYBRID + EV” concept, a new vision of living in a smart house environment with an electric vehicle. Since 2010, we have participated in the Smart Network Project, an initiative commissioned by the Ministry of Internal Affairs and Communications to accelerate the process toward the creation of a smart house environment. Under this project, we built the “Kankan kyo” prototype house in the Yokohama Minato Mirai 21 district to explore how we could contribute to an ideal future lifestyle with our smart house design combined with an electric vehicle. At the Tokyo Motor Show, some exhibitors proposed the idea of supplying electricity for residential use from an electric vehicle during a blackout. In contrast to this, the Sekisui House model exhibited in the show is capable of recharging an electric vehicle even during a blackout, as we are convinced of the vital necessity of a vehicle during an emergency. This motor show, where ideal lifestyle and urban design models were exhibited focusing on the EV and other latest automobile technologies, ended in a great success, reflecting the increasing public awareness of the energy problems resulting from the earthquake, and our booth alone was visited by as many as 36,000 people, despite the fact that the show was originally intended for the automobile industry. Our exhibition was widely covered by the mass media and garnered a very good reputation.



Demonstrative experiments were conducted in the Kankan kyo prototype smart house (in Yokohama City) to develop an ideal future housing environment combined with an electric vehicle. (2010)



An electric vehicle and the Kankan kyo prototype house



Sekisui House booth at the Tokyo Motor Show



Exhibition of Sekisui House's original HEMS at the Tokyo Motor Show

Our “Green First HYBRID” was recognized as the most outstanding smart house product available on the Japanese market, and won the Minister of Economy, Trade and Industry Prize, the grand prize of the 2011 New Energy Award Program implemented by the New Energy Foundation.

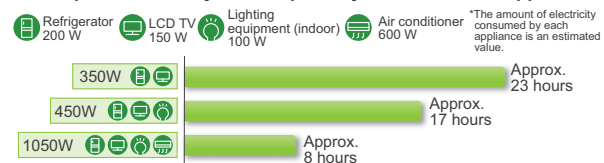


(We received 150 orders for the “Green First HYBRID” model from various parts of Japan during a six-month period up to the end of December 2011.)

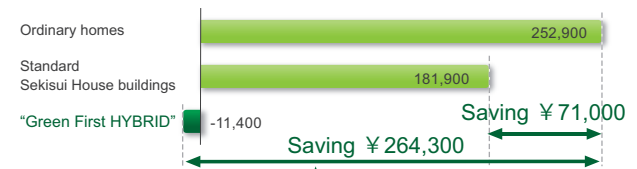
**Large-capacity storage cell system (8.96 kWh)
Living without concerns with a constant supply of electricity available**

The large-capacity storage cell system ensures uninterrupted supply of electricity and thus allows residents to live without concerns at all times. Capable of storing 8.96 kWh of electricity, this system enables continuous use of a refrigerator for one full day even if a blackout occurs, while allowing relatively unrestricted use of TV and lighting equipment. To be specific, the system is capable of supplying electricity to a refrigerator, an LCD TV, and lighting equipment for about 17 consecutive hours.

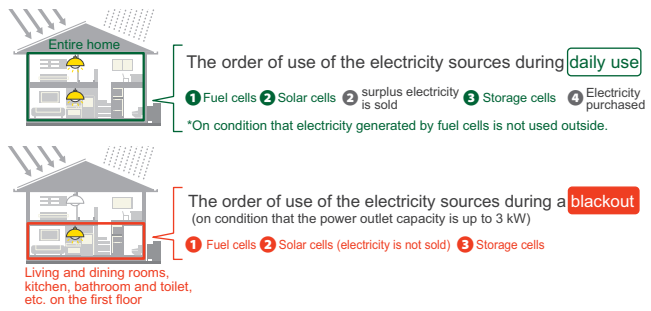
Example of electricity consumption by home electrical appliances



**Utility cost savings (yen/household/year)
For a four-person household living in a house of 135 m² in an area of Tokyo**



“Green First HYBRID” allows residents to sell surplus electricity so utility costs are reduced to almost zero.



From construction of smart houses to development of smart towns under the “Green First” initiative

Sekisui House has embarked on a smart town project with the development of “Smart Common City Akaishidai,” an extensive residential area designed as part of the post-earthquake reconstruction process in the suburbs of Sendai, and also in various other parts of eastern Japan and Kyushu.

The smart town concept of Sekisui House is to deliver solutions to energy problems and facilitate the process toward achieving a sustainable and thriving society.

Today, Japanese housing manufacturers are required to carefully use finite energy resources, not only in individual homebuilding but also in the development of residential communities. In doing so, we must strive to create a sustainable society with a disaster-resistant, eco-friendly and comfortable living environment.

At Sekisui House, we embarked on the Smart Common City community development project in 2011 to further promote our smart town concept. Characteristically, this project places special emphasis on the viewpoints of residents to bring them maximum benefits. In carrying out the project, we are striving to create disaster-resistant, thriving communities where all the residents are satisfied with the living environment in terms of “safety and security,” “energy availability,” “mutual aid,” and “health and comfort.” To be specific, the Smart Common City developed by Sekisui House is basically comprised of our “Green First HYBRID” smart houses, each furnished with the “SHEQAS” seismic vibration absorption system that

is accredited by the Minister of Land, Infrastructure, Transport and Tourism and the “Airkis” high-quality indoor air system. In creating the Smart Common City, we also take advantage of our extensive experience in homebuilding and community development, in which we introduce various attractive programs to strengthen neighborhood bonds, facilitate interactions among residents, and encourage community-wide disaster-prepared efforts. Needless to say, we will strive to achieve higher environmental performance, by enhancing the ability of the Smart Common City communities to generate electricity for local consumption and supply surplus electricity to neighboring communities, thereby contributing to a reduction in electricity consumption during peak hours, and reducing CO₂ emissions largely to lessen environmental impacts. We are committed to creating communities in which residents will feel increasingly attached to over generations, and that function as social capital and bring the joy of “SLOW & SMART” living to residents.

1 Smart Common City Akaishidai with 431 houses—the first step in the post-earthquake reconstruction process in the Tohoku region



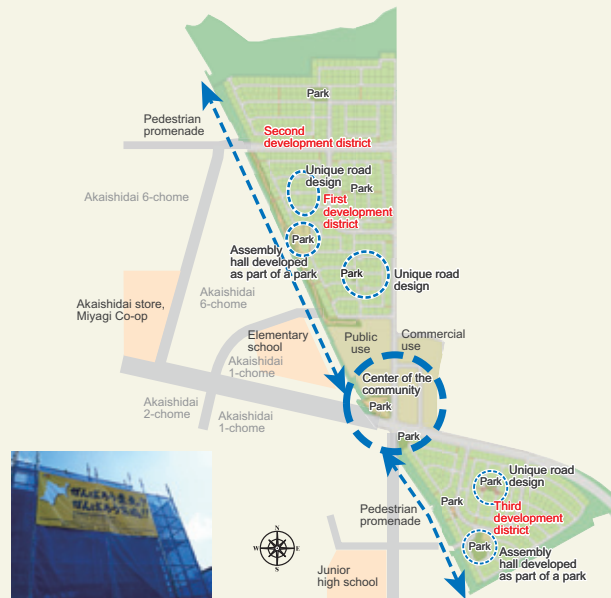
Smart Common City Akaishidai is an extensive residential area with 431 houses, which is under development in Tomiya-machi in the suburbs of Sendai City in Miyagi Prefecture. This is the first large-scale post-earthquake reconstruction project for Miyagi Prefecture, and draws much attention as the first step in the reconstruction process of the Tohoku region. In this area, a total of 431 houses will be built, all of which are furnished with a photovoltaic power generation system. Around 20% of them will be the advanced “Green First HYBRID” smart houses, each equipped with fuel cells and storage cells in addition to a photovoltaic power generation system. We are developing this community based on five principles; namely, “a disaster-resistant and crime-free community,” “environmental friendliness and the use of natural energy,” “attractive landscape that constitutes a valuable part of the community,” “positive neighborhood relationships,” and “health, welfare, and safety.” Our Smart Common City Akaishidai development project was selected as one of the “3rd leading projects that contribute to reducing CO₂ emissions from housing and architecture” for FY 2011, under the program of the Ministry of Land, Infrastructure, Transport and Tourism to support leading projects expected to achieve outstanding results in reduction of CO₂ emissions.

*Development area: 399,000 m²
 Total no. of subdivisions: 764
 (of which Sekisui House owns 431)
 Sales of subdivisions began in December 2011



Mr. Yoshihiro Murai, Governor of Miyagi Prefecture (center) was present at the groundbreaking ceremony of the Akaishidai East District Development Project. (President Toshinori Abe on the left)

Master plan of Akaishidai Community development



The “Green First HYBRID” district is uniquely provided with cul-de-sacs to prevent through traffic.

Safety and security

- "SHEQAS," Sekisui House's original seismic vibration absorption system (accredited by the Minister of Land, Infrastructure, Transport and Tourism)
- Energy-saving, disaster-proof housing design



SHEQAS
 建築ハラスエリシタル 大震害(地震)対策
 建築省エネルギー省環境システム(シーエスエス)
 www.sekisui-house.com/sheqas

Health and comfort

- "Airkis" high-quality indoor air system
- Building communities that grow increasingly attractive over time "Gohon no ki" landscaping concept



空気環境配慮仕様
Airkis
 エアキス

Smart Common City

Energy availability

- Promoting the use of natural energy under the "Green First" initiative
- Introducing photovoltaic power generation systems and fuel cells



Green First
 Sustainable Home - Green First™
 Comfort Economy Eco-Friendly

Mutual aid

- Fostering neighborhood bonds to create a thriving community



③ "CO₂ Zero District," a smart city developed under an industry-government-university joint project in Fukuoka Island City

Currently, private-public efforts are underway to develop Fukuoka Island City, a model city of the 21st century, where Sekisui House is engaged in a project to create "CO₂ Zero District" with 178 smart houses jointly with the Kyushu Association of Housing and Construction Industries. This is an industry-government-university project, conducted with the support of Fukuoka Municipal Government, Kyushu University and Saibugas Co., Ltd., and selected as one of the leading projects that contribute to reducing CO₂ emissions by the Ministry of Land, Infrastructure, Transport and Tourism. All the houses in this district will be furnished with a large-capacity photovoltaic power generation system and more than 70% of them will be equipped with both solar cells and fuel cells for power generation. Some of these houses are also built with "Green First HYBRID" features, including storage cells.

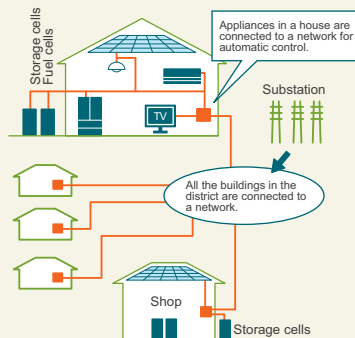


*Scheduled development area: 59,300 m²
 Total no. of houses: 178
 This district will be opened in autumn 2012.

④ Smart district (provided with a next-generation power distribution grid) in Saitama Prefecture. Sekisui House, through private-public partnership, participates in the smart district promotion project.

We are engaged in the "Koshigaya Lake Town Smart House Model District" development project jointly with Koshigaya Municipal Government of Saitama Prefecture, and built a "Green First HYBRID" model house furnished with a photovoltaic power generation system, fuel cells and storage cells as well as a HEMS. From this model house, and together with other model houses and commercial facilities, we will promote the use of microgrids and other advanced smart house technologies.

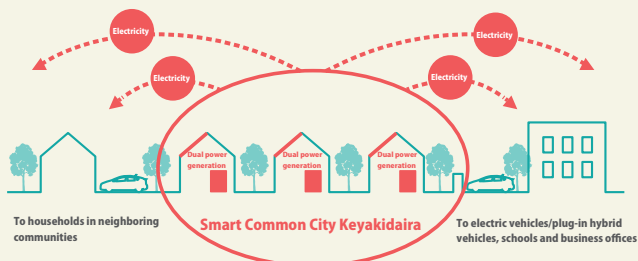
■ Conceptual diagram of a smart house model district



② "Smart Common Stage Keyakidaira" where all of the 67 Sekisui House homes are capable of generating electricity for 85 households with dual power generation system

Koga New Town Keyakidaira is a large residential area with 549 subdivisions, located in Koga City in Ibaraki Prefecture. In part of this area, Sekisui House is developing its Smart Common Stage project which consists of 67 smart houses, each equipped with a power generation system using both solar and fuel cells, and a power outlet to recharge an electric vehicle. Ten of them will be "Green First HYBRID" homes with more advanced smart house features including storage cells. The Smart Common Stage project is designed to serve as a "power plant" to generate electricity, not only for local consumption, but also for supply to neighboring communities, and all the 67 Sekisui House homes will be capable of generating electricity to meet the needs of 85 households per year. The Smart Common Stage will contribute to reducing the amount of power purchased from the utility provider during peak hours by supplying surplus electricity generated with solar cells to neighboring communities during the daytime in summer. In winter, it will generate electricity with fuel cells and supply surplus electricity to households during evening hours when family members are at home. At the same time, the Smart Common Stage project is capable of reducing CO₂ emissions by 218 tons annually (equivalent to the amount of CO₂ absorbed by 15,600 50-year-old cedar trees), thus contributing to global warming prevention.

*Development area: 24,400 m² / Total no. of subdivisions: 67 / Sales of subdivisions began in March 2012.



Serving as a "local power plant" to supply electricity to neighboring communities during the daytime

VOICE

I expect Sekisui House to develop housing products capable of overcoming various problems that may arise during their long life.

During the long life of a house, a range of problems that are unforeseeable at the time of construction may arise, including huge disasters such as the Great East Japan Earthquake. Even global environmental problems were unknown to the public a few decades ago. To develop housing products that can overcome these potential problems, manufacturers should have, of course, technical excellence to cope with immediate circumstances, but, equally importantly, they should stick to their principles which have been enhanced by their many years of experience in homebuilding. In this light, I encourage Sekisui House to further promote the "Green First" initiative. While the smart house is attracting increasing attention nowadays, the most important thing about this concept is that the building itself is designed to consume less energy, rather than the house being equipped with solar cells and other advanced features. I believe Sekisui House can outperform their competitors in this regard.



Dr. Yoshiyuki Shimoda
 Professor, Division of Sustainable Energy and Environmental Engineering
 Graduate School of Engineering
 Osaka University



Consideration of the health of residents

Committed to delivering “comfortable living—now and always” with our state-of-the-art homebuilding technologies backed by the “lifelong housing” concept

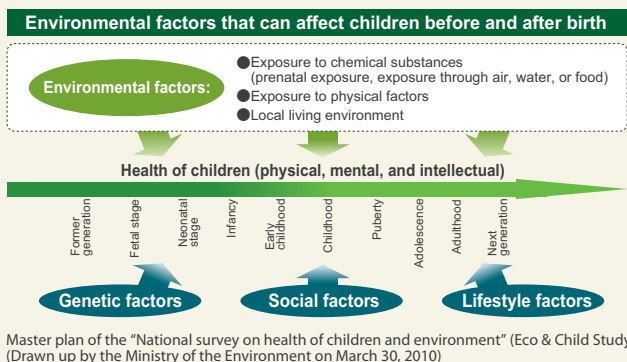


Creating an ideal living environment that promises healthy lives for all

While the possible impacts of chemical substances on human health have long been widely recognized, the threat to the health of children, who are smaller and thus more vulnerable than adults, is attracting a higher level of interest recently. We, at Sekisui House, have continued concerted efforts to deliver “comfortable living—now and always” and create a healthy living environment free from any harmful chemical substances. Aware of the special importance of indoor air quality which can affect the health of residents, we are striving to create a healthy indoor air environment through measures to prevent sick building syndrome which is caused mainly by volatile organic compounds (VOCs).

The national government has embarked on a project to protect the health of children.

Children are smaller and thus more vulnerable to environmental impacts than adults. Sick building syndrome and sick school syndrome still remain a primary concern of society. Against this backdrop, the Japanese government has embarked on an “Eco & Child Study” project to investigate how various environmental factors can affect the health of children.



Main steps taken by Sekisui House to bring a healthy living environment to customers

- 1994: Measures are taken to reduce formaldehyde emissions.
- 2003: Strict F☆☆☆☆ standards (certified by JAS) are applied to all interior finishing materials.
- 2007: Healthy indoor air environment design is introduced as an option. Sekisui House participates in the Chemi-less Town project.
- 2008: Chemicare design for healthy indoor air environment wins the 2nd Kids Design Award.
- 2009: Sekisui House’s Chemi-less House test home becomes the first residential building that is awarded Chemi-less Certification.
- 2011: “Airkis” high-quality indoor air system is launched on the market.



Chemi-less House test home built for demonstrative experiment purposes

“Airkis” high-quality indoor air system developed to protect the health of children

Though not visible to the naked eye, we take in more air than any other substance, including food and water in our everyday lives. We began R&D on indoor air quality about 20 years ago when the threat of sick building syndrome became apparent, and we have since taken various measures to ensure healthier air quality. Since 2007, we have been promoting a housing design which can reduce indoor concentrations of five chemical substances that cause sick building syndrome to less than 50% of the guideline value set by the national government in order to protect children who are at a greater risk if exposed to these substances than adults.

Our efforts to expand the range and reduce the cost of healthier building materials led us to the introduction of the “Airkis” high-quality indoor air system in 2011. We have since been committed to promoting the use of this new system.

■ Ensuring a clearer air environment for children by introducing strict guidelines that set allowable concentrations of five chemical substances at levels less than 50% of the national guidelines

Developed to protect the health of children, the “Airkis” system is designed to reduce the concentrations of five chemical substances; namely, formaldehyde, toluene, xylene, ethylbenzene and styrene, to levels less than 50% of the guideline value set by the Ministry of Health, Labour and Welfare.

■ Measuring indoor chemical substance concentrations upon completion of every “Airkis” home by having the air analyzed by a third-party laboratory to assure air quality

Upon completion of an “Airkis” home, we measure concentrations of the chemical substances using a method specified by the Ministry of Health, Labour and Welfare and have the data analyzed by a public third-party laboratory. We then draw up an “Air Quality Certificate” based on the results of the analysis, and deliver the certificate to the customer along with the home.

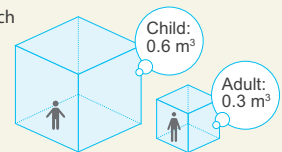
■ Developing building components that meet the strict “Airkis” standards

Currently, we are in the process of developing building components that meet the strict internal standards of chemical substance concentrations, which are set at levels more than 50% lower than the guideline value of the national government, by combining “building materials that emit less chemical substances into the air,” “building materials that absorb more chemical substances” and a “ventilation system that promptly eliminates chemical substances from the indoor air.” Also, we are expanding the range of building materials we offer to customers to ensure that the “Airkis” system will be adopted in more Sekisui House homes. During 2011, we worked with our business partners to measure the concentration-reducing effects of about 300 sample components, and added 200 kinds of new building components to our lineup.



A child needs about twice as much air as an adult per 1 kg of body weight.

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



Air being taken upon completion of a Chemicare home



Air being analyzed by a third-party laboratory



An “Air Quality Certificate” is issued.



Achievements of the Chemi-less Town Project over the past five years

The Chemi-less Town Project is an industry-academia research project conducted jointly by several companies and Chiba University to create homes and a community free from sick building syndrome. As a member of this project, Sekisui House built a test home by using the advanced homebuilding technologies they had developed internally, where we conducted sensory evaluations using the traditional five senses, and also residential experiments. The results of these experiences led to the introduction of the “Airkis” high-quality indoor air system on the market in 2011. By launching this project, we aimed to develop and promote healthier homebuilding components through close cooperation with companies, thereby preventing sick building syndrome. As a leader of this project, I am very glad that this project has brought about such a significant outcome. We will remain committed to our efforts to prevent possible diseases by means of environmental improvement.

Dr. Chisato Mori, M.D.

Director, Center for Preventive Medical Science Chiba University



Communicating the latest information on safe living to society, as well as measures to prevent sick building syndrome at home

Today, concerns are growing over the possible impacts of various chemical substances present in our living environment on the health of children. Besides exploring effective measures to prevent sick building syndrome, we are striving to bring healthier air quality to residential spaces to ensure a bright future for children.

■ Organizing a seminar on the prevention of sick building syndrome

In November 2011, we organized a seminar titled “What we can do for the future of children: The latest progress in sick building syndrome prevention” in Iino Hall in Chiyoda-ku, Tokyo, with the participation of about 150 people. In the seminar, Dr. Claudia S. Miller, an American researcher and authority on public health and environmental medicine, delivered a lecture. In the panel discussion that followed, a heated debate took place over the possibility of industry-government-academia partnership in reducing the impacts of chemical substances on our living environment among panelists, including a representative of the R&D department of Sekisui House.



■ Cooperating with the Eco & Child Study to protect the health of future generations

In 2011, the Japanese Ministry of the Environment embarked on a “National survey on the health of children and the environment” (Eco & Child Study). As a housing manufacturer that has long been addressing the issue of sick building syndrome, we agreed with the purpose of this project, and have undertaken the PR activities for the project as its corporate supporter. To be specific, we engage in publicity activities in our offices and model homes throughout Japan to increase public recognition and deepen understanding of this project, while posting our messages to encourage the project and show its logo on our website and in-house magazine. Through these activities, we are striving to create an ideal living environment for the healthy growth of children.

Eco & Child Study

This is Japan’s first large-scale survey to explore how exposure to chemical substances and other environmental factors from fetal stage to childhood can affect the growth and development of children. This project aims to identify environmental factors that can impact the health and growth of children through periodical monitoring of the health conditions of children from fetal stage until the age of thirteen.



Our “Airkis” system is an improved version of the Chemicare design for a healthy indoor air environment. By developing new building materials with less emissions of chemical substances that can cause sick building syndrome and introducing uniform specifications to reduce costs, the “Airkis” system is offered as a highly attractive option for customers. The name “Airkis” is a combination of “air” and “kiss,” which represents our conviction that choosing the air for residential settings should become as common a practice as choosing food and water. Today, the “Airkis” system is employed in a growing number of Sekisui House homes, and its use is steadily expanding. Currently, the “Airkis” system is mostly applied to steel-frame detached houses, but we will introduce this system in other types of houses, and continue our R&D efforts to bring healthier air quality to our customers, building on the insights gained through the Chemi-less Town Project.

*Chemi-less, Chemi-less House, and Chemi-less Town are registered trademarks of an NPO, the Center of Environmental Health Science for Future Generations.



Central Park Project (Artist's rendering)

Developing overseas business

Committed to creating sustainable homes and communities in a manner that harmonizes with the local climate and culture, using our state-of-the-art resource recycling, and energy producing and saving technologies

We are promoting homebuilding and community development projects globally, taking advantage of our high-quality industrialized housing and advanced environmental technologies. We work in close cooperation with our partners in respective countries, including governmental agencies, developers and builders who agree with and think highly of our commitment to creating an ideal living environment with our advanced resource recycling and energy producing and saving technologies. We have already embarked on projects in Australia, Singapore, the U.S. and China, and begun supplying our housing products to these markets.

Australia



Participating in a new initiative, the “Central Park Project” designed to develop an eco-friendly community capable of producing energy for local consumption

In Australia, we have been engaged in community development projects underway in Wentworth Point, Camden Hills, Ripley Valley, Coolum, and Serrata. In parallel with these projects, we took part in another project in 2011, which is carried out in Central Park in the center of Sydney. Launched in 2007, the Central Park Project aims to develop a community with an area of 58,000 m² over a period of seven years, for which Jean Nouvel and Norman Foster, two world-famous architects from France and the U.K. respectively, undertake the design work. Upon completion, this community will accommodate residential, office and commercial complex facilities with a total floor area of 213,500 m².

This project is not about simply constructing new buildings: we place

equal emphasis on conserving the local environment and historical heritage by preserving some of the existing buildings to make this community more attractive and valuable. For example, the old beer factory in the development site, which constitutes a traditional streetscape of this area, will be reused in part as commercial facilities.

In Australia, an environmental rating system for buildings called the Green Star Program is implemented by the Green Building Council. We are going to take drastic measures to reduce greenhouse gas emissions in the development site and introduce photovoltaic power generation systems in public areas so that our Central Park Project will be awarded the top six-star rating under this system. In addition, this community will be furnished with green walls, wastewater recycling facilities and a trigeneration system (an energy supply system that puts CO₂ as well as heat and electricity to effective use), to minimize local consumption of water and share surplus water and electricity with neighboring facilities. In this way, this development project aims to create a community capable of producing energy for local consumption with the latest innovations.

Singapore



Creating a more attractive and comfortable living environment through our dedication to bringing additional value focusing on the benefits for residents

In Singapore, we are working jointly with local developers in the Boathouse Residences project to develop a suburban residential area, the Punggol Watertown project to build residential facilities directly accessible from a subway station, and the Hillsta project to create a waterfront community in a green environment.

In carrying out these projects, we introduce the concepts of "Japanese-style" and "Sekisui House-style" community development to bring additional value to the conventional living environment, while respecting Singapore's own residential culture and community design. With our community development philosophy and proven homebuilding know-how, we hope to contribute to the creation of extremely pleasant communities where residents can have more satisfying lives.

We work in close cooperation with local joint venture business partners to bring new living environments to our customers in Singapore, leveraging our experience in the "Gohon no ki" and other landscaping and environmental projects and our environmental policy. Throughout our history, we have developed and upgraded various innovations to meet customers' needs for living space in a manner most satisfactory to them. Our mission is to introduce these innovations in the markets we serve, and we are doing our utmost to fulfill this mission in the ongoing projects. In doing so, we will continue to promote our style of homebuilding and community development in Singapore, placing the highest priority on the benefits of residents.



Punggol Watertown (Artist's rendering)



Hillsta (Artist's rendering)



Cinco Ranch in Texas (Artist's rendering)



One Loudoun near Washington, D.C. (Artist's rendering)

United States of America



Implementing projects to induce a shift in ideas about the living environment by placing greater emphasis on natural elements

As a community developer, we participated in several development projects in Texas, Florida and North Carolina in December 2011, in addition to earlier projects conducted in Virginia, Texas, and Washington. Before our participation, our business partners were involved in many of these community development projects, under which parks and trails are created in a manner that harmonizes with the surrounding natural environment to provide ideal venues for local residents to enjoy interactions with nature in their everyday lives (e.g. by going trekking, organizing road races and other outdoor events.)

While engaging in these ongoing community develop projects, we will work with our business partners to further enhance the environmental measures and know-how we have developed so far, and combine them with existing know-how available in the U.S. In doing so, we hope to strongly and clearly communicate our view of our commitment to the environment to our customers in the U.S.



Sekisui House is the first to start production using a Japanese industrialized housing system in China.

China



Participating as a core member in China's national project that aims at achieving "lower carbon emissions" and "sustainable development"

Shenyang City is currently carrying out a national project to develop a "Modern Construction Industrial Park" as a national center for production of prefabricated houses, building materials, and housing equipment, with focus placed on "low carbon emissions," "sustainable development," "environmental preservation," and "greening." We agreed with the purpose of this project and participated in the project in April 2011 as a core member. To cater to the growing demand of Chinese customers for next-generation energy-saving and high-quality housing products, we constructed a factory to produce steel-framed houses within the park, leveraging our experience of having supplied high-performance eco-friendly prefabricated houses designed to ensure healthy lives in the Japanese market. We are the first Japanese housing manufacturer to open a full-fledged prefabricated housing system factory in China.

The main part of the factory is roughly divided into three sections—one is allocated to factory workers, another is for companies that opened business bases in Shenyang with us, and the other is for welcoming guests, as this factory is visited by many people.

While each section is independent from the other, the factory as a whole is designed to offer an ideal work environment, and also furnished with facilities that can be shared by all.

For example, the welfare building and garden are open to all, allowing people to spend time together and enjoy friendly interactions. In this way, we ensure sustainable operation of the factory. The welfare building is equipped with our original exterior walls, which can withstand the extremely harsh weather of Shenyang during the winter season when temperature falls below -20° C and which are hardly affected by degradation through aging.

As part of our energy-saving efforts, we adopted downlights and fluorescent lights for indoor lighting as well as LED light in spaces where long-time lighting is required, while installing motion sensor-activated lighting and faucet systems. In the entire factory site, we planted local tree species under our "Gohon no ki" landscaping concept to preserve the local ecosystem and create a pleasant green environment that will grow more attractive over time.

Building an exhibition house and a resource recycling center to strengthen environmental measures

In the steel factory on the premises, the assembly of structural frames is carried out automatically. Here, advanced robots handle the processes following the input of raw materials, from drilling, cutting, and welding, to completion of finished products. Through this system, we can constantly deliver the highest quality products to Chinese customers, unaffected by differences in abilities and skills among individual workers.

On April 15, 2012, the completion ceremony of the Shenyang factory was conducted, and the factory has since been in full-fledged operation to produce and supply steel-frame components for prefabricated houses, which we will promote in the Chinese market, as well as our original exterior walls, interior finishing materials and housing equipment for condominiums and townhouses.

In the garden of the factory, we are currently building an exhibition house, which is designed after the Large-scale Experience-based Facilities we have in several locations in Japan. This will serve as a flagship model for the Chinese market. Equipped with state-of-the-art housing technologies from Japan, such as our roof tile photovoltaic power generation system, LED lighting, and HEMS, this model offers visitors hands-on opportunities to learn about the environmentally friendly housing features we will bring to Chinese customers.

A resource recycling center is also under construction on the premises of the factory. Both the "Modern Construction Industrial Park" concept and China's national policy place special importance on creating a national economic system that contributes to resource recycling in three sectors – production, consumption and urbanization. The resource recycling center will expand the scope of operation in step with an increase in shipments from the factory, starting from resource conservation in the production and logistics processes and back-office operation and eventually embarking on recovery and sorting of byproducts from construction sites and production of recycled products.

We are convinced that the quality of a prefabricated house is largely determined by the ability of workers to achieve accuracy in construction. With this conviction, and adhering to our long-held philosophy that human resource development is at the core of manufacturing, we opened a school on the premises of the factory to train Chinese construction technicians.



Production is undertaken by high-performance robots.



Mr. Wang Min, Party Secretary of Liaoning Province (second person from left), Mr. Zeng Wei, Party Secretary of Shenyang (far right), Mr. Chen Haibo, Mayor of Shenyang (far left) and Mr. Isami Wada, Chairman of Sekisui House, press the buttons to start the operation of the factory.

Offering a living space with reduced exposure to chemical substances, providing buildings with rooftop greening, and creating a landscape that harmonizes with the surrounding environment

We are carrying out several housing development projects in China, and one of these projects is the condominium development in Taicang City. Taicang City is located about 50 km northwest of the center of Shanghai, and about 50 km from the center of Suzhou City. This is one of the nearest cities to downtown Shanghai. In the eastern part of Taicang City, we will start the construction of condominiums with 511 residential units in a 78,746 m² lot in July 2012. In this city, urbanization has been spreading eastwards, and our development site is right at the center of the urbanized area.

This project is meant to develop an attractive residential area from the perspective of residents based on our homebuilding principles of "safety, security, health and comfort," while taking into consideration the traditional culture and lifestyles of Chinese people. We will create functional and pleasant residential units by employing building materials that emit less chemical substances, providing ample storage space, and developing floor plans that are functional and efficient and that facilitate housework.

In our efforts to develop an eco-friendly future-oriented community, we will provide rooftop gardens to some public facilities and condominiums to create an attractive green landscape. In doing so, we aim not only to deliver a pleasant living environment to residents, but also to promote green landscaping in the neighboring area as well. The residential buildings, each designed to have good south-north ventilation, are arranged in gentle curves to symbolize flows of wind and water, which gives a dynamic impression to the landscape. Upon completion, these buildings will serve as a landmark of this area, with their environmental friendliness and excellent visibility even from a distance.

Condominium complex in Taicang City (Artist's rendering)



Organizational management toward a sustainable society

Sekisui House considers CSR to be an important management principle and is committed to actively engaging in CSR in its daily business operations, based on the 4 values and 13 guidelines, established to achieve the Sustainable Vision. By inviting external stakeholders as members, the Sekisui House CSR Committee incorporates external viewpoints in designing specific policies for corporate activities to enhance CSR efforts.

CSR policy and structure

The Sekisui House corporate philosophy of “love of humanity” first established in 1989 after company-wide employee discussions, forms the foundation of its CSR policy. CSR activities are considered an important means to reforming corporate mindsets, fulfilling our duties to stakeholders with honesty and integrity and as a goal to attaining our vision of sustainability.

CSR management based on 4 values and 13 guidelines

At Sekisui House, we determine the direction of our CSR activities based on 4 values and 13 guidelines—the principles of action we introduced to achieve our Sustainable Vision. In order to implement the PDCA cycle without fail, we review our corporate activities each year by assessing to what extent we have achieved our social and environmental targets.



CSR Committee and CSR promotion structure

Incorporating the viewpoints of external stakeholders, the Sekisui House CSR Committee acts as an organ to develop CSR policy and verify whether current CSR activities are consistent with social norms and expectations so that company-wide CSR initiatives are relevant and effective.

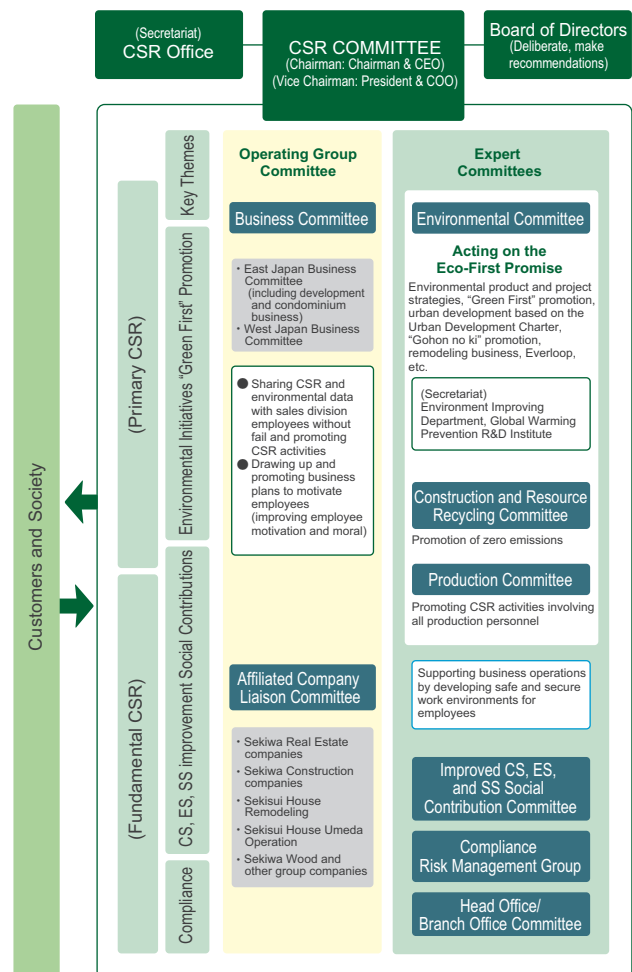
Led by our Chairman & CEO, the CSR Committee, which consists of board members, a selection of executive officers and three external stakeholders (a manager of an environmentally advanced company, a corporate management expert, and a compliance expert), meets once every three months. CSR Committee members are appointed by the board of directors.

Under the supervision of the CSR Committee, several committees are working to promote and further strengthen our CSR efforts. Specifically, the

Business Committee, one of the Operating Group Committees, is positioned as the focal point of the CSR activities which we undertake as part of our core business. This committee is responsible for our CSR process from formulating specific CSR plans to reviewing the outcomes of our activities, and is supported by six Expert Committees which are tasked with separate responsibilities based on their respective CSR themes. In addition, CSR promotion representatives are assigned to each of our business departments.

In fiscal year 2012, we will accelerate our efforts to contribute to resolving energy and other issues that society faces by further promoting and enhancing our “Green First” initiative, and also strive to fulfill our “fundamental CSR” that places emphasis on compliance.

CSR Promotion Structure



Matching ISO 26000 and Sekisui House's 4 values and 13 guidelines

In 2010, the International Organization for Standardization launched ISO 26000, an international standard providing guidance applicable to all corporate organizations to fulfill their responsibilities to society.

The following table shows how Sekisui House's 4 values and 13 guidelines, or principles of action introduced to achieve our Sustainable Vision, match the seven main themes of the ISO 26000 international standard. From this table, it is clear that there is a near-perfect correspondence between them. We will remain committed to our CSR activities based on these 4 values and 13 guidelines.

4 values and 13 guidelines of Sekisui House			Corresponding main themes and goals of ISO 26000	
Value	Guideline	Description	Main theme	Goal
Environmental Value				
	Energy	Use of energy without depending on fossil fuels	Environment	● Climate change mitigation and adaptation
	Resources	Use of resources within the regenerative capacity of natural ecosystems	Environment	● Sustainable use of resources
	Chemical substances	Prevention of heterogeneous and hard-to-degrade substances from concentrating in the natural environment	Environment	● Pollution prevention
	The eco-system	Protection of natural cycle and biodiversity	Environment	● Environmental protection, recovery of biodiversity and natural habitats
Economic Value				
	Knowledge and technology	Accumulation of wisdom and technologies to create sustainable values	Community participation and development	● Development of and access to technologies ● Job creation and skills development
	Regional economy	Revitalization of local economies	Community participation and development	● Community participation ● Education and culture ● Job creation and skills development
	Fair profits and social sharing	Pursuit of fair corporate profits and sharing the profits with society	● Organizational governance ● Fair business practice ● Community participation and development	● Fair competition ● Wealth and income creation ● Social investment
Social Value				
	Co-existence and co-prosperity	Establishment of relationships of co-existence and co-prosperity based on trust and empathy with various stakeholders in society	● Fair business practice ● Community participation and development	● Promotion of social responsibility within value chain ● Respect for property rights ● Community participation
	Creation of relationships with local culture	Preservation and enhancement of local culture and community development	● Consumer issues ● Community participation and development	● Protection of safety and health of consumers ● Community participation ● Education and raising awareness
	Human resource development	Human resource development to create sustainable values	● Human rights ● Labor practice	● Complaint resolution ● Discrimination and socially vulnerable groups ● Labor safety and health
Homeowner Value				
	Longevity	Construction of homes that are long beloved by residents and that grow more valuable over time	● Consumer issues ● Community participation and development	● Sustainable consumption ● Protection of consumer data and privacy ● Access to essential services ● Health, etc.
	Comfort	Offering a pleasant, healthy and comfortable living environment		
	Prosperity	Offering long-lasting prosperity		

Corporate governance and internal control system

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

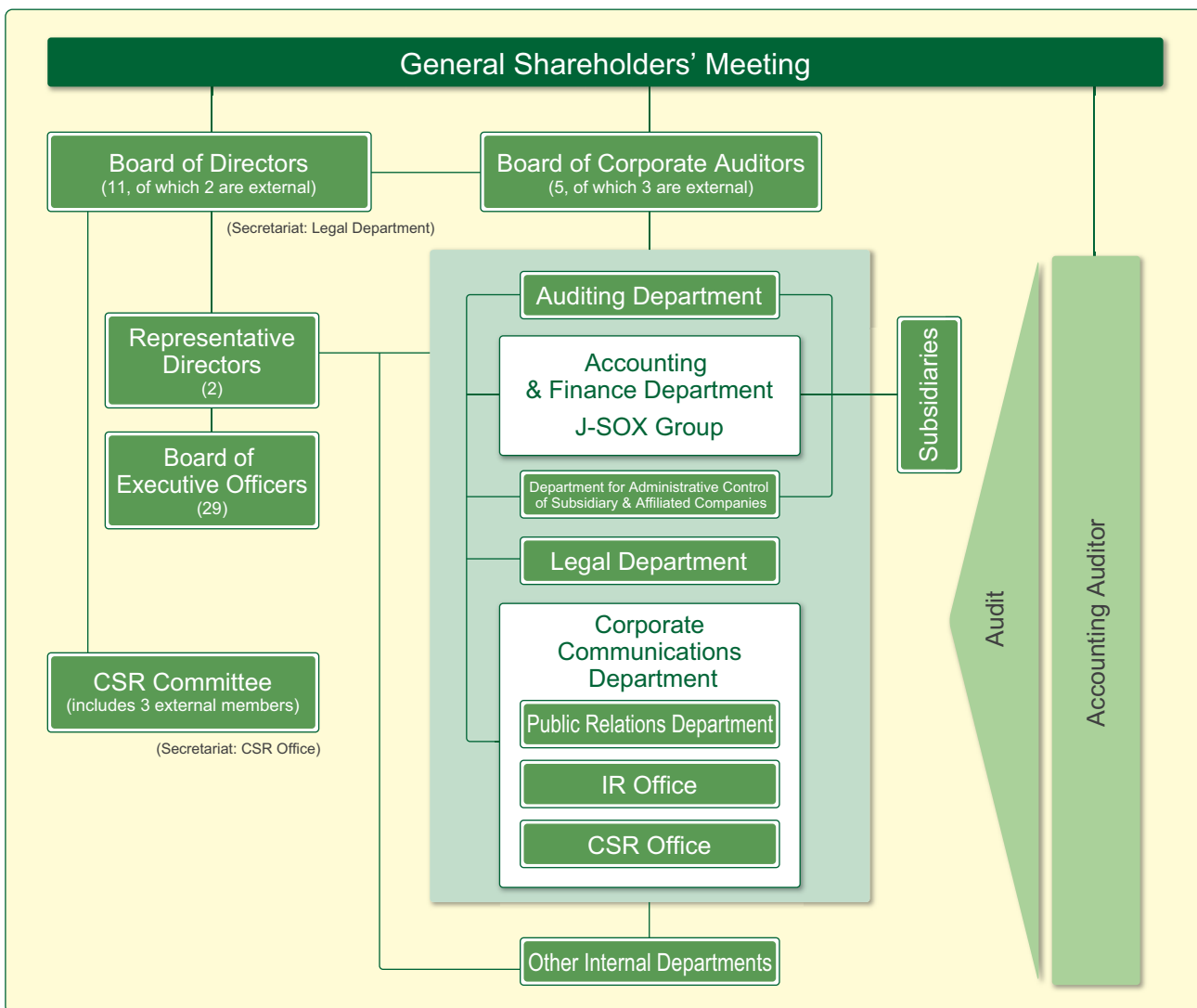
As part of our internal control system, in May 2006 our board of directors passed a resolution on the establishment of ten basic policies relating to the Basic Policy Concerning the Development of an Internal Control System, including one policy calling for systems to ensure that

board members' execution of business responsibilities is in compliance with laws, and our articles of incorporation. These basic policies have come to serve as a platform for our efforts to implement and ensure our internal control system operates properly.

In addition, to ensure full compliance with the Financial Instruments and Exchange Law, strict internal controls (J-SOX) have been implemented on a group-wide basis, led by the J-SOX Group established within the Accounting & Finance Department.

In February 2011, Sekisui House was awarded the Prize for Excellence at the Japan Internal Control Grand Prix 2011 (Integrity Award) in recognition of our committed efforts toward compliance and sincere and transparent management.

Corporate Governance Structure (as of April 2012)



Compliance promotion

■ Vision of compliance

Sekisui House believes compliance is an ongoing management concern that includes not only adhering to laws and regulations but also the promotion of CSR initiatives. As a result, the Compliance Risk Management Group has been established under the CSR Committee to act as a platform for various ongoing compliance-related awareness initiatives and employee training programs.

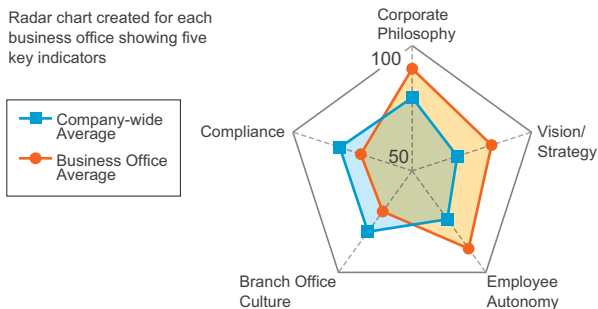
Under our CSR Committee-based structure, steps are also being taken by relevant managers at all of our business offices to address various challenges posed by the company-wide promotion of compliance best practices.

■ Employee Compliance Awareness Survey

We conducted Governance Awareness Survey by means of a questionnaire involving all sales division employees, and analyzed the responses in terms of five indicators to find out whether the operations of each of our business sites comply with our Sustainable Vision and to make visible the attitude toward CSR and problems on a site-to-site basis. The resulting data is now being put to practical use as a key tool in branch management training programs and as a topic for group discussions at each business site. The survey conducted in fiscal year 2011 shows improvement in scores in all the five indicators, proving its effectiveness as a management tool.

Governance Awareness Survey (Image of indicators)

Radar chart created for each business office showing five key indicators



■ Compliance promotion activities

We set up the Corporate Ethics Guidelines in October 2003 as a common platform for establishing a set of corporate ethics for group companies, executive officers and employees to adhere to in all business activities. Today, the guidelines are applied also to our group companies.

Compliance best practices are only achievable with the combined efforts of both executive officers and employees. As such, Sekisui House has developed exhaustive compliance education and training programs and conducts group-training sessions based on employee rank and role. We have also created internal e-learning programs that educate newly hired employees on CSR and compliance best practices and all employees on the protection of personal information.

At Sekisui House, all executive officers and employees are required to submit a Corporate Ethics Compliance Pledge annually in October, a "corporate ethics month" designated by the Japan Business Federation. In fiscal year 2011, we provided venues for employees to exchange opinions about the report in our in-house magazine on the response measures Sekisui House took in the wake of the Great East Japan Earthquake, and to have discussions on newly added case studies.

■ Internal reporting system and whistleblower protection

Sekisui House has established an internal reporting system, or the SCS System (Sekisui House Group Corporate Ethics Helpline), to support compliance best practices among its employees.

The system and accompanying guidelines ensure that an employee who witnesses an unlawful act or an act that violates the corporate ethics policy can report this in confidence, while maintaining their privacy, to the Compliance Secretariat by phone, email or in writing by restricted delivery mail service.

The Labor Management Help Line has also been set up for personnel related counseling as well as the Sexual Harassment Hotline.

■ Protection of personal information

Sekisui House collects and manages the personal information of customers at its various business locations, including model homes, sales offices, and other locations.

We have developed an information management structure compliant with the Personal Information Protection Law by appointing the Director of CS Promoting Department to take charge of the protection of personal information and establishing the Customer Personal Information Management Office. We also conduct regular employee training programs to ensure strict controls are maintained over the management of customer information. If customer information is disclosed by accident, we will give an account of the incident on our website together with the measures we will take to cope with the situation.

Risk management structure

Our group-wide risk management efforts are handled by the Compliance Risk Management Group, established under the CSR Committee with a view to identifying and managing risk that may undermine our credibility in society and taking appropriate measures to deal with such risk. In fiscal year 2011, deliberations were focused on strengthening the monitoring capacity of head office to prevent misconduct by employees and improving the efficiency of such preventive measures. In addition, specialized project teams are set up to address significant risk identified in our internal compliance risk monitoring surveys.

We also involve our group companies in our risk management efforts, mainly through the Affiliated Company Liaison Committee, to increase risk awareness and strengthen our risk management capacity on a group-wide basis.

We have made constant efforts to improve the disaster resistance of our housing products. Also, our own Business Continuity Management (BCM) system enables us to promptly respond to unexpected business disruptions that may take place when a disaster hits and immediately launch restoration and support activities based on lessons learned from past disasters. This system proved effective when the Great East Japan Earthquake occurred by allowing us to complete confirmation of the safety of our customers and the scale of damage at an early stage and promptly set about the restoration and reconstruction process.

Renewing our promise and meeting our commitments as an Eco-First Company without fail

We were certified as an Eco-First Company by the Ministry of the Environment of Japan in June 2008 and we have since been steadily promoting our environmental initiatives.

While remaining committed to achieving our ultimate goals of global warming prevention, ecosystem preservation and resource recycling, we renewed our Eco-First Promise in part, in March 2012, in consideration of the changes in the social environment and the progress of our ongoing efforts.

As a leading company in the industry, we will remain committed to our Eco-First Promise while raising the level of our efforts on a continuous basis.



Mr. Goshi Hosono, Minister of the Environment (left) and Mr. Isami Wada, Chairman of Sekisui House



Eco-First Promise (Renewed version)

March 22, 2012

Commitment to global environmental protection as an environmentally advanced company

We, Sekisui House, Ltd., along with the Sekisui House Group companies, are well aware of our obligations to society as a company with a track record of having delivered significantly more housing than any other housing manufacturer. We will ensure full compliance with all applicable laws and regulations and promote, through our environmental initiatives, the following activities in our sincere efforts to bring greater benefits to society.

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

- We will continue concerted efforts toward reduction of CO₂ emissions from residential sources, for which there has been a delay in taking effective measures, by promoting comfortable eco-friendly lifestyles and offering eco-friendly housing products, while joining the Challenge 25 Campaign, a nationwide movement for the prevention of global warming.
- We will offer a living environment which is comfortable, cost-effective and environmentally friendly, by promoting sales of the "Green First" eco-friendly model that can drastically reduce CO₂ emissions from residential sources with its energy saving and producing solutions, and the "Green First Premium" model that can attain close to zero CO₂ emissions through offsetting. We will also work towards the expansion of the "Green First HYBRID" smart house that is capable of storing energy as well as saving and producing energy, and further accelerate our efforts to develop advanced housing systems better suited for electric vehicles for a wider range of customers. Through these efforts, we will strive to make carbon neutral houses the standard for newly built detached houses by 2030.
- We will ensure that all newly built detached houses are shipped with a high-efficiency heat insulation system and water heater, which are more advanced than the next-generation energy-saving design, while encouraging the use of LED lighting by offering more eco-friendly lifestyle options in our efforts to enhance energy-saving efficiency.
- We will encourage more customers to install our roof tile photovoltaic power generation system that harmonizes with the surrounding streetscape and also a higher-performance heat insulation system by covering part of the expenses of the installation under our own financial aid program.
- We will encourage installation of energy-producing systems such as fuel cells for residential use.
- We will work towards the expansion of the "Sha-Maison Green First" model equipped with a photovoltaic power generation system, which contributes to environmental friendliness and also brings greater operating efficiency to the building owner.
- We will actively promote remodeling projects to install a photovoltaic power generation system, high-efficiency water heater, and heat insulation system in existing Sekisui House homes (which total more than 2,000,000), and other homes.
- We will encourage research and demonstrative experiments on smart house and smart grid technologies, and introduce such technologies in our community development projects in various parts of Japan to contribute to creating a low-carbon society and next-generation housing products and communities.
- We will implement various educational programs to encourage a shift to living that requires less electricity and energy, such as the Houseecology energy conservation seminar.
- We will contribute to electricity saving on a society-wide basis by reducing CO₂ emissions from our factories, business offices, logistics process and other corporate activities to a level lower than the targets set by the Japan Prefabricated Construction Suppliers and Manufacturers Association and the housing industry.

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

- We will strive to promote our "Gohon no ki" landscaping concept in our home garden and community development projects to plant Japanese indigenous and native tree species to attract birds and butterflies and preserve local biodiversity. We will reinforce our exterior works and continue our efforts to plant 1,000,000 trees a year. We will support community development in a manner that maintains the local green environment.
- We will encourage recycling of wood materials in cooperation with our suppliers and NGOs by preventing illegal logging and ecosystem loss in accordance with the ten principles of our Wood Procurement Guidelines, while ensuring economic independence of wood-producing areas.
- We will continue to implement environmental education, survey and assessment activities, such as the "Letters from Dr. Forest" educational program and the biodiversity survey.
- We will engage in forest preservation activities, such as the "Sekisui House Forest" program.

3. We will promote resource recycling to the fullest extent.

- We will strive to achieve the zero emission goal (no waste materials sent to landfills or processed at waste incineration plants without thermal recovery) at all the stages of production, construction, maintenance and remodeling and increase the material recycling rate to 90%.
- We will resolutely continue our activities towards achieving the zero emission goal in our remodeling projects when demolishing wooden houses.
- We will introduce next-generation zero emission innovations such as the IC tag-based waste management system and the electronic manifest system to increase efficiency in waste traceability and waste reduction, thereby further enhancing our zero emission efforts.
- We will promote the U-trus system, our original home warranty extension program, to prolong the lives of Sekisui House homes.
- We will promote the Everloop home revitalizing program to ensure more efficient use of the housing stock and prolong the lives of homes and develop the third market.

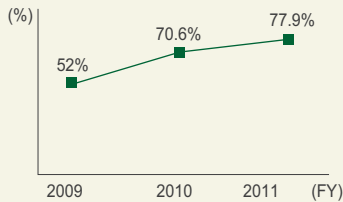
Sekisui House will continue monitoring the progress of our efforts to achieve the above goals and publish the results in our report to the Ministry of the Environment and our Sustainability Report (environmental and CSR report).

Progress in major activities achieved in fiscal year 2011

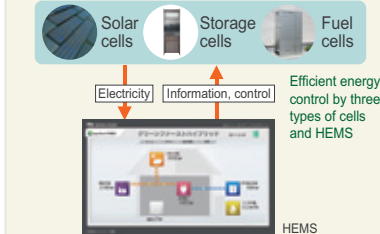
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We will take positive measures to achieve a reduction of CO₂ emissions from residential and industrial sources.

Increase of the ratio of the "Green First" model to all Sekisui House homes



Introducing the "Green First HYBRID" model



- Ratio of the "Green First Premium" model to all the Sekisui House homes: **28%**
- No. of newly built detached houses shipped with fuel cells: **5,356**
- No. of existing houses retrofitted with a photovoltaic power generation system: **2,569**

2

We will continue concerted efforts toward restoration of ecosystem networks.

Promoting the "Gohon no ki" landscaping concept



Implementing a biodiversity survey



- No. of trees planted during the year: **960,000**
- The ratio of S-rank wood products, the highest level under our Wood Procurement Guidelines: **60%**
- No. of extension classes offered under the "Letters from Dr. Forest" environmental education program: **8** (attended by **479 people**)

3

We will promote resource recycling to the fullest extent.

Building and utilizing the next-generation zero-emission systems



Encouraging distribution of housing stock



- Material recycling rate: **90.2%**
- Verifying the effectiveness of the IC tag-based waste management system in reducing waste at new build construction sites and implementing the system
- Promoting Sekisui House's original U-trus system that provides an extended manufacturer warranty

Playing a leading role as a member of the Eco-First Promotion Council

New environmental proverb competition

Competition for new environmental proverbs is an annual event held to increase environmental awareness among the public. In 2011, which was declared the International Year of Forests by the United Nations, the competition called for new proverbs concerning forests and 558 entries were received. As a result of a strict screening, we selected the winner of the Sekisui House Prize, one of the prizes offered by member companies.



Winner of the Sekisui House Prize in the Environmental Proverb Competition

"The lives of forests are connected to the lives of us all"

Miss Kokona Suzuki

First-grade pupil at Aizuwakamatsu Municipal Kinkyō Elementary School

Partnership with Bic Camera Inc.

Cooperative ties are deepening among Eco-First Companies. We partnered with Bic Camera Inc., another Eco-First Company, to open our booth in the Shinjuku-nishiguchi store of Bic Camera where we offered remodeling options to reduce electricity consumption and CO₂ emissions. Through this cross-industrial partnership, we could communicate our environmental preservation initiatives to a wider range of people.

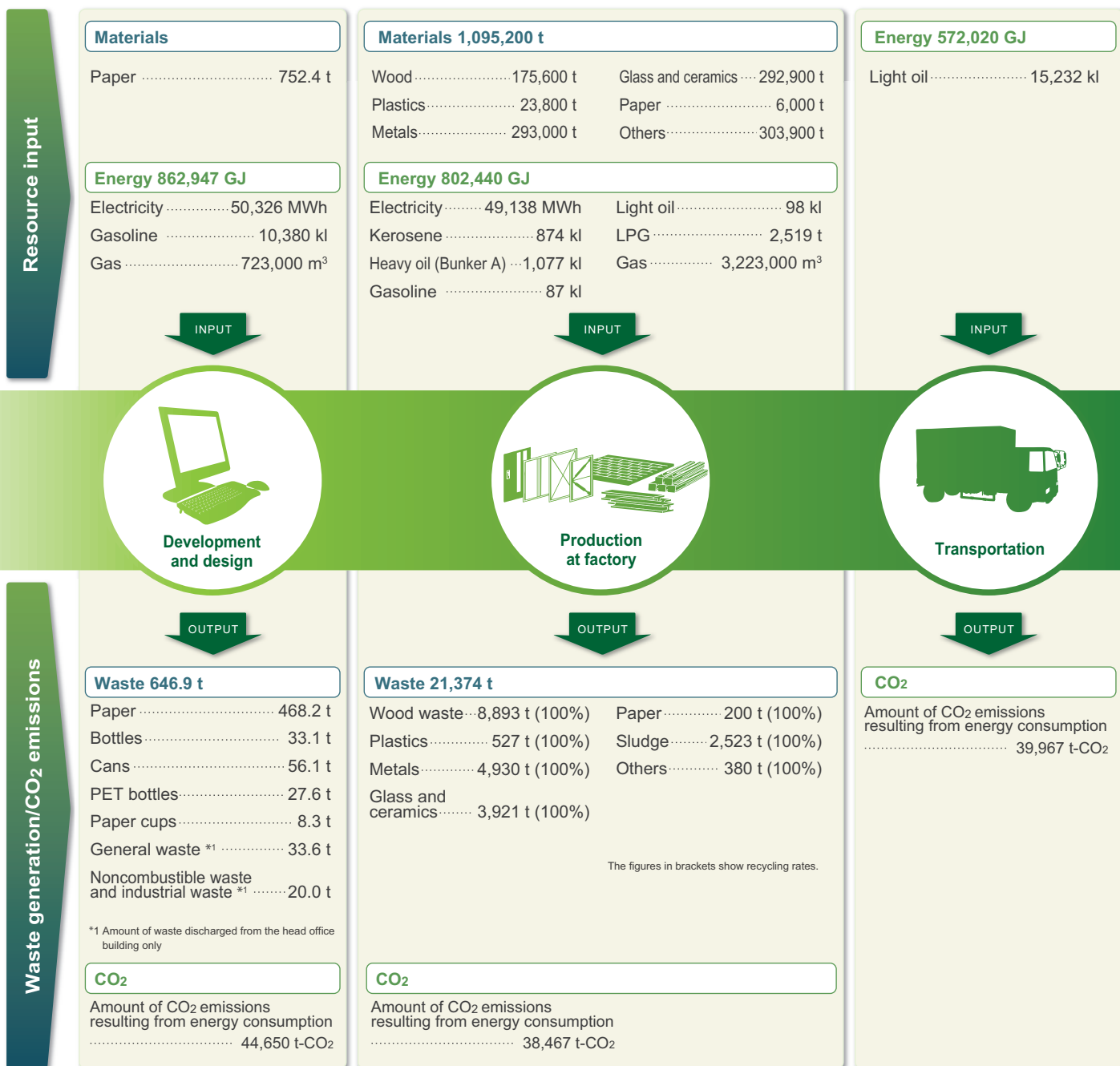


Material Balance

(Collecting accurate data on the environmental impact caused by our corporate activities)

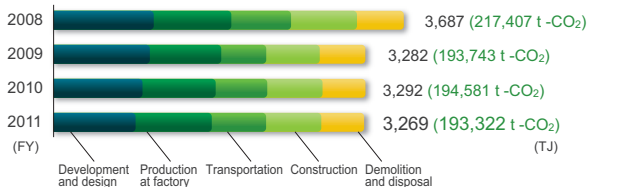
We are collecting accurate data on the environmental impact caused by our corporate activities at each stage of the lifecycle of our housing products from development and design to production at the factory, transportation, construction, occupancy, and demolition and disposal, all in cooperation with our group companies and business partners.

Environmental impact caused by our corporate activities during fiscal year 2011



Changes in input and output over the years

Changes in total energy input



*Starting from fiscal year 2009, the calculation method specified in the Energy Saving Act has been used for calculating energy input at the transportation stage.

Changes in total material input*



*Total amount of material input at the development and design stage and the production at factory stage


Materials

Building materials are delivered from factories

Energy 580,693 GJ

Electricity..... 17,487 MWh
 Light oil..... 1,411 kl
 Gasoline..... 10,464 kl

INPUT



Construction

OUTPUT

Waste 58,876 t

Wood 10,175 t (100%)
 Plastics..... 12,570 t (100%)
 Metals..... 4,274 t (100%)
 Ceramic materials 9,597 t (100%)
 Paper..... 7,120 t (100%)
 Plasterboards...12,203 t (100%)
 Others.....2,937 t (100%)

The figures in brackets show recycling rates.


CO₂

Amount of CO₂ emissions resulting from energy consumption 34,611 t-CO₂

Energy 450,535 GJ

Electricity 12,575 MWh
 Light oil 4,576 kl
 Heavy oil 2,753 kl
 Kerosene 4,577 kl

INPUT



Occupancy

The degree of environmental impact at the occupancy stage differs largely depending on the lifestyles of residents, in which we can hardly intervene. For this reason, we did not consider environmental impact at this stage in calculating our material balance. However, we have been making dedicated efforts to help residents reduce environmental impacts.

Please refer to pp. 45-47

OUTPUT

Waste 228,600 t

Wood waste 44,100 t (93%)
 Metal waste 4,800 t (100%)
 Glass and ceramic waste, earth and sand 35,100 t
 Plasterboards..... 6,900 t
 Concrete waste...122,400 t (98%)
 Mixed construction waste 15,300 t

The figures in brackets show recycling rates.

CO₂

Amount of CO₂ emissions resulting from energy consumption 35,627 t-CO₂

Notes on the data

We considered the data from February 2011 to January 2012, the period covered by this report, in the calculation. To determine the amount of CO₂ emissions, we multiplied each energy consumption by the CO₂ emission intensity adopted by the Japan Prefabricated Construction Suppliers and Manufacturers Association. We also included the data for the period not covered by this report in calculating the energy consumed at the construction stage and the energy consumed and waste generated at the demolition stage.

Development and design (including the data of sales and administration divisions)

- Materials: paper purchased for use with OA equipment
- Energy: the amount of electricity, gas and gasoline consumption was calculated based on the utility costs incurred in fiscal year 2011 at our business sites.
- Waste: the volume of company-wide waste generation was calculated based on the volume of waste collected at the head office building and the results of the sample surveys of our 32 model business sites around Japan.

Production at the factory

- Materials: Resource input = Amount of materials used in respective housing types per unit area*2 x total area of respective housing types shipped during fiscal year 2011 + total volume of waste generated at factories
- *2 The amount was calculated based on ten detached houses actually offered for sale. The data of Sekisui House factories and material manufacturers' factories are included in the calculation.
- Energy and waste: the data of the five Sekisui House factories in fiscal year 2011 are included in the calculation.

Transportation

- The calculation method applied to specified consignors under the Act on the Rational Use of Energy was used. (Data used for the calculation is for fiscal year 2011.)

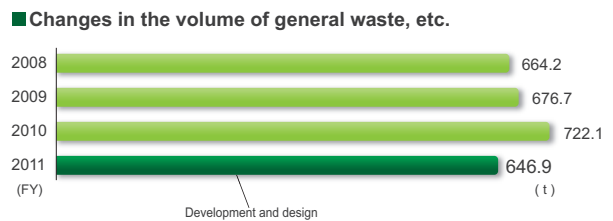
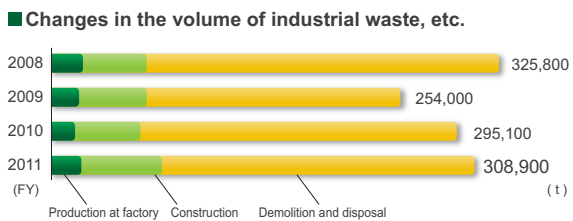
Construction

- Energy consumption: Amount of gasoline consumption = Total number of construction workers*3 x average of annual actual working days per worker*4 x daily energy consumption per worker
- Electricity consumption = Amount of temporary electricity consumed per day x number of days required for completion of a house*5 x number of houses shipped*6
- Light oil consumption = Amount of light oil consumed by heavy machinery per house x number of houses shipped*6
- *3 As of January 2011
- *4 Data taken from survey conducted in fiscal year 2009
- *5 Data taken from survey conducted from August 2011 to January 2012
- *6 Data taken from survey conducted in fiscal year 2011

Demolition and disposal

- Energy: (Amount of fuel consumed by heavy machinery used for demolition + amount of fuel consumed by trucks that carried waste + amount of fuel and electricity consumed at waste treatment and disposal sites) x number of houses Sekisui House demolished during fiscal year 2011
- Waste: Volume of waste per demolished house x number of houses Sekisui House demolished during fiscal year 2011

*It should be noted that an overwhelming majority of the houses we undertake to demolish are wooden houses built in a conventional method, which is reflected in the above figures.



*Some of the items included in the calculation at the production at factory stage were changed in fiscal year 2009.

Summary of the Results of Fiscal Year 2011 and Targets

		Plan	
		Major Focus	Fiscal Year 2011 Target
Social Targets and Actual Performance	CSR Policy and Structure	CSR promotion structure and penetration	<ul style="list-style-type: none"> Continue task- and position-specific group training to improve CSR awareness. Implement the PDCA cycle more effectively focusing on the targets and results of each business site. Raise the level of initiatives.
		Compliance management	<ul style="list-style-type: none"> Ensure proper management is in place at each branch office. Further enhance compliance awareness among all employees by using various tools. Continue efforts to develop a work environment where human rights are respected and employees are free to exercise their skills and abilities, under the lead of business site managers. Continue to implement the internal control system to the fullest and reinforce our risk management ability.
		Communication with society	<ul style="list-style-type: none"> Provide opportunities for dialogue with stakeholders, such as a venue to exchange opinions concerning the sustainability report.
	For Our Customers	Customer satisfaction	<ul style="list-style-type: none"> Encourage communications with customers and achieve greater customer satisfaction.
		Sustainable society and long-life housing	<ul style="list-style-type: none"> Educate customers and cultivate the market for the Everloop homes to promote more effective use of resources, prolong the lifespan of houses and develop a larger existing-home market. Actively promote eco-friendly remodeling solutions to add to the capability to conserve and produce energy for existing homes and expand our remodeling business for both Sekisui House and non-Sekisui House homes.
		Safe, reliable and comfortable homes	<ul style="list-style-type: none"> Offer housing components and living spaces incorporating Smart Universal Design to ensure "comfortable living—now and always" for residents of all ages. Support safe, reliable and comfortable homebuilding by effective use of our innovative hands-on learning facilities such as the Home Amenities Experience Studio and Large-scale Experience-based Facilities. Promote sales of the "Sha-Maison Green First" eco-friendly model to achieve the goal of receiving 1,200 orders (25% of all orders received for low-rise apartments) a year.
		Community development and local culture	<ul style="list-style-type: none"> Organize the "Community Visiting Day" and "Community Fair" events in an increasing number of locations to encourage community building led by residents and the continuation of local culture.
	For Our Employees and Business Partners	Commitment to employees	<ul style="list-style-type: none"> Improve employee interview and personnel assessment systems and take other appropriate measures to create a corporate environment where employees feel happy and motivated in their work in line with our Declaration for Human Resource Sustainability. Create a work environment where female employees are fully motivated in their work and can make meaningful contributions to the company. Promote career development options for female employees by increasing the awareness of the principle of equal opportunities.
			<ul style="list-style-type: none"> Leverage our pool of diverse human resources by promoting the use of various internal work programs and systems. Take immediate measures to increase the number of persons with disabilities employed by the company. Ensure the best practices in labor management compliance to support work style diversity and work-life balance. Encourage the health and safety committees in respective business sites to take positive measures to further enhance occupational health and safety.
		Commitment to building contractors and business partners	<ul style="list-style-type: none"> Ensure full compliance with our corporate ethics guidelines and other rules across all Sekisui House and group company employees and maintain good relationships with our business partners.
	For Our Shareholders and the Community	Commitment to shareholders	<ul style="list-style-type: none"> Ensure an average dividend payment ratio of at least 40% over the medium term so that we will be able to offer a high dividend yield to our shareholders and maintain sound management on a medium- and long-term basis. The target dividend for fiscal year 2011 is ¥20 per share; namely, ¥10 midterm dividend and ¥10 year-end dividend.
		Housing culture improvement and education support	<ul style="list-style-type: none"> Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community. Further enhance educational initiatives through our hands-on learning and other facilities and expand workplace visits and teacher dispatch programs.
Contribution to society		<ul style="list-style-type: none"> Increase the activity level of social contribution programs through improved information sharing and dissemination. Disburse ¥15.66 million to 29 organizations for the sixth round of grant aid under the Sekisui House Matching Program. Take measures to deepen understanding of the program among employees and encourage the participation of employees in the program. 	

for Fiscal Year 2012

Do	Check	Action
Results of Fiscal Year 2011	Reference Page	Fiscal Year 2012 Target
<ul style="list-style-type: none"> We worked with each of our employees to engage in CSR activities with the use of our e-learning tool. 	P.33	<ul style="list-style-type: none"> Continue group training and e-learning programs to raise CSR awareness.
<ul style="list-style-type: none"> We reexamined the targets and results of CSR initiatives in respective areas and took improvement measures, thereby eliminating discrepancies in performance among business sites. 		<ul style="list-style-type: none"> Continue to raise the level of activities undertaken by each business site.
<ul style="list-style-type: none"> All employees were made to submit a pledge to comply with our corporate ethics guidelines. We conducted a governance awareness survey and used the survey results as a tool to review our management style. 		<ul style="list-style-type: none"> Further increase compliance awareness among all employees using various tools.
<ul style="list-style-type: none"> Business site managers conducted human relations training sessions involving all employees. We assigned personnel tasked with addressing sexual and power harassment problems to all business sites and conducted training to improve their skills. 	P.36	<ul style="list-style-type: none"> Continue our focused efforts to develop an open and motivating work environment under the lead of business site managers.
<ul style="list-style-type: none"> We implemented new work rules correctly. No serious compliance problem arose during fiscal year 2011. 		<ul style="list-style-type: none"> Continue to implement the internal control system to the fullest and reinforce our risk management ability.
<ul style="list-style-type: none"> We offered various venues for communications with a wide range of stakeholders to share our vision of sustainable living, including our Zero Emission Center, Sustainable Design Laboratory and Kankan kyo. 	P.06	<ul style="list-style-type: none"> Continue to organize home visit events and forums and provide opportunities for dialogue with stakeholders using the sustainability report.
<ul style="list-style-type: none"> We updated the contents of our website "Net Owner's Club" twice a month to bring the latest information to customers, while publishing a regular magazine for them. We also conducted questionnaires, analyzed the results and took improvement measures. 	P.05	<ul style="list-style-type: none"> Encourage communications with customers and achieve greater customer satisfaction.
<ul style="list-style-type: none"> Through enhanced group-wide cooperation, we bought 171 homes for the Everloop program. 	P.58	<ul style="list-style-type: none"> Educate customers and cultivate the market for the Everloop homes and develop a larger existing-home market.
<ul style="list-style-type: none"> We received an increasing number of remodeling orders, and achieved sales of 102.1 billion yen (up 11.7% from the previous year) from the remodeling of both Sekisui House homes and non-Sekisui House traditionally built wooden houses. 	P.47	<ul style="list-style-type: none"> Promote remodeling projects to retrofit a photovoltaic power generation system to contribute to the creation of a low-carbon society.
<ul style="list-style-type: none"> In recognition of our efforts in a wide array of fields, we were commended in seven categories in the "5th Kids Design Award," including the Excellent Prize awarded to our SHAIDD55 acoustic isolation floor system with the assistance of the dynamic damper "L-55," and the Special Chief Judge's Prize awarded to Sekisui House's "living with LED lamps" vision. 	P.75	<ul style="list-style-type: none"> Promote "Smart UD" housing that brings maximum convenience and comfort for all generations.
<ul style="list-style-type: none"> Our Home Amenities Experience Studio was visited by 34,291 people, the Large-scale Experience-based Facilities by 77,826 people, and Sumai-no-kagakukan (medium-sized experiment-based facilities) by 78,107 people. 	P.05	<ul style="list-style-type: none"> Support safe, reliable and comfortable homebuilding by effective use of our innovative hands-on learning facilities.
<ul style="list-style-type: none"> We received 1,239 orders for our "Sha-Maison Green First" eco-friendly low-rise apartments, achieving the best sales figures in the industry. We handled the subleasing and management of a total of 489,967 residential units and the occupancy rate reached 95.6%. The MAST Club service for tenants gained a membership of approximately 466,000 individuals. 	P.46	<ul style="list-style-type: none"> Increase sales of the "Sha-Maison Green First" model to 30% of all orders received for low-rise apartments. (This action is pursued in the "Environmental Targets" category.)
<ul style="list-style-type: none"> We held the "Community Visiting Day" event twice, involving a total of 631 detached houses at 123 locations and 139 condominium residential units at nine locations. We also held 83 "Community Fair" events. 	P.61	<ul style="list-style-type: none"> Organize the "Community Visiting Day" and "Community Fair" events in an increasing number of locations to encourage local community building efforts and the continuation of local culture.
<ul style="list-style-type: none"> We revised our personnel assessment system in part in a manner to enhance employee motivation and satisfaction. Our vigorous corporate culture is being further reinforced in line with our corporate philosophy. 		<ul style="list-style-type: none"> Take multi-faceted measures to create a corporate environment where employees feel happy and motivated in their work.
<ul style="list-style-type: none"> We saw a steady increase in the number of high-caliber married female sales personnel who successfully balanced work and family life/motherhood. The number of female managers increased to 34 within the Sekisui House Group. 		<ul style="list-style-type: none"> Create a work environment where female employees are fully motivated in their work and can make meaningful contributions to the company and increase the awareness of the principle of equal opportunities.
<ul style="list-style-type: none"> Eight employees were assigned to a different work category under the Work Category Transfer Program, and seven employees returned to work under the Retiree Reinstatement Registration Program. The employment rate of persons with disabilities increased to 1.75%. 	P.67	<ul style="list-style-type: none"> Encourage employees to use various internal work programs and systems and leverage our pool of diverse human resources. Take immediate measures to increase the employment of persons with disabilities.
<ul style="list-style-type: none"> The number of female employees taking parental leave increased from 87 to 121, while the number of employees using the Shortened Work Hour Program increased from 164 to 173. Productivity was increased through training programs that encouraged improvement in working styles and work processes. 		<ul style="list-style-type: none"> Ensure the best practices in labor management compliance to support work style diversity and work-life balance.
<ul style="list-style-type: none"> Thirty occupational accidents (a decrease of 12 cases from the previous year) and 18 commuting accidents (an increase of 6 cases from the previous year) took place. Human relations training was held focusing on mental health. 		<ul style="list-style-type: none"> Continue to encourage the health and safety committees in respective business sites to take positive measures to further enhance occupational health and safety.
<ul style="list-style-type: none"> We held training on the Subcontract Act involving all employees and continued improvement measures focusing on reinforcing interactive communications with our suppliers. 	P.65	<ul style="list-style-type: none"> Ensure full compliance with our corporate ethics guidelines and other rules to maintain good relationships with our business partners.
<ul style="list-style-type: none"> Annual year-end dividend was ¥20 per share. We continued to implement the shareholder loyalty point program and shareholder rewards program. 	P.70	<ul style="list-style-type: none"> Ensure an average dividend payout ratio of at least 40% over the medium term. The target dividend for fiscal year 2012 is ¥25 per share; namely, ¥12 midterm dividend and ¥13 year-end dividend.
<ul style="list-style-type: none"> Our housing seminars attracted 472 participants, while 381 applications were received for our Internet housing webinar. The Real Size Thinking competition for ecological living space design, held to encourage industrial-academic collaboration and interactions among universities received 187 entries from 50 universities around Japan. 		<ul style="list-style-type: none"> Continue dedicated efforts to enhance housing culture through the utilization of our facilities and expertise as a company open to the local community.
<ul style="list-style-type: none"> Student visitors totaled 6,475 at our Home Amenities Experience Studio, Large-scale Experience-based Facilities and Sumai-no-kagakukan (medium-sized experiment-based facilities). A hands-on agricultural program was implemented for elementary school and kindergarten children on the Shin-satoyama grounds. We also implemented three other programs including an energy conservation seminar (Houseology). 	P.71	<ul style="list-style-type: none"> Further enhance educational initiatives and expand workplace visits and teacher dispatch programs.
<ul style="list-style-type: none"> Employees donated ¥85.45 million for various disaster relief programs. We purchased 28,452 "SELP product" pieces made by persons with disabilities which we used as promotional merchandise, and organized Disabled Persons Week events in cooperation with governmental agencies, economic bodies, NPOs and other companies. 		<ul style="list-style-type: none"> Further enhance the activity level of social contribution programs through improved information sharing and dissemination.
<ul style="list-style-type: none"> We launched the Momo-Kaki Orphans Fund Program to offer financial assistance to children orphaned by the Great East Japan Earthquake and donated ¥7.5 million in the first year. The sixth round grant aid of the Children's Fund and Eco-Fund totaled ¥15.66 million, which was disbursed to 29 organizations, while 124 programs applied for the seventh round grant aid. 		<ul style="list-style-type: none"> Disburse ¥16.60 million to 21 organizations for the seventh round of grant aid. Deepen understanding of the significance of the initiative among employees and encourage their participation.

[Rating legend] ○...Achieved target; △...Did not achieve but came close to target; ✕...Unable to make improvements toward achieving target

Plan

Major Focus

Fiscal Year 2011 Target

Environmental Targets and Actual Performance

Reducing CO ₂ Emissions	Reducing residential CO ₂ emissions	<ul style="list-style-type: none"> ● Orders for 12,000 photovoltaic systems for detached houses. ● Sales of 3,500 fuel cell systems. ● Increase window and door insulation updates to 104,400 m²/Install high-efficiency water heaters in 4,800 homes/Install photovoltaic systems in 2,900 homes/Sell 4,850 sets of energy efficient bath fixtures (These targets are set for Sekisui House Remodeling Co., Ltd.) ● Achieve certification for 700 environmentally symbiotic houses. ● Organize 80 events to educate the public on energy saving.
	Reducing CO ₂ emissions from business activities and production process	<ul style="list-style-type: none"> ● Achieve a 3% reduction in CO₂ emissions per square meter of floor area shipment at both the production and transportation stages from the fiscal year 2010 level. ● Cut power consumption by 15% during summer peak hours. ● Introduce fuel-efficient vehicles when replacing company-owned vehicles.
Ecosystem Protection	Reduce impact on ecosystems during procurement	<ul style="list-style-type: none"> ● Revise the Wood Procurement Guidelines. ● Obtain the Chain-of-Custody (CoC) Certification that verifies wood products come from certified forests.
	Preservation of ecosystems through landscaping	<ul style="list-style-type: none"> ● Plant one million trees a year. ● Continue to implement the "Letters from Dr. Forest" environmental education program focusing on the importance of biodiversity, in closer cooperation with regional offices. ● Continue to plant trees in all the houses offered for sale on the "Community Visiting Day" events.
	Educational and awareness enhancing activities	<ul style="list-style-type: none"> ● Continue to plant trees in forest land, subdivided into small patches by nets to prevent feeding damage caused by deer.
Resource Recycling	Recycling at factories and construction sites	<ul style="list-style-type: none"> ● Achieve a 3% reduction of waste per square meter of floor area shipment at the production stage at factories from the fiscal year 2010 level. ● Increase the material recycling rate of waste to 90% at production and construction sites. ● Maintain the current level of use of electronic manifest system while continuing to take proper measures to achieve the target. ● Reduce waste at the construction site of new build light gauge steel (LGS) detached houses (Type B) to 1,200 kg/house. ● Reduce waste at the construction site of new build wooden detached houses (SW) to 1,500 kg/house. ● Reduce waste at the construction site of new build heavy steel houses (β system) to 1,200 kg/house. ● Reduce waste at the construction site of new build LGS low-rise apartment houses (SHM) to 1,000 kg/house. ● Determine the effect of our waste reduction measures by collecting more detailed data and accelerate our zero waste efforts. ● Upgrade the assessment system to increase efficiency.
Others	Recycling at offices	<ul style="list-style-type: none"> ● Promote measures to increase the green purchasing rate, such as having study meetings with purchase personnel at each business site.
	Control over chemical substances	<ul style="list-style-type: none"> ● Continue efforts to spread the use of the Chemicare design, for example, by making it a standard design of our housing products.
	Environmental activities by employees	<ul style="list-style-type: none"> ● Continue striving for this target along with our efforts to reduce CO₂ emissions from our corporate activities and production processes.

Summary of the Results of Fiscal Year 2011 and Targets for Fiscal Year 2012

Do	Check	Action	
Results of Fiscal Year 2011	Reference Page	Rating	
		Fiscal Year 2012 Target	
<ul style="list-style-type: none"> ● We received orders for photovoltaic systems for 11,222 detached houses. Though we failed to achieve the target number of orders for photovoltaic power generation systems due to a decline in orders for detached houses from the previous year, the rate of houses with these systems increased. ● We received orders for fuel cells for 5,356 houses. Against the backdrop of the earthquake and the growing concern for possible electricity shortages, we saw a drastic increase in the number of orders received, especially from areas where propane gas is used. As a result, we received 53% more orders than the original target. ● We installed 56,668 m² of window and door insulation, high-efficiency water heaters in 4,189 homes, and photovoltaic power generation systems in 2,412 homes, and sold 3,226 sets of energy efficient bath fixtures. We failed to meet the target despite our efforts to encourage remodeling by taking advantage of the remodeling eco-point program, and after the expiration of the program in July, by launching Sekisui House Remodeling's original eco-support program. ● We achieved certification for 421 environmentally symbiotic houses. Through our efforts at the "Community Visiting Day," a housing fair held twice a year, 421 houses were certified to be environmentally symbiotic. ● We organized 50 extension classes/seminars, including energy conservation seminars (Houseecology) to encourage a shift to energy-saving lifestyles. 	P.45	<ul style="list-style-type: none"> △ ○ △ × × 	<ul style="list-style-type: none"> ● Receive orders for 12,000 detached houses with photovoltaic systems. ● Receive orders for 6,000 houses with fuel cell systems. ● Install 74,400 m² of window and door insulation, install high-efficiency water heaters in 4,700 homes and photovoltaic systems in 3,500 homes, and sell 3,500 sets of energy efficient bath fixtures. ● Ensure all the newly built houses for sale are certified to be environmentally symbiotic. ● Promote awareness-raising activities to encourage lifestyles which use less electricity and energy. (This action is pursued in the "Social Targets" category.)
<ul style="list-style-type: none"> ● CO₂ emissions decreased by 7.0% at the production stage and increased by 0.4% at the transportation stage. In total, we achieved a 4.0% reduction of CO₂ emissions at the production and transportation stages. We met the target at the production stage by introducing LNG at the Shizuoka factory to replace conventional fuel, and by promoting energy-saving measures at each factory. However, we failed to meet the target at the transportation stage due to the concentration of production at the Shizuoka factory which required additional transportation to other factories. ● We reduced electricity consumption by 25.3% at all our offices between July and September. We also achieved a 15% reduction of electricity consumption during peak hours at the factories in the areas served by Tohoku Electric Power Company and Tokyo Electric Power Company. ● We achieved the targets both in reducing the number of company-owned vehicles and increasing the rate of fuel-efficient vehicles. We reduced the number of company-owned vehicles by 3.7%. The rate of fuel-efficient vehicles to all the company-owned vehicles reached 92.4%, up 2.0% from the previous year. 	P.48	<ul style="list-style-type: none"> ○ ○ ○ 	<ul style="list-style-type: none"> ● Achieve 6.2% and 3.0% reduction in CO₂ emissions per square meter of floor area shipment at the production and transportation stages respectively, from the fiscal year 2011 level. ● Achieve the non-binding targets set under the Energy Saving Act. ● Increase the rate of fuel-efficient vehicles and that of low-emission vehicles to all company-owned vehicles to 94% and 98% respectively.
<ul style="list-style-type: none"> ● We revised the Wood Procurement Guidelines. We worked with an environmental NGO to revise our Wood Procurement Guidelines. We will notify all parties concerned of the revision, while considering ways to better use these guidelines. ● Relevant departments engaged in discussions on the acquisition of CoC certification. Due partly to the earthquake, there was a delay in preparing for CoC certification at our factories, but discussions are still underway. For certain housing development projects, a process was launched to obtain the certification. 	P.49	<ul style="list-style-type: none"> ○ △ 	<ul style="list-style-type: none"> ● Implement the new guidelines to the fullest. ● Obtain Chain-of-Custody (CoC) certification that verifies wood products come from certified forests.
<ul style="list-style-type: none"> ● We planted 960,000 trees, up 5.5% from the previous year. Still, we failed to meet the target. ● We organized extension classes in eight schools with 479 participants. Due partly to the earthquake, the number of schools we visited for this program fell by more than 50% from the previous year, but we will continue efforts to implement the program. ● We planted trees under our "Gohon no ki" landscaping concept in all the houses offered for sale in the "Community Visiting Day" held twice a year. 	P.51	<ul style="list-style-type: none"> △ ○ ○ 	<ul style="list-style-type: none"> ● Plant one million trees a year. ● (This action is pursued in the "Social Targets" category.) ● Plant trees under our "Gohon no ki" landscaping concept in all the newly built houses offered for sale.
<ul style="list-style-type: none"> ● We planted trees in small forest land patches. While we were going to plant trees twice a year, we cancelled the second planting scheduled for the autumn due to the effects of typhoon no.13. 	—	○	<ul style="list-style-type: none"> ● Plant trees in small forest land patches in spring. (This action is pursued in the "Social Targets" category.)
<ul style="list-style-type: none"> ● Manufacturing-related waste increased by 3.1% from the fiscal year 2010 level. The commencement of internal manufacturing of wooden products at our Azai factory, coupled with the malfunction of the biomass power generation system, resulted in a drastic increase in wood waste. We will extend the operating hours of the biomass power production system to reduce both waste and electricity purchased. ● The material recycling rate increased to 90.2%. We met the target by promoting internal recycling, for example, making field chalk by mixing plasterboard waste (Platama Powder) and reusing waste roof tiles as vibration absorbent materials for SHAIDD55 and as raw materials for ceramic exterior walls. ● The rate of our electronic manifest system introduction reached 85%. ● 1,365 kg/house ● 1,824 kg/house ● 1,856 kg/house ● 1,173 kg/house 	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> <p>Construction waste was reduced by 1.5 tons (50%) per house from the level of 2000, while the reduction rate has barely fallen in recent years. The slight increase in construction waste volumes during fiscal year 2011 is attributable to the increased accuracy in measurement with the IC tag-based zero waste system. (Please refer to p. 55)</p> </div>	<ul style="list-style-type: none"> × ○ △ — — — — ○ ○ 	<ul style="list-style-type: none"> ● Achieve a 3.0% reduction from fiscal 2011 level. — ● Achieve 100%. ● Reduce the volume of waste from construction of light gauge steel (LGS) detached houses (Type B) to 1,200 kg/house ● Reduce the volume of waste from construction of wooden detached houses (SW) to 1,500 kg/house ● Reduce the volume of waste from construction of heavy steel houses (β system) to 1,200 kg/house ● Reduce the volume of waste from construction of LGS low-rise apartment houses (SHM) to 1,000 kg/house — —
<ul style="list-style-type: none"> ● We completed the nationwide introduction of an IC tag-based next-generation zero waste system in November 2010. The effect of our waste reduction efforts during fiscal year 2011 is determined by accurate numerical data obtained through actual measurement. ● We reviewed the assessment criteria and revised the manual. We strived to ensure adequate performance of our intermediate disposal partners by improving assessment tools and offering training sessions. 	—	○	<ul style="list-style-type: none"> ● Increase the green purchasing rate to 95%.
<ul style="list-style-type: none"> ● We began providing major steel-frame homes with the "Airkis" high-quality indoor air system as a standard feature. 	P.27	○	<ul style="list-style-type: none"> ● Further promote and encourage the introduction of the "Airkis" system.
<ul style="list-style-type: none"> ● We took electricity-saving measures during the summer and winter seasons on a company-wide basis, and reduced electricity consumption to a level lower than the level set by the national government and the electric power company during these seasons. 	P.48	○	<ul style="list-style-type: none"> ● Continue to take electricity-saving measures, especially during the summer and winter seasons.

[Rating legend] ○...Achieved target; △...Did not achieve but came close to target; ×...Unable to make improvements toward achieving target



Activity Report

1

The “Green First” eco-friendly model contributes to reducing CO2 emissions, and allows residents to save electricity while enjoying a comfortable lifestyle.

The electricity shortages that followed the Great East Japan Earthquake have drastically increased public awareness of energy issues. The Japanese government emphasizes the importance of promoting the use of renewable energy in its energy policy. Capable of both saving and producing energy, our “Green First” model allows residents to reduce electricity consumption without sacrificing comfort, and contributes to reducing CO2 emissions and thus the prevention of global warming.



Reducing CO2 emissions

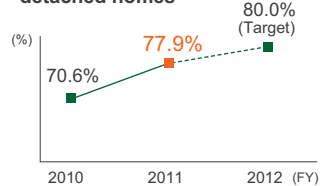
Our “Green First” houses, which now account for nearly 80% of all the newly built Sekisui House detached homes, contribute to further reducing CO2 emissions.

Newly built detached homes

Our “Green First” eco-friendly model is equipped with a highly efficient heat insulation system that meets the next-generation energy-saving standard, as well as the latest housing features such as a photovoltaic power generation system, fuel cells, and a high-efficiency water heater which are combined in a manner best suited to the respective lifestyles, family structures, and site conditions of customers. By bringing the highest level of comfort, cost performance and environmental friendliness in a well-balanced fashion, the

“Green First” model allows residents to enjoy a comfortable life while reducing CO2 emissions, thus contributing to the creation of a low-carbon society. The ratio of “Green First” homes equipped with either a photovoltaic power generation system or fuel cells to all the newly built Sekisui House homes increased from 70.6% to 77.9% in the previous year.

Growth of the ratio of the “Green First” home to all the Sekisui House detached homes



The ratio of the “Green First” home in fiscal year 2011: **77.9%**

The “Green First HYBRID” model was awarded the 2011 Minister of Economy, Trade and Industry Prize, the grand prize of the New Energy Award.

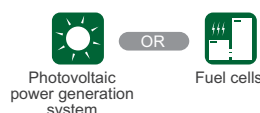
Our “Green First HYBRID” model was awarded the 2011 Minister of Economy, Trade and Industry Prize, which is the top prize of the New Energy Awards hosted annually by the New Energy Foundation. The model received high praise for meeting the demands of the times with its ability to reduce consumption of commercial electricity on a daily basis by means of the three types of cells and to cater to residents’ basic living needs even during a blackout or in an emergency.



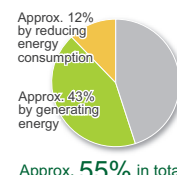
*Data is based on a five-person household (consisting of an adult man, an adult woman who stays at home all day, an elementary school pupil, a high school student and an elderly woman aged over 70) living in Tokyo in a house of 155.78 m² (of which the living, dining and kitchen space accounts for 35.5 m²). The amount of electricity consumed for each use is calculated based on the “Schedule” published by the Society of Heating, Air Conditioning and Sanitary Engineers of Japan. The amount of electricity generated by a photovoltaic power generation system is calculated based on the “National average solar radiation data map” issued by the New Energy and Industrial Technology Development Organization (NEDO). The CO₂ emission coefficient is taken from the Monitoring and Reporting Guidelines (ver.2.0) for Japan’s Voluntary Emissions Trading Scheme issued by the Ministry of the Environment.

“Green First”

Equipped with a highly efficient heat insulation system that meets the next-generation energy-saving standard, and either a photovoltaic power generation system or ENE FARM fuel cells.

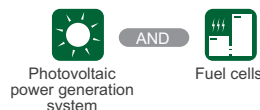


In comparison with ordinary homes, residential CO₂ emissions* can be reduced by:

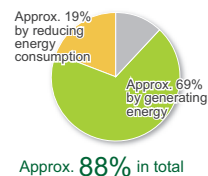


“Green First Premium”

Equipped with both photovoltaic power generation system and ENE FARM fuel cells, which together bring greater comfort, economy and environmental friendliness.



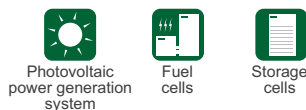
In comparison with ordinary homes, residential CO₂ emissions can be reduced by:



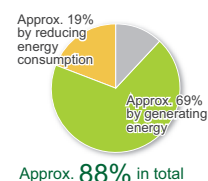
“Green First HYBRID”

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

Combination of three different types of cells



In comparison with ordinary homes, residential CO₂ emissions can be reduced by:



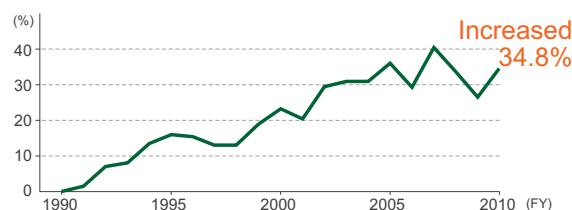


We will take positive measures to achieve reduction of CO₂ emissions from residential and industrial sources.

Moving toward renewable energy against the backdrop of the increase of residential CO₂ emissions

In the wake of the Great East Japan Earthquake, there has been much debate on the resumption of operation of nuclear power plants in Japan. With electricity shortages expected during the summer and winter months, greater efforts are required for citizens to save electricity. However, electricity-saving efforts cannot be sustained if they compel us to abandon much of the comfort regarding our living environment. Against this backdrop, greater attention is now being paid to renewable energy sources, such as photovoltaic power generation, which can also contribute to reducing CO₂ emissions under the Post-Kyoto Protocol. Especially, the necessity becomes increasingly obvious to encourage a shift from fossil fuels to renewable energy to cope with the recent increase of residential CO₂ emissions, and now the main focus is on the use of natural energy in the planning of CO₂ reduction strategies. CO₂ emissions from the ordinary housing environment are mostly attributable to air conditioning, water heating, lighting, and home electronic appliances. Residential CO₂ emissions during fiscal year 2010 increased 34.8% from the 1990 level.

■ Increase of residential CO₂ emissions (from the 1990 level)



*Data is taken from the amounts of CO₂ emissions by category contained in the report published by the Greenhouse Gas Inventory Office.

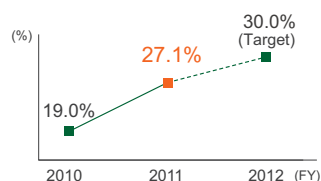
Sha-Maison low-rise apartment

Backed by a growing popularity among owners and tenants, photovoltaic power generation systems are installed in an increasing number of our low-rise apartments—the “Sha-Maison Green First” model

We have been promoting the sales of the “Sha-Maison Green First” model, a low-rise apartment for leasing, equipped with a photovoltaic power generation system. This model allows tenants to reduce their utility costs with its photovoltaic power generation system, and brings a competitive advantage to owners with its environmental friendliness that can appeal to people looking for houses for leasing. In fiscal year 2011, we installed photovoltaic power generation systems in 27% of our low-rise apartments for leasing (1,239 apartments).

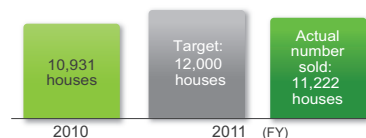


■ Ratio of the “Sha-Maison Green First” model to all Sekisui House low-rise apartments for leasing



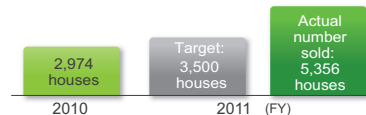
Growth in sales of newly built detached homes with photovoltaic power generation systems

During fiscal year 2011, a total of 11,222 houses equipped with photovoltaic power generation systems were sold, an increase of 3% from the previous year. This increase is mainly attributable to the growing public interest in natural energy following the suspension of nuclear power plant operations.



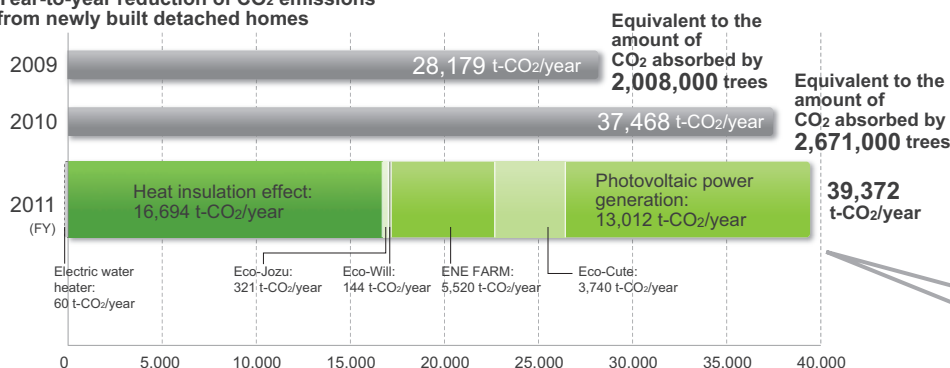
Growth in sales of the ENE FARM fuel cell system

We have successfully increased the sales of our fuel cell system, which is receiving increasing attention as a new energy producing device. We installed the ENE FARM system in 5,356 homes, an increase of 80% from the previous year.



Reduction of CO₂ emissions from newly built Sekisui House detached homes

■ Year-to-year reduction of CO₂ emissions from newly built detached homes



As a result of these measures, the total amount of residential CO₂ emissions reached 39,372 t-CO₂/year, which is equivalent to the amount of CO₂ absorbed by 2,806,000 trees.

Effectiveness in reducing CO₂ emissions equal to 2,806,000 trees



Remodeling to incorporate energy producing and saving solutions

Ensuring greater comfort and reducing CO₂ emissions at the same time by introducing the “Green First” features in remodeled homes and newly built condominiums

Promoting eco-friendly remodeling for producing and saving energy

Our group company, Sekisui House Remodeling Co., Ltd. has completed remodeling projects on approximately 770,000 detached houses built by Sekisui House to improve comfort, economy and eco-friendly by providing energy-producing and energy-saving systems. The first half of fiscal year 2011 saw an increase in the number of our remodeling projects, backed by a growing interest in eco-friendly remodeling for producing and saving energy, triggered by the housing eco-point system launched by the national government, coupled with the W (double)-eco-point program offered independently by Sekisui House Remodeling. Especially, demand grew for photovoltaic power generation systems in fiscal year 2011, centering on our original roof tile photovoltaic power generation system. After the expiration of the housing eco-point program in July, Sekisui House Remodeling introduced its own eco-support program to cater to the remodeling needs of customers, until the government launched a new housing eco-point program to contribute to the process of reconstruction from the earthquake.

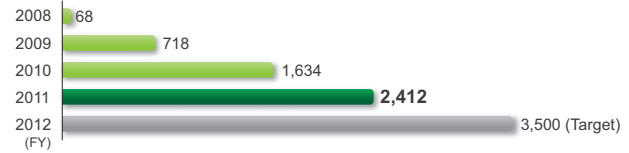
We will remain committed to promoting remodeling projects to install energy-saving and energy-production systems also in non-Sekisui House homes, with a focus placed on our photovoltaic power generation system that brings greater comfort, economy and environmental friendliness to customers.

Making positive use of the housing eco-point program

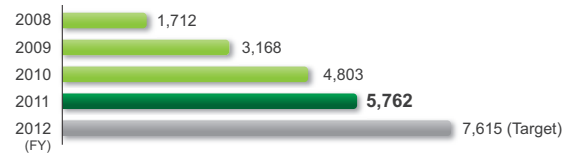
The housing eco-point program was introduced by the national government to promote measures to prevent global warming and revitalize the economy. We recognized the merits of this program for customers, and encouraged them to apply for the program. As a result, we implemented a wide range of remodeling projects under this program, including providing insulation on windows and exterior walls, installing higher insulation-efficient bathtubs and water-saving toilet systems, and improving accessibility necessary to accommodate these eco-friendly facilities. In total, Sekisui House Remodeling completed approximately 19,000 remodeling projects under the housing eco-point program, which was applied to remodeling projects started between January 2010 and July 2011.

Eco-friendly remodeling project	No. of projects implemented
Providing insulation on windows and doors	11,940
Providing insulation on walls, ceilings and floors	304
Installing energy-saving systems	2,132
Incorporating barrier-free designs	4,354
Total	18,730

Remodeling to install a photovoltaic power generation system* (unit: houses)



CO₂ reductions attributable to housing remodeling (unit: t-CO₂/year)



Photovoltaic power generation system for a corobestos roof (SH Metal Roof PV)



Photovoltaic power generation system for a tiled roof

*The figures are from Sekisui House Remodeling's results and targets.

Case Study: Remodeling

Homeowner's Voice

We are satisfied with the comfort and economy brought by the photovoltaic power generation and ENE FARM systems.

Mr. and Mrs. Kinoshita
(Nara Prefecture)



We were advised to install a photovoltaic power generation and a fuel cell system and adopt the universal design by a sales person of Sekisui House Remodeling when we began to consider remodeling our home in a manner better suited to our lives after the retirement. This advice turned out to be highly beneficial for us, including my elderly mother who lives with us, as the remodeling has drastically reduced our utility costs and brought greater comfort and safety to our lives. With the repainted exterior walls, our home looks like a new build, and we are very glad that through this remodeling, we can make some contribution to environmental protection.



Case Study: Condominium for sale “Green First” condominium “Grande Maison Komae”

A “Green First” condominium, “Grande Maison Komae,” (located in Komae City in Tokyo, with 524 residential units), scheduled for sale in June 2012, is Japan's first condominium that employs both the SOLAMO gas-fired hot water system utilizing photovoltaic power and a gas cogeneration system offered by Tokyo Gas. Combined with Eco-Jozu, a latent heat recovery-type high-efficiency water heater, these systems together contribute to reducing CO₂ emissions from the entire condominium by approximately 180 tons annually. This condominium requires less gas consumption than a conventional condominium and thus allows residents to reduce gas costs by approximately 17,000 yen* per household annually. From this condominium, various activities will be carried out to deepen friendly ties among residents, promote harmony between people and nature, and connect residents with the neighborhood, thereby contributing to creating a pleasant community. The “Green First” design that aims to reduce CO₂ emissions without sacrificing comfort continues to evolve in the area of condominiums as well.



Artist's rendering

*This estimation is computed, assuming a three-person household living in a residential unit (80 m²) in a reinforced concrete condominium with a domestic hot water load of 13.7 GJ per year.

Electricity-saving measures taken by Sekisui House

Strengthening internal electricity-saving efforts and implementing measures to reduce electricity consumption during peak hours to the fullest

Declaring to promote initiatives to reduce electricity consumption in response to the government's request for saving electricity following the Great East Japan Earthquake

In 2011, we reinforced our efforts to reduce electricity consumption in response to the request of the national government in the wake of the Great East Japan Earthquake. To be specific, we declared to the Minister of the Environment that we would take voluntary action as an Eco-First Company and announced our electricity saving measures and targets during the peak hours in summer. As a result, we succeeded in saving electricity at our offices and model homes around Japan to a level lower than requested. Our two main factories in the Tohoku and Kanto regions achieved reduction in electricity consumption by more than 15% during peak hours. In winter, we promoted intensive electricity saving measures mainly in the areas served by Kansai Electric Power Co., Inc. and Kyushu Electric Power Co., Inc.

Achieving the electricity saving targets by making visible the amount of electricity consumed

As part of our efforts to encourage electricity saving during summer months and peak hours, we published *Houseology*, a booklet containing tips to save electricity, and distributed it to customers at our model homes and other sites. At our offices and model homes, special electricity saving measures were in place between July 1 and September 30, 2011, a period longer than that requested by the national government and the electric power company, in accordance with our internal manual produced to achieve the goal of reducing electricity consumption by at least 15%. To be specific, we set the air-conditioned room temperature at 28°C, reduced lighting, turned off lights whenever not in use, encouraged the concentrated use of office automation equipment, and did not use devices that consume electricity during stand-by. We also provided data of our electricity consumption via the intranet to share the progress of our electricity saving measures and enable each employee to see how our efforts contributed to the reductions.

Through the process of shifting to LED lighting and measuring the amount of electricity consumed, employees became increasingly aware of the necessity of electricity saving, and as a result, we could reduce our electricity consumption by 25% on a company-wide average during the above period, far more than the originally set target. To involve customers in the electricity saving efforts, we distributed booklets containing electricity saving tips and provided green curtains of bitter melon, which can block sunlight and thus contribute to electricity saving, at our branch offices and model homes in more than 200 locations throughout Japan. In this way, we shared our commitment to saving electricity with our customers. In the Umeda Sky Building in Osaka City where our head office is located, we checked the amount of electricity we used on a daily basis to reduce consumption.

Based on these experiences, we took electricity-saving measures also during the winter months, mainly in the areas served by Kansai Electric Power Co., Inc. and Kyushu Electric Power Co., Inc. from December 2011 to March 31, 2012, a period longer than that specified by the government, thus meeting the request for reducing the use of electricity.



Declaration to promote initiatives to reduce electricity consumption during summer as an Eco-First Company (dated May 18, 2011)

“Action for electricity saving” competition for homeowners

Last summer, we launched a program titled the “Action for electricity saving,” a competition for Sekisui House owners, inviting participation via the “Net Owners’ Club,” our online magazine issued exclusively to Sekisui House owners (membership: 160,000 people). This competition was meant to commend the families that achieved a drastic reduction of electricity consumption or that took unique measures for this purpose during the period from July to September 2011, and award gifts to owners who succeeded in reducing electricity consumption by more than 15% from the previous year. By organizing this competition, we aimed to promote lifestyles using less energy and electricity and expand the scope of electricity-saving activities.

The first prize in the category of electricity-saving ratio (Eco-Family Grand Prize) was awarded to a Sekisui House homeowner in Chiba Prefecture, who remodeled the home by providing high-efficiency insulations on windows and doors and a photovoltaic power generation system and reduced electricity consumption by 79.9% from the previous year. High-ranking winners were owners of the “Green First” and “Green First Premium” eco-friendly houses, which indicates that these models contribute to a drastic reduction of electricity consumption without sacrificing comfort, and thus can motivate more people to take energy-saving measures. The average electricity-saving ratio of all the participating families was 25%. In the competition, many families submitted their experiences of saving electricity, such as how they enjoyed electricity-saving activities as a family event, and how the experience strengthen their family ties.



Green curtain of bitter melon at our exhibition house

Reducing electricity consumption during peak hours by introducing a shift rotation system at our factories

Our five main factories took measures to reduce electricity consumption during peak hours in summer during the period requested by the national government and the electric power companies. Our Tohoku factory and Kanto factory which are located in the areas served by Tohoku Electric Power Co., Inc. and Tokyo Electric Power Co., Inc. introduced a new shift rotation system, under which these factories temporarily operated on Saturdays, which had been non-working days prior to the earthquake. We also transferred the production of some components from these two factories to other factories in the areas not served by the above-mentioned two electric power companies. In addition, we took various electricity-saving measures, such as setting the air-conditioned room temperature at 28°C, reducing lighting, turning off lights whenever not in use, installing a demand control system, and replacing conventional equipment with energy-efficient inverter models. As a result, the Tohoku factory and the Kanto factory achieved significant electricity savings, 28% and 21% respectively, during the summer peak hours, far exceeding the target of at least 15% requested by the government and electric power companies.

During ordinary times

	Fri.	Sat.	Sun.	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.	Sun.	Mon.
Group A	Off	Off	Off					Off	Off	Off	Off
Group B	Off	Off	Off					Off	Off	Off	Off
Group C	Off	Off	Off					Off	Off	Off	Off
Group D	Off	Off	Off					Off	Off	Off	Off
Group E	Off	Off	Off					Off	Off	Off	Off

During the electricity-saving period in summer

	Fri.	Sat.	Sun.	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.	Sun.	Mon.
Group A	Off	Off	Off					Off	Off	Off	Off
Group B	Off		Off	Off				Off	Off	Off	Off
Group C	Off		Off	Off				Off	Off	Off	Off
Group D	Off	Off	Off		Off			Off	Off	Off	Off
Group E	Off**	Off**						Off**	Off**		

A shift rotation system is introduced.

The number of work days of each group remains unchanged from the previous year.

By introducing the shift rotation system shown on the left, we ensure that our factories operate for the same number of days between July and September and maintain the same level of production as the previous year.

*1 While Group E takes a day off on Saturday and Sunday in principle, the back-office departments are open on Saturday under our shift rotation system to ensure the smooth operation of the factories.

Shift rotation system introduced to Sekisui House factories

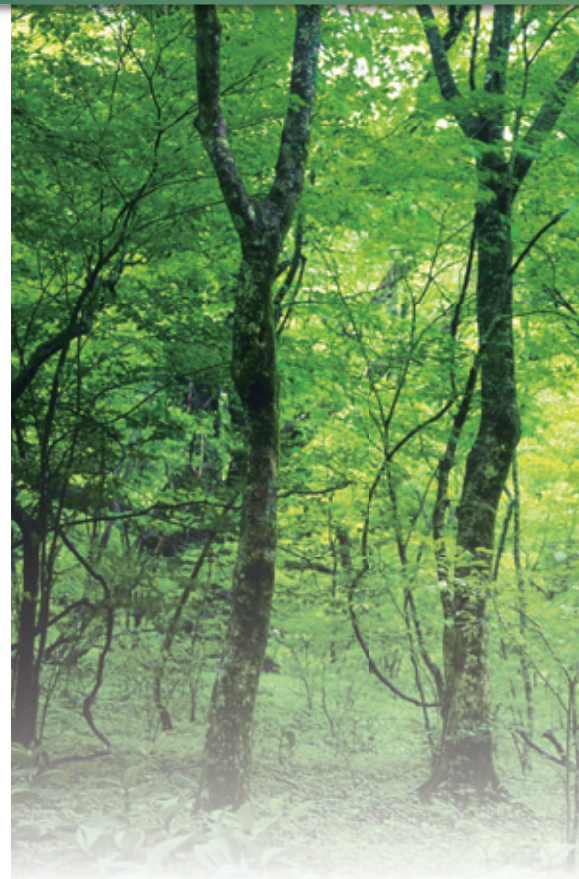


Activity Report

2

We have remained committed to further reducing the impacts of our corporate activities on ecosystems by enhancing our environmental conservation efforts through our homebuilding practices.

As a homebuilder that uses large quantities of wood and other biological raw materials, it is our responsibility to society to continue concerted efforts toward biodiversity preservation. Aware of this responsibility, we announced our Sustainable Vision in 2005 which places sustainability at the core of our management, and have since been working towards the preservation of ecosystems and biodiversity based on the vision. The measures we took during fiscal year 2011 include sharing the progress of our environmental efforts among employees in a visible manner; strengthening the supply chain management; and revising the point allocation system of the Wood Procurement Guidelines.



Setting numerical targets to enhance our biodiversity preservation efforts

The tenth Conference of the Parties to the Convention on Biological Diversity (COP10) held in 2010 adopted a new strategic plan, the Aichi Target applicable from 2011, which requires private companies to take positive measures to conserve biodiversity. We, at Sekisui House, have introduced numerical targets in our environmental efforts as much as possible, so that we can better recognize the progress of our efforts. To be specific, we set numerical targets for the number of trees to be planted under our "Gohon no ki" landscaping concept, which was developed to restore local ecosystem networks; conduct sampling surveys to identify changes in the populations of fauna and flora species; and rank wood materials to be procured to determine their sustainability levels by supplier.

Enhancing the visibility of our efforts and sharing targets with our supply chain partners

We place special emphasis on promoting biodiversity preservation through our homebuilding practices. As a manufacturer using large quantities of wood and other biological raw materials, we should be constantly sensitive to ecosystems and biodiversity. Aware of this reality, we have continued environmental efforts in accordance with our own guidelines, such as disclosing our targets and the current progress of our activities to enhance the visibility of our efforts and strengthening supply chain management to urge our business partners to give fuller consideration to ecosystems.



Wood Procurement Guidelines

Working in close partnership with an environmental NGO to ensure greater transparency in our operations and extending proactive support to suppliers

Promoting the FairWood initiative under our own Wood Procurement Guidelines

Every year, millions of hectares of land are deforested around the world due to illegal logging and overdevelopment, causing serious negative impacts on natural ecosystems and the environments of local communities. To ensure sustainable wood use, we encourage procurement of FairWood*; namely, eco-friendly and socially-fair wood products.

In developing the Wood Procurement Guidelines, we partner with FoE Japan, an international environmental NGO. Through repeated exchanges of information with FoE on forests around the world and problems facing our suppliers, we ensure sufficient objectivity and transparency in the process of developing and implementing the guidelines.

In the Wood Procurement Guidelines, established in April 2007, ten principles are outlined, which we use to assign one of four ratings (S, A, B and C) to wood materials to be procured from respective suppliers and determine the levels of the materials based on the total points given to them. We also share our understanding of the current wood procurement situation and other relevant information with each of our suppliers, and in some cases, provide them with information given by the NGO and advice to help them meet the requirements of our guidelines. In this way, we implement the PDCA process jointly with suppliers to raise the wood procurement levels.

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

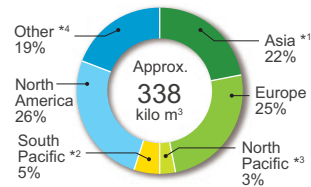


We will continue concerted efforts toward restoration of ecosystem networks.



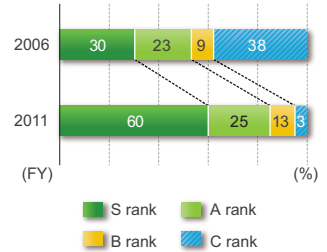
Wood Procurement Data

Logging area composition (FY 2011)



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

Proportion of procurement ranking



Updating the procurement guidelines by revising the point allocation criteria to better reflect changes in the social environment

Since the introduction of the Wood Procurement Guidelines in 2006, the ratings given to wood based on our conventional criteria have continued to rise. Because of this, and in order to better reflect changes in the social environment, we have started revising the point allocation criteria of the guidelines. For example, we revised the criteria for rating “certified wood” in consideration of the increase in the supply of wood certified by third party organizations and in the number of suppliers who have procured such wood from the time when our guidelines were established.

Addressing societal demands to support the economic independence of rural communities by recognizing the benefits of agroforestry

We also embarked on the revision of the social aspects of our Wood Procurement Guidelines based on the ISO 26000 international guidance standard for social responsibility published in November 2010.

One of the objectives of the revision is to give greater consideration to small-scale wood producers who have difficulties obtaining certification for their wood products due to economic restraints, but contribute to the economic independence of their local communities by engaging in sustainable forestry (known as agroforestry) supported by NGOs. We revised our point allocation criteria in a manner that recognizes the contribution of such small-scale producers.

Wood Procurement Guidelines: Ten Principles

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

Procurement Levels: Determining procurement rankings

Total Points (maximum of 43 points)	Procurement Ranking	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.
34-43	S	
26-33	A	
17-25	B	
0-16	C	

Increasing the use of wood materials from domestic sources

Taking positive measures to procure wood from Japanese sources can be an effective means to ensure sound management of domestic forests and reduce CO₂ emissions from transportation. We adopted “promotion of the use of wood materials sourced from domestic forests” as one of the goals of our Wood Procurement Guidelines, and began using Japanese wood in a more diverse range of building materials, while developing laminated wood materials using trees of local species and making interior components from domestic broadleaf trees.



A handrail made from a domestic broadleaf tree



I expect Sekisui House to further strengthen their supply chain.

I think highly of the efforts of Sekisui House to implement their guidelines consistently and steadily to improve procurement levels. In fiscal year 2011, they revised the guidelines to reinforce their commitment to social aspects. Forest development projects, especially those carried out in developing countries, have often given rise to social problems such as conflicts between developers and local residents and lack of consideration for the safety and health of workers. I believe that the action taken by Sekisui House as an end user will be highly effective in preventing unfair practices in these countries. As a next step, I would like to urge Sekisui House to examine the information provided by their suppliers more closely, because it is often the case that information originating from logging areas becomes distorted as it is passed through the long global supply chain and reaches end users as entirely different information. Sekisui House should endeavor to see how and to what extent local primary suppliers are considerate of the situations of logging areas, as it is an insight that cannot be obtained by reading papers alone. The rapid depletion of natural forest resources in recent years has triggered a major shift to wood materials sourced from afforested areas in the wood building materials market. Because afforestation is generally regarded as an environmentally friendly practice in Japan, it seems that not much attention is given to the manner in which afforestation is carried out.

In addition, I recommend Sekisui House to increase the use of wood materials from domestic sources for products other than plywood products. Especially, I expect that Sekisui House will introduce a decentralized procurement process to increase the ratio of locally sourced wood materials and encourage development of products using such materials.

Mr. Kenichi Nakazawa

Director, Forest Program
 FoE Japan, an international environmental NGO



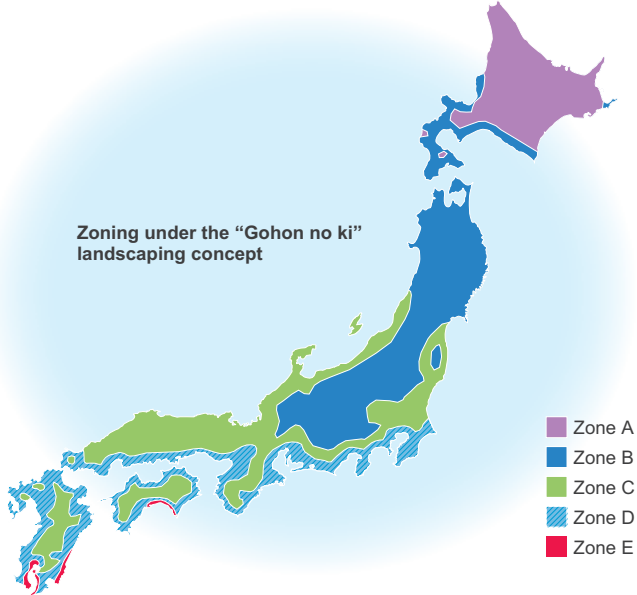
“Gohon no ki” (*gohon no ki* means “five trees”) landscaping concept

Promoting the eco-friendly gardening initiative in cooperation with tree growers and customers since 2001

Adding value to our homes by creating gardens with native and indigenous tree species under the “Gohon no ki” landscaping concept

We have been promoting the creation of home gardens under the “Gohon no ki” landscaping concept since 2001. Drawing inspiration from the *satoyama* environment that has long been part of Japan’s traditional landscape, our home gardens are designed to provide a home to a diverse range of creatures and allow residents to reap the seasonal benefits of nature by modestly intervening in local natural environments and managing them in a sustainable manner. Our tree doctors and gardening experts work with environmental NGOs to select tree species best suited to the local climate under the principle of “three trees for birds and two for butterflies,” which is at the core of the “Gohon no ki” landscaping concept.

To be specific, we divide Japan into five zones and plant tree species that are best suited to each local climate. We also produced a booklet containing information about more than 120 tree species and local creatures that these trees can nurture, so that customers can join the process of selecting tree species to be planted in their home gardens. By planting trees suitable for the local climate in home gardens, we aim to create a pleasant green environment that enables residents to enjoy seasonal changes and the sight of small wild creatures visiting their gardens, and thus contribute to creating a community that grows more attractive with the passing of time.



Zone A
(Hokkaido region)

For wild birds: Sargent cherry, Japanese yew, spindle tree, cranberry tree, etc.
For butterflies: Japanese white birch, Japanese weigela, wild azalea, etc.

Zone B
(Mountainous areas of the Tohoku and Chubu regions)

For wild birds: Japanese rowan, Japanese yew, cranberry tree, Japanese flowering dogwood, etc.
For butterflies: Konara oak, Japanese bushclover, Japanese oak, Japanese pepper, etc.

Zone C
(Inland and mountainous areas of the Honshu, Shikoku and Kyushu regions)

For wild birds: Japanese cherry, longstalk holly, prickwood, nandina, etc.
For butterflies: Japanese silver tree, Japanese bushclover, sweetspire, indigofera, etc.

Zone D
(Coastal areas of the Honshu, Shikoku and Kyushu regions)

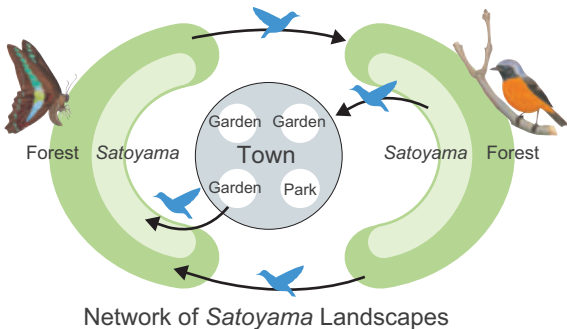
For wild birds: Japanese cherry, Kobushi magnolia, Japanese eurya, cranberry tree, etc.
For butterflies: Sawtooth oak, Japanese maple, Japanese bushclover, Japanese silver tree, etc.

Zone E
(Southern coastal areas of the Shikoku and Kyushu regions)

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

An ecosystem network that connects urban areas and forests/satoyama areas and contributes to the creation of a more attractive living environment

An indigenous tree can, by itself, nurture hundreds of species of creatures including wild birds. Each home garden in an urban area may be small in size, but we can create an extensive ecosystem network that connects home gardens with forests and *satoyama* areas in the suburbs by promoting gardening and street landscaping projects to plant tree species that sustain the lives of many wild creatures.



Conducting a biodiversity survey in seven subdivisions in Japan to verify the effects of our “Gohon no ki” landscaping concept

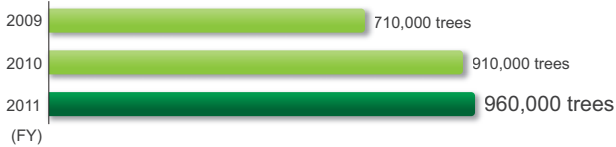
We initiated an ongoing biodiversity survey in 2008 in seven subdivisions in various parts of Japan in partnership with Eco Planning Research Co., Ltd. in Higashimurayama City in Tokyo (President: Mr. Takao Ogawara) in order to track the benefits of our “Gohon no ki” landscaping concept. In some of these subdivisions, we held an enjoyable nature watching event, inviting local residents to observe wild creatures in the vicinity and deepen their understanding of the local biodiversity.



Working with tree growers to promote Japanese native and indigenous tree species and planting 960,000 trees a year

Since COP10, more companies have embarked on development of home gardens which attract wild birds and other creatures. In reality, however, such development projects have a lot of problems. Many of the plants available in markets are either artificially modified garden species that are beautiful to look at but are of little use for wild creatures or foreign species that are not suited to the Japanese climate. We have built a network that encompasses approximately 80 landscaping companies and tree growers who share the vision of our “Gohon no ki” landscaping concept to grow trees suitable for home gardens in each region of Japan.

■ Trees planted by Sekisui House

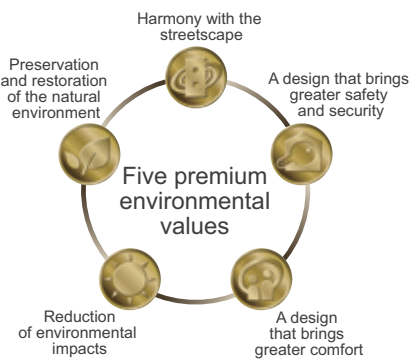


Adding value to “Sha-Maison Gardens” low-rise apartments by providing an attractive exterior design based on the “Gohon no ki” landscaping concept



Sha-Maison Gardens

The “Gohon no ki” landscaping concept is also employed in the exterior design of our low-rise apartments for leasing. Tree planting is especially important for the “Sha-Maison Gardens” low-rise apartment due to the extensive area of its site. In order to create a pleasant environment not only for the apartment building but also across the entire site, we have set five new premium environmental values for the sake of the local community, natural environment and residents. These values are (1) harmony with the streetscape, (2) preservation and restoration of the natural environment, (3) reduction of environmental impacts, (4) a design that brings greater comfort, and (5) a design that brings greater safety and security.



Ensuring harmony with the surrounding environment to be a valuable part of the community

In every Sha-Maison construction project, the entire construction site is designed in manner that harmonizes with the surrounding environment so that it contributes to the attractiveness of the streetscape. We provide each Sha-Maison construction site with green public spaces that are designed to match the appearance of the buildings. By making the most of the attractive characteristics of each area of land, we aim to maximize the value of the Sha-Maison apartment and make it a natural and valuable part of the community.

Enhancing environmental value by increasing green space

A green environment is an important factor for tenants to live comfortable lives. We are committed to creating a green environment that grows more attractive with the passing of time by providing greenery in more than 10% of the site area. We also ensure that ample space is provided between residential buildings, and that windows and trees are arranged in a manner that naturally blocks visibility from the outside to protect privacy.

Fostering community ties by providing green public spaces

Each Sha-Maison site is provided with a common space for tenants to enjoy social interactions as well as an open space conducive to fostering friendly ties with residents in the neighborhood. These green public spaces are effective in building unity among community members.



An attractive entrance approach that makes effective use of the difference in elevation



A green common space that fosters community ties



Activity Report **3** Contributing to the creation of a recycling-oriented society by bringing greater comfort and enhancing the value of homes as assets through our group-wide efforts

As a homebuilding company that uses large quantities of building materials and resources, our social responsibility is not limited to enhancing the safety, comfort and durability of our homes; we are also obligated to prolong the lives of our housing products by offering appropriate maintenance services and protect their value as assets, while ensuring more effective use of resources and reducing energy consumption in our construction projects, thereby mitigating negative impacts on the global environment. We remain committed to contributing to the creation of a recycling-oriented society by encouraging remodeling projects focusing on prolonging the lives of homes, enhancing our zero-emission* initiatives and promoting our own program to repurchase and remodel homes for resale.

*By zero emission, we mean no waste materials sent to landfills or processed at waste incineration plants without thermal recovery.

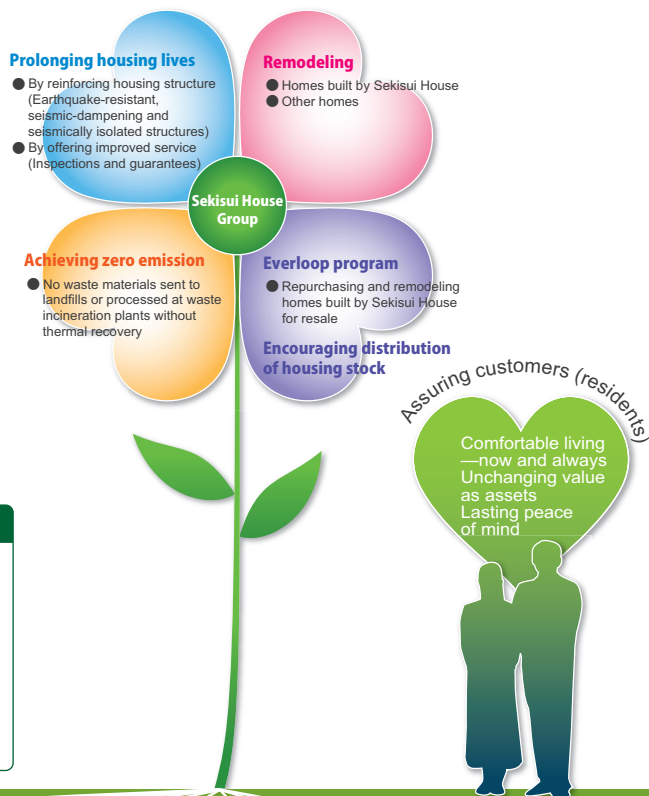


Promoting recycling efforts over the entire business process through group-wide cooperation

As a homebuilder that uses a great many resources in the construction process and generates large quantities of waste in the rebuilding process, it is our core mission to prolong the lives of our housing products and therefore reduce negative impacts on environment. To ensure our homes are used for a prolonged period of time without reducing their value as assets, we should be able to offer extensive support in a wide range of aspects, such as maintaining the level of safety, comfort and durability of our homes and providing appropriate maintenance services, as well as utilizing our high-quality workmanship to meet the remodeling needs of customers arising from changes in lifestyle and family structure. We should also maintain the value of homes as social stock until owners decide to sell them.

The Sekisui House group encompasses new build construction, after-sales maintenance services, and remodeling companies as well as a real estate company in charge of physical distribution, all of which enable us to offer consistent support services tailored closely to respective customer needs.

In our construction process, we became the first company in the Japanese homebuilding industry to achieve the zero emission goal at the stages of production, new build construction, after-sales maintenance and remodeling. In this way, we have been promoting recycling efforts in our entire business activities throughout the lifecycle of our housing products.



Steps taken by Sekisui House toward a recycling-oriented society

- 2002: Zero emission goal achieved at all our factories.
- 2004: Sekisui House becomes the first in the construction industry to be authorized to dispose of construction site waste across multiple prefectures.
- 2004: Sekisui House Remodeling Co., Ltd. established.
- 2005: Zero emission goal achieved at all new build construction sites.
- 2006: Zero emission goal achieved at all after-sales service sites.
- 2007: Zero emission goal achieved at all remodeling sites of Sekisui House-built homes.
- 2007: Everloop program to repurchase and remodel homes built by Sekisui House for resale launched.
- 2009: Sekiwa Construction begins remodeling of non-Sekisui House built homes.





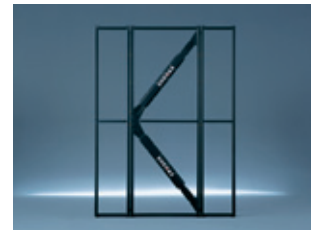
We will promote resource recycling to the fullest extent.

Ensuring the longevity of homes by reinforcing housing structure and offering improved services

We take various measures to prolong the lives of our homes to ensure a safe, secure and comfortable living environment to homeowners over generations, while increasing the value of homes as social stock.

1 Increasing housing durability and earthquake resistance with our proprietary technologies

Our steel-frame homes employ structural components that are provided with three rust-proof layers and air-circulation walls that prevent dew condensation within walls by air flows, which together with other innovations, ensure outstanding housing durability. In addition, our earthquake-resistant, seismic-dampening and seismically isolated structures contribute to unparalleled seismic performance. Especially, "SHEQAS," our innovative seismic vibration absorption system that incorporates special viscoplastic rubber in steel frames, converts seismic wave energy into heat energy to absorb building movement and reduces the effect of shaking on a building by approximately 50% to minimize damage.



2 Enhancing our house history report system and introducing smart house features

We keep and update a detailed house history report "Ie-log," which allows us to share housing information concerning the Long-term Quality Housing Certification in an electronic format. Currently, we are in the process of building a network for sharing registered information via PCs etc. We are doing this as a step toward a smart house environment. Working in partnership with many business partners, we are going to launch a service to inform homeowners of the time to replace consumable components.

3 Allocating approximately 10% of our employees to after-sales service at Customer Centers in 99 locations throughout Japan

We are ready to offer extensive after-sales service promptly and efficiently to homeowners even after they have moved into their homes. We have Customer Centers in 99 locations (30 business offices) throughout Japan, where about 10% of all our employees are working as dedicated service personnel. Our wholly owned subsidiary, Sekisui House Remodeling meets the remodeling needs of customers to create a more comfortable living environment with state-of-the-art housing technologies. In this way, we offer after-sales support to maximize customer satisfaction.

4 Offering long-term manufacturer warranty programs to better cater to customer needs

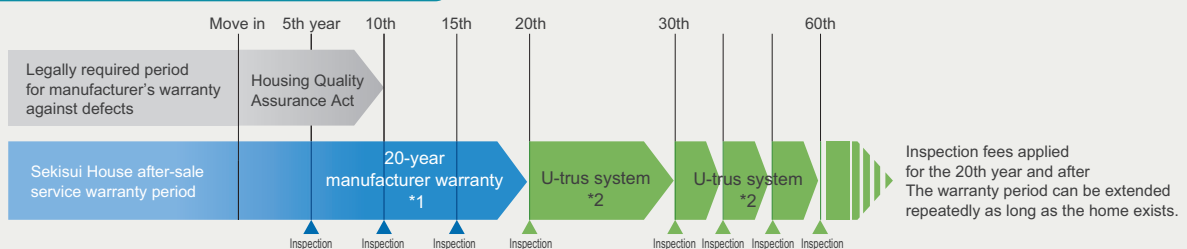
We implement long-term manufacturer warranty programs to ensure full functionality of our housing components during the warranty period, including a 20-year warranty which is applied to structural and frame components. After the expiration of the initial after-sales service period, our own U-trus system provides an extended warranty at 10-year intervals. By launching this system in October 1999, we embarked on long-term quality assurance of our housing products on our own about ten years before the enactment of the Act on the Promotion of Dissemination of Long-term Quality Housing (Long-term Quality Housing Act) as part of the national policy to prolong the lives of homes.

Contributing to the creation of a recycling-oriented society by offering high-quality homes with prolonged life spans and promoting the remodeling of existing homes

Homes hugely impact the environment at each stage of their life span, starting from development, design, production at factory, transportation, construction and occupation by residents to demolition and disposal. In light of the sheer volume of inputs (building materials and energy) required for a homebuilding project and that of outputs (waste and CO₂) stemming from the project, it is evident that the best solution lies in prolonging the lives of homes to allow residents to live in comfort and at ease for a longer period of time.

In 2010, we reached a two-million milestone in the number of houses built since our inception, and as of the end of January 2012, we have offered 2,090,000 homes in a cumulative total. Aware of the impacts of our corporate activities on society and our social responsibility as a housing manufacturer with such a high profile, we have continued dedicated efforts to improve basic housing features and promote high-quality homes with prolonged life spans that are long-beloved by residents. Also, we have been striving to maintain the value of homes as assets by implementing remodeling to exacting Sekisui House standards using cutting-edge technologies, combined with appropriate maintenance services, while strengthening the resource recycling process on a continuous basis. We will remain committed to meeting ever-growing remodeling needs to accelerate the shift toward a recycling-oriented society.

20-year manufacturer warranty and the U-trus system



*1: At Sekisui House, a 20-year manufacturer warranty is applied to structural, frame and water-proofing components (water-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 ten years.
*2: U-trus system provides extended warranty at 10-year intervals, subject to required inspection and maintenance/repairs to be completed at the homeowner's expense.

Building a recycling-oriented industrial system— homebuilding through more efficient use of resources

Advancing toward a recycling-oriented society by promoting efficient use of limited resources

As a homebuilder continuously engaged in many different housing construction projects, the Sekisui House Group is responsible to ensure careful management and proper disposal of waste in construction sites.

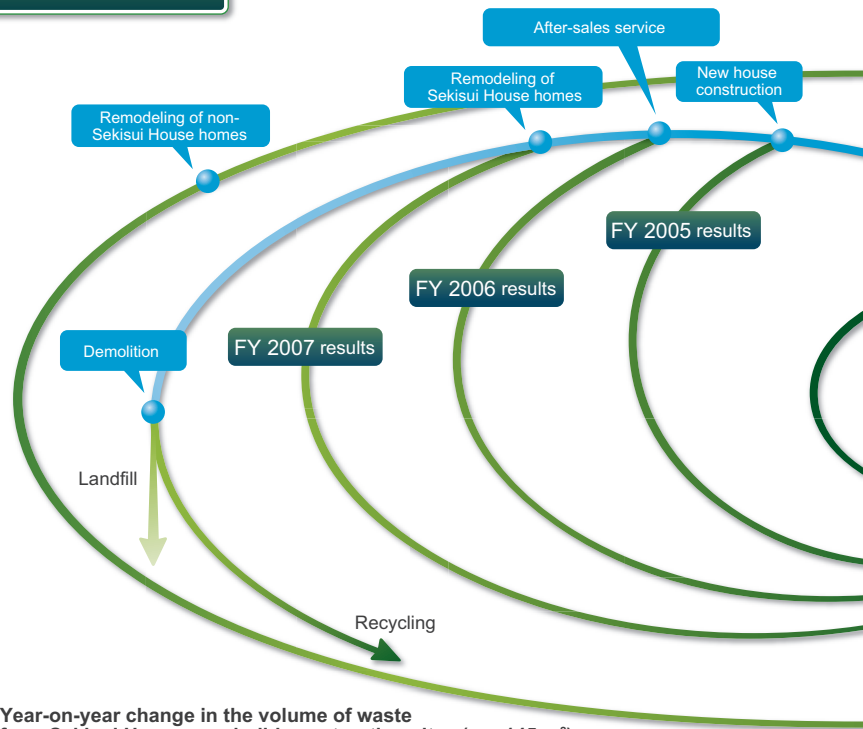
To minimize consumption of limited resources in our homebuilding projects, we have been implementing various initiatives to prolong the lives of our homes, promote remodeling of homes to address changes in the lifestyles of homeowners, and renovate existing homes. We are also committed to our core mission to achieve zero emissions and develop a resource recycling mechanism in our efforts to fulfill our social responsibility to use resources (housing components) that constitute social stock for as long a period as possible, and promote recycling of waste for efficient use while minimizing waste generation.

Continuing to enhance the level of our own resource recycling initiatives

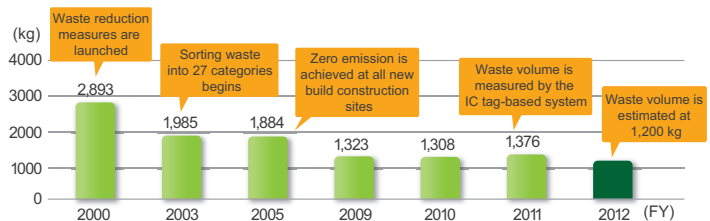
The Sekisui House Group was among the first in the industry to embark on new resource recycling initiatives.

To be specific, we have been striving to play a leading role in building a recycling-oriented industrial system, which requires all industries to make a major shift in their production processes. We are doing this through our efforts toward continuous innovations, such as collecting waste on a nationwide basis upon authorization by the national government; developing products using recycled raw materials; introducing an IC tag-based system that enables accurate measurement and proper management of waste volume; and attaining a higher level of waste risk management by means of an electronic manifest system.

We will continue our efforts while exploring opportunities to partner with other companies in the industry through research on zero emission at demolition sites and other initiatives.



■ Year-on-year change in the volume of waste
from Sekisui House new build construction sites (per 145 m²)



Waste volume is reduced by approximately 1.5 tons (50%) per house from the year 2000. In December 2011, we introduced a precut method as a standard for our low-rise apartment construction projects, which largely contributes to our waste reducing efforts.

The IC tag-based system speedily measures the volume of waste materials and manages them by category for each housing project, allowing us to identify trends of waste volume through data analysis and incorporate the findings into our waste reduction measures.



1 Waste materials are sorted into 27 categories.



2 An IC tag is affixed to each waste disposal bag.



3 Collection of waste disposal bags is requested.



4 IC tags are scanned with a dedicated device according to the category.

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.



5 Waste disposal bags are collected and transported to the Resource Management Center.



9 Waste materials are recycled into various building materials.



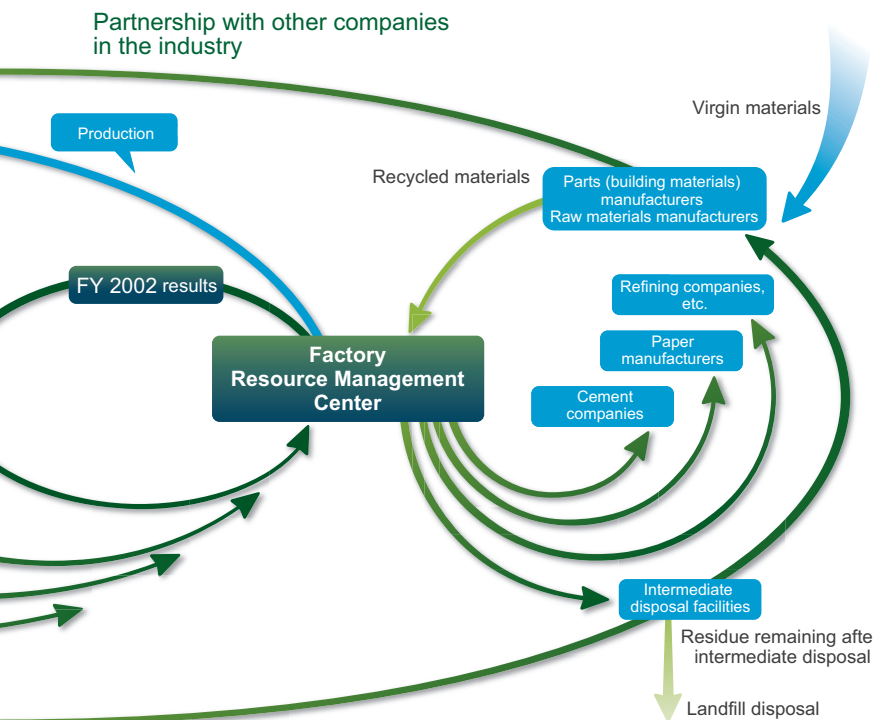
8 Waste materials are sorted into 80 further categories.



7 Waste volume is measured by category.



6 Waste disposal bags are unloaded to be measured in turn.



Developing new materials by recycling waste from construction sites

Platama Powder, field chalk made entirely from waste materials

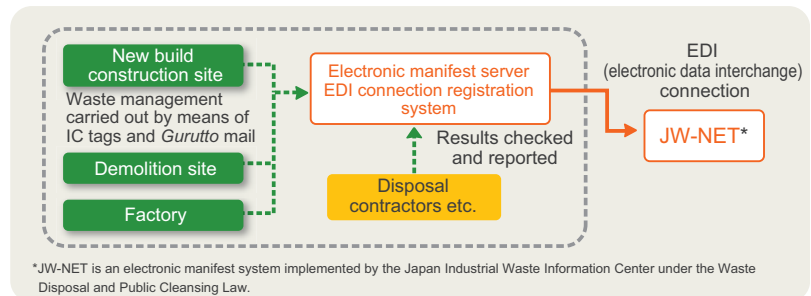
We make field chalk by mixing waste plasterboard collected at our construction sites with egg shells that have been washed and dried, then the mixture is crushed into fine particles.



Building a waste disposal management framework by means of an electronic manifest system

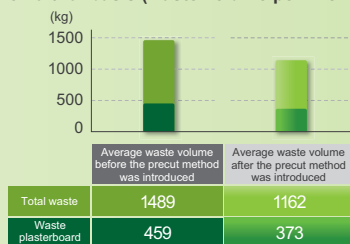
Against the backdrop of repeated illegal dumping of waste in Japan, we are required to properly manage the waste disposal process and trace the movement of waste to our disposal contractors, thus preventing improper disposal. We have replaced the conventional paper manifest (industrial waste control manifest) with an electronic manifest on a group-wide basis, which allows us to exchange data via the Internet and expedite and streamline the waste management process. As of the end of January 2012, 85% of our facilities have introduced an electronic manifest system. We will strive to increase the rate to 100% during fiscal year 2012.

Electronic manifest system of Sekisui House



Proving the effectiveness of the precut method in reducing waste in low-rise apartment for leasing construction projects using actual measurements

Volume of waste from construction projects in which the precut method was applied on a trial basis (waste volume per 145 m²)



We implemented eight pilot construction projects with the precut method through close partnership between head office, factories and construction personnel. Even after the introduction of the precut method as a standard for low-rise apartment construction, we are continuing to work to improve the efficiency of the method in cooperation with the departments responsible for providing instructions to construction personnel, while mass-producing precut plasterboards.

Introducing the plasterboard precut method for low-rise apartment construction projects

In December 2011, we adopted the plasterboard precut method as a standard for our low-rise apartment construction projects. Using this method, we aim to reduce resource consumption and shorten construction periods by 20%, while maintaining the quality of our housing products. This method will also help us smooth the fluctuations in work volume, contribute to alleviating the shortage of construction workers, and stabilize the management of our partner building contractors.



Working in partnership with universities and other manufacturers to develop ways to achieve zero emissions at demolition sites and during remodeling of non-Sekisui House homes

The Sekisui House Group has implemented internal rules for the selection of waste disposal companies to ensure that waste from our demolition sites will be disposed of in a responsible manner. According to the rules, we assess the performance of candidates for our waste disposal partners in terms of compliance with law, information disclosure, and environmental preservation efforts to secure waste disposal channels that meet our criteria. If we are to further advance our efforts toward achieving our zero emission goals, a social mechanism to boost waste disposal as a new industrial sector should be in place, which cannot be achieved through our efforts alone. Therefore, we have embarked on joint research with universities and materials manufacturers to build an ideal recycling-oriented industrial system.

Encouraging recycling of resources through our remodeling projects

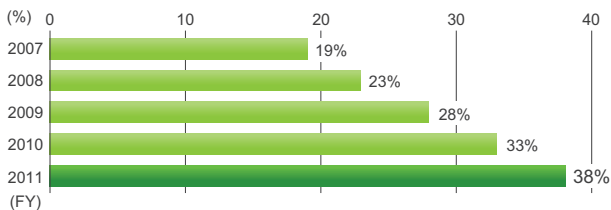
As a homebuilder striving to prolong the lives of our homes, we are on an important mission to implement remodeling of homes to ensure homeowners “comfortable living—now and always” regardless of the passing of time. Our track record of building vast quantities of homes makes us all the more responsible. We are working closely with our group companies to promote remodeling projects.

Remodeling of homes built by Sekisui House

Needs of residents are apt to change as their lifestyles and family structures change. At Sekisui House, we make it a principle to develop design plans based on our understanding of the lifestyle of the individual customer in every new build construction project, and this principle enables us to propose attractive remodeling solutions to each homeowner to create a more comfortable living environment.

Remodeling projects to bring “comfortable living—now and always” to homeowners are undertaken by Sekisui House Remodeling, our wholly owned subsidiary established in September 2004. Homeowners benefit from our innovative U-trus after-sales warranty program, as well as a variety of remodeling options that ensure greater safety, security and comfort, such as the installation of a photovoltaic power generation system and high efficiency window and door insulation to add energy producing and saving capabilities. We take pride in contributing to the creation of a recycling-oriented society by enhancing the value of homes as social stock and prolonging the lives of homes through our remodeling projects. Using our proprietary technologies, we implement remodeling projects making the best use of the durable structure of our housing products that age with almost no loss of quality. In doing so, we contribute to building high-quality housing stock and creating a pleasant and healthy living environment. During 2011, the share of owners of remodeled Sekisui House homes increased to 38%.

■ Increase in the share of owners of remodeled homes*



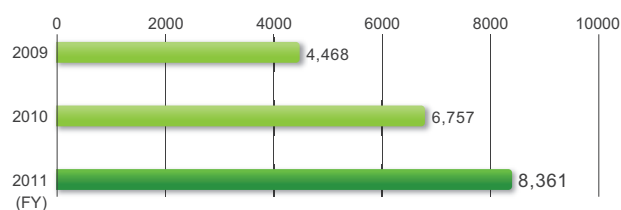
*Share of owners of remodeled homes refers to the ratio of Sekisui House homes that have been remodeled to all the Sekisui House homes owned by individual owners. (The number of Sekisui House homes owned by individual owners as of February 2005 is used as a base level.)

Remodeling of homes not built by Sekisui House

With the expansion of the remodeling market, the varying construction quality among homebuilders has emerged as a social problem. Against this backdrop, owners of homes not built by Sekisui House have begun to turn to Sekisui House for our technical excellence and high construction quality. In response to the growing needs of these owners, Sekiwa Construction (our wholly owned subsidiary which serves as our construction arm responsible for general quality control), started remodeling homes not built by Sekisui House-built, condominiums and shops in 2009. We have since assigned more employees to remodeling projects and strived to enhance their ability to offer attractive remodeling solutions to homeowners.

As a result, the number of remodeling orders from owners of homes not built by Sekisui House received during fiscal year 2011 increased by about 24% from the previous year.

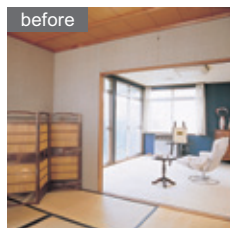
■ Increase in the number of remodeling orders from owners of homes not built by Sekisui House



Remodeling of homes built by Sekisui House

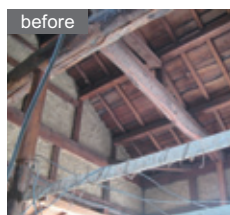


After a complete exterior renovation, the home looks like a new build home

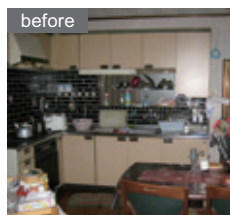


The Japanese-style room is renovated into a stylish modern space with a natural feel

Remodeling of homes not built by Sekisui House



The large ceiling beam is effectively used in the renovation of the room



The old kitchen space is renovated by introducing an island kitchen counter.



Promoting the Everloop home repurchase program

Under the Everloop program, we repurchase existing Sekisui House homes from the homeowners; completely renovate them using our proprietary technologies; add a state-of-the-art earthquake-proof system, high efficiency insulation and other advanced housing features; and then offer them for resale with a warranty. Through this program, we launched a new housing distribution system, offering homes which are not new builds, but are not included in the used-home category either. By promoting recycling of homes and lengthening the lifecycles of homes, we can reduce construction waste by more than 70% compared with rebuilding a home. In this way, our Everloop program is proven highly effective in saving resources and preserving the environment. (A total of 123 Everloop homes have been sold.)



Sekisui House Revitalized Homes

Everloop homes are eligible for a housing loan with up to 35 years' repayment period, fire insurance, and preferential taxation.



Everloop Club
 Everloop Club is Sekisui House's membership association established in 2011. Privileges given to members include access to members-only information on Everloop homes as well as publicly available real estate and other up-to-date information, and invitation to events organized by Sekisui House.
 Currently, membership is limited to home owners in the Tokyo metropolitan area, Chubu region and Kansai region.

Renovation by Sekisui House

Everloop quality

- Ensuring much greater safety and comfort with state-of-the-art technologies
- Enhanced durability, earthquake resistance and insulation efficiency
- Sophisticated design
- Universal Design
- Greater reliability with home history record

Everloop home seller

The reliability of the manufacturer and the fair price assessment made us decide to sell our home

The T family (Hyogo Prefecture)

We began considering selling our home after our child entered university, and because we wanted to move to a location that would better meet our needs in later life. We first went into negotiations with a real estate agent but failed to reach an agreement on the terms of sale. The information of the Everloop program was given to us by an acquaintance who works for Sekisui House. We soon contacted the Sekisui House sales person in charge, and were offered a more favorable selling price than we had expected. We were also satisfied that no brokerage fee was required, and convinced that Sekisui House, with their considerate after-sales support, would take good care of our home and would allow us to maintain the ongoing good relationships with our neighbors even after selling our home. For these reasons, we decided to sell our home to Sekisui House. We are very happy to think that the home where we have raised our child was renovated into an Everloop home after we moved out and will last for generations.

Everloop home buyer

We could find an ideal home in an area full of old happy memories

The M family (Hyogo Prefecture)

We were offered and bought an Everloop home located in the area where we spent happy school days. The home is sturdily built and has a beautiful appearance and exterior space that are equal to a new build home. We are impressed and fascinated by the outstanding sound proof performance of the home, which minimizes noise to neighboring rooms and blocks the sound of footsteps on the stairs, and also by the pleasantness we feel when opening and shutting the doors, the sophisticated design of the interior space and windows, and the atmosphere created by the lighting. All of our friends who live in Sekisui House homes have a high opinion of the living environment, while the sales person of Sekisui House gave in-depth explanations to us in an easy-to-understand manner and completely alleviated our concerns. These are factors that made us decide to buy the Everloop home. The home benefits us financially as well, because thanks to the fuel cell system for residential use, all we have to pay for electricity per month is only about 1,000 yen. Due to these advantages, as well as the meticulous after-sales service and periodical inspections, all family members are satisfied with their new home.

Each room is beautifully renovated with our proprietary components.

The fuel cell system allows residents to store hot water by using the heat recovered from power generation.

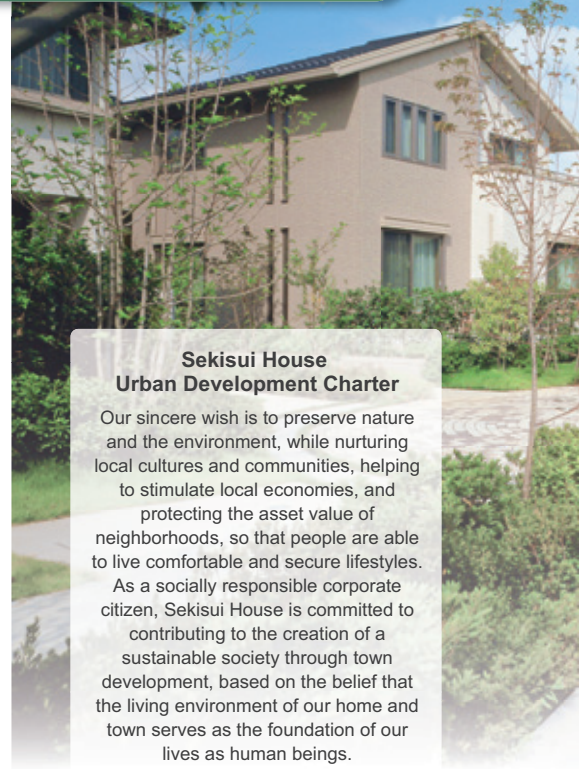


Activity Report

4

Promoting nationwide development of sustainable communities to create pleasant environments that remain attractive to residents and nurture friendly neighborhood bonds

We have remained faithful to the principle of developing communities as common properties of residents. In 1977 we commenced our ongoing efforts to build communities with names starting with the word “common” such as “Common Life” and “Common City.” This reflects our desire to create new hometowns with pleasant and harmonious townscapes, where residents enjoy friendly interactions with their neighbors. In fiscal year 2011 we strengthened our efforts toward community development focusing on “neighborhood bonds” to which we have taken a systematic approach since 2010, while continuing our commitment to creating communities with ongoing beautification. Anticipating the future roles of communities, we will continue to offer guidance and support needed to develop pleasant communities in Sekisui House towns all over Japan.



Sekisui House Urban Development Charter

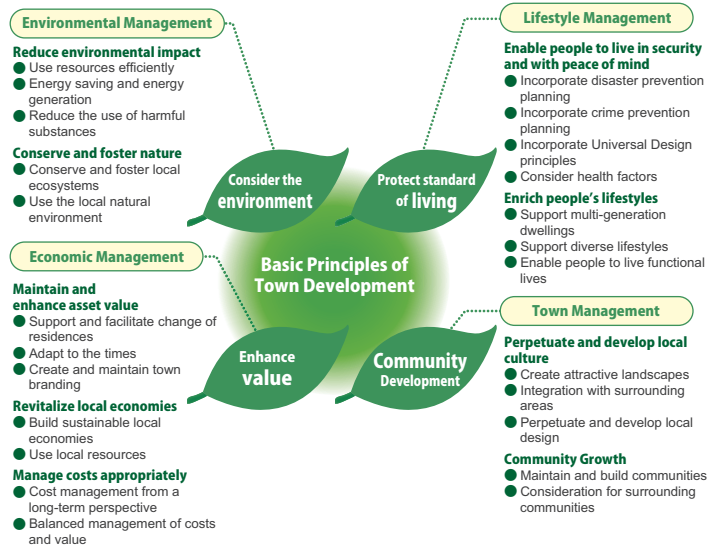
Our sincere wish is to preserve nature and the environment, while nurturing local cultures and communities, helping to stimulate local economies, and protecting the asset value of neighborhoods, so that people are able to live comfortable and secure lifestyles.

As a socially responsible corporate citizen, Sekisui House is committed to contributing to the creation of a sustainable society through town development, based on the belief that the living environment of our home and town serves as the foundation of our lives as human beings.

Developing communities that mature and grow more attractive with the passing of time in line with our Urban Development Charter

We believe that the wellbeing of a community is at the basis of local prosperity and cultural development, and it is our duty to enhance a community’s value as an important social asset. We were quick to establish internal guidelines for community development, such as the Urban Development Charter (2005), the Basic Principles of Town Development, and the 24 Guidelines for Urban Development. In addition, we incorporate our “Gohon no ki” landscaping concept and “n x Yutaka” (n times richer) design concept* in our community development projects. In doing so, we have created green common spaces in accordance with the size of the community, condominium, or commercial facilities, and developed tree planting plans so as to strike the right balance of greenery. Furthermore, we often work with residents in drafting architectural agreements to preserve townscapes, and set up resident associations and management unions, thereby promoting sustainable community development to ensure a long-lasting comfortable living environment.

*“n x Yutaka” is our proprietary design method to create a sense of unity between a residential area and nature, by arranging houses and trees in a manner that emphasizes linkage between the gardens (greenery) of neighboring houses and the surrounding environment.



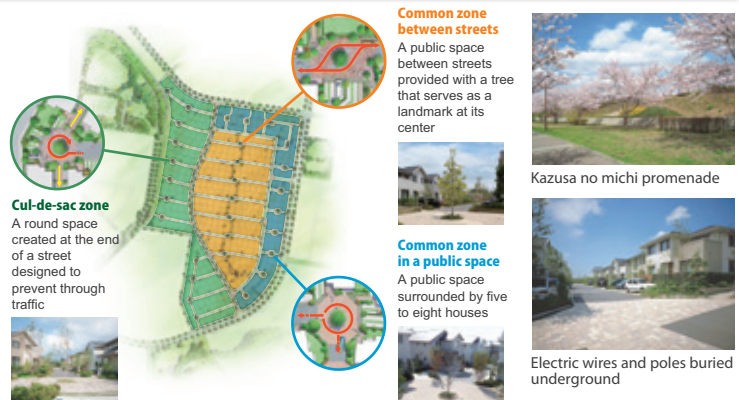
Building communities with ongoing beautification

Creating attractive communities that inspire residents’ attachment to the neighborhood with the passing of time

Example “Kazusa no Mori Chiharadai” (Ichihara City, Chiba Prefecture)

Fostering deep personal bonds

The “Kazusa no Mori Chiharadai town” is a residential area with 326 detached houses, developed by Sekisui House as a “community with ongoing beautification”. The houses have been offered for sale since February 2009 and today, there are about 220 households in this town. The entire town is divided into three zones and several public spaces are provided along the streets, which serve as venues for residents to enjoy interactions or spend their leisure time. Some streets have cul-de-sacs to provide spaces for community gatherings and ensure a safe environment for children to play. In addition, the streets and the public spaces are planted with many trees under the “Gohon no ki” landscaping concept to develop a sense of unity with the “Kazusa no michi” pleasant natural promenade, from which the name of the town is derived. Electric wires are buried underground, which also contributes to creating and maintaining a townscape that will remain attractive for generations to come.





We will continue concerted efforts toward restoration of ecosystem networks.



Becoming the first in Japan to formulate and implement a landscaping plan in cooperation with residents as part of a community development project

In the “Kazusa no Mori Chiharadai town” development project, we worked towards creating a green and pleasant landscape in line with the rules that Ichihara City established as part of its urban plan (district plan) and the community development guidelines we prepared together with other construction companies. We were involved from the initial stage of offering the subdivisions for sale. In any town development project, the responsibility to promote the growth of the community and preserve and further enhance the local landscape is shifted to residents upon completion of the project, and in this light, it is necessary to formulate new landscaping rules based on this ongoing practice. In the case of the “Kazusa no Mori Chiharadai town,” the construction companies and residents who had moved to the subdivisions of this town worked together to develop a draft landscaping plan based on the rules and guidelines and presented the draft to Ichihara City in December 2010, (pursuant to Article 11 of the Landscape Act that permits residents to submit a landscaping proposal to the local government.) Based on the draft, the city formulated an official landscaping plan and announced the plan to the public in February 2011. This marks the first implementation of a landscaping plan in Japan that was formulated based on a proposal developed jointly by construction companies and residents.

To create and preserve a pleasant community environment and landscape, it is necessary that residents share awareness of their responsibility and develop an attachment to their hometowns. We will continue to offer guidance and support to residents to encourage them to join efforts to further improve their hometown environment as part of our community development projects.



Interviewing a resident about the commitment to creating a community with ongoing beautification

I hope to create a new hometown whose value continues to increase for 50, and even 100 years, by working in cooperation with young people.

Mr. Takao Inoue.
President of the Residents' Association of the “Kazusa no Mori Chiharadai town”

“I hope to continue to live with my children and grandchildren in a beautiful community in a pleasant green environment. I hope this community will be a new hometown in my heart and lasts for generations.” Sharing these sentiments, residents of the town, grouped into 14 teams, cooperate with each other in day-to-day activities to improve the local living environment. These activities have provided us with more opportunities to exchange opinions on how we can make our community more attractive, and to organize community-wide events to deepen neighborhood ties, while prompting us to work together for crime prevention and disaster preparedness. Now that our town has 220 households, we will take action to encourage further interactions among residents and enhance the community environment for the next-generation residents.



The enthusiasm of the residents moved the local government. We encourage community development under the leadership of residents to hand down an ideal living environment to children.

Hiroshi Aoki.
Chiba-minami Branch

We explained our landscaping plan to all our customers who moved to this town, including Mr. Inoue. We are especially grateful for Mr. Inoue, who agreed with our unprecedented idea of developing landscaping rules jointly with residents to create a townscape worth preserving for coming generations. He also persuaded other residents to participate in his capacity as president of the residents' association, and talked about the enthusiasm the residents had for landscape planning as their representative at the meeting of the Landscaping Council of Ichihara City held in February 2012. As a construction company, we, too, endeavored to realize the idea of developing landscape planning in partnership with residents, by visiting and walking through the town again and again to rediscover its attractiveness. We will continue to offer support to residents, with awareness that through their participation in our attempt, they have made clear their strong desire to make the townscape more attractive and appealing.



Sekisui House makes it a rule to deliver information about landscaping plans to customers and allow for plenty of time to explain the landscaping policy in detail.



We worked with residents to develop new rules to create a community with ongoing beautification. The result is a pleasant natural environment in which hares, pheasants and other small wild animals and birds are often seen.

Example

“Common Stage Musashi Fuchu” (Fuchu City, Tokyo)

Creating a townscape with ongoing beautification by offering professional gardening advice to residents

We implement a program to send landscaping and gardening experts to homeowners to offer professional advice on tree care (e.g. tips on how to make an attractive garden and how to take care of trees and plants in the garden) in the “Common Stage Musashi Fuchu” and other Sekisui House towns in several parts of Japan. This program is designed to impart basic gardening knowledge to residents, such as how to use gardening tools and what gardening tasks are needed for each season, and bring the joy of gardening to them. We also aim to deepen neighborhood bonds by encouraging more residents to grow flowers and greenery. We organize periodical seminars and workshops on gardening at our model homes and Sekisui House towns, to ensure residents will play a leading role in creating a townscape that grows more attractive over time.



A professional gardener sharing gardening know-how to residents of “Common Stage Musashi Fuchu”

Example

“Grande Maison Takarazuka Kiyoshikojin” (Takarazuka City, Hyogo Prefecture)

Developing an attractive landscape making use of an existing structure and the surrounding natural environment

We also place importance on creating a townscape that harmonizes with the local environment in construction of condominiums. In constructing the “Grande Maison Takarazuka Kiyoshikojin” condominium project, which faces the approach leading to the Kiyoshikojin Seichoji temple, we renovated and reused the traditional gate of a preexisting building, while preserving the stone lantern and garden stones that had been part of the garden by moving them to other locations within the premises. Instead of logging, we also replanted grown trees in a park developed on the premises and other locations as much as possible, to ensure harmony with the surrounding green environment.



Emphasis placed on creating a balance with the beautiful local natural environment and preserving the existing structure during the construction of the condominium

*The “Grande Maison Takarazuka Kiyoshikojin condominium” was given the President Award of the Reduce, Reuse and Recycle Promotion Council for fiscal year 2011.

Fostering neighborhood bonds by launching various programs to increase the value of communities for residents

Developing communities capable of resolving social issues

The continued decline in the population as well as a rapidly aging society and a falling birthrate has given rise to many social problems. Against this backdrop, communities are required to be part of solutions to these problems, for example, by catering to the daily needs of elderly people, persons in need of nursing care and households with children; by improving the neighborhood safety; and by enhancing disaster preparedness. In every community development project, we place special emphasis on the aspect of the "growth of community," or on the creation of communities that grow and mature together with the residents who live there. Applying our experience and knowledge gained from past projects, we have continued a systematic approach to create "venues" for daily interactions among residents such as parks and assembly halls, provide "opportunities" to facilitate communications among them, and set up "organizations" to maintain friendly neighborhood relationships and take charge of managing community affairs. In this way, we are promoting our community development efforts on a nationwide basis focusing on fostering neighborhood bonds, thereby contributing to the growth and prosperity of communities.

Supporting Community Fairs nationwide to provide opportunities for fostering neighborhood bonds

The year 2011, when Great East Japan Earthquake occurred, was the year that emphasized the importance of community ties. We have organized Community Fairs throughout Japan as an effective means to deepen neighborhood bonds. Community Fairs are potluck parties organized by residents in public spaces in the community. They started as a citizens' movement in Paris, and have seen increasing popularity in Japan in recent years. We were first involved in the organization of a Community Fair in our residential area in Nagasaki Prefecture in 2009, and have since supported this event nationwide over 100 times. This event is now a critical part of our community development efforts focusing on neighborhood bonds. To ensure the success and continuity of this resident-led event, we offer support to residents in various ways, such as assisting them in setting up a neighborhood association, lending tents, and providing advice and tips, while encouraging more residents to participate in the process of planning and preparation of this event.

We will remain committed to resident-led community development, through which residents can foster closer relationships with their neighbors without intruding in their private lives, so that they can enjoy their own home lives while sharing joy and pleasure with their neighbors.

Creating venues

for activities which deepen neighborhood bonds



We create venues (facilities) for residents to meet and associate with each other and help them develop an attachment to their neighborhood. (We also develop rules for the maintenance and management of the facilities.)

Providing opportunities

to develop neighborhood bonds



We hold events to facilitate friendly interactions among residents and encourage community activities.

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 build consensus among residents on various local affairs. We also encourage residents to join the organization.

Example

"Common City Odawara Aoba no Machi" (Sendai City, Miyagi Prefecture)

The neighborhood bonds fostered through Community Fairs enabled residents to promptly take action for mutual assistance in the wake of the earthquake.

Though "Common City Odawara Aoba no Machi" did not suffer direct damage from the Great East Japan Earthquake, the earthquake caused disruptions to supplies of electricity, water and gas, and this seriously affected the lives of residents. During this time of crisis, the photovoltaic power generation systems of our "Green First" homes worked reliably as emergency power sources, allowing owners to offer internally-generated electricity to neighbors to recharge mobile phones and share up-to-date information provided by TV news programs. The "Green First" homeowners also offered their bathrooms to neighbors who could not use hot water. Especially, owners of all-electric homes remained unable to use hot water for more than one month before gas supplies were resumed. In this way, the residents overcame the difficult period through mutual assistance.

What prompted the residents to look after their neighbors and take action for mutual aid soon after the earthquake is the strong solidarity that had been fostered through the Community Fairs held prior to the earthquake. The residents had shared pleasant times and deepened friendly ties by participating in various Community Fairs before the earthquake hit, such as an organic vegetable tasting and sales event and a safety class for children to learn bicycle riding skills. This clearly demonstrates how strong neighborhood bonds can contribute to creating an ideal mutually cooperative community.



A bicycle riding safety session was attended by many children.



A Community Fair held in the neighborhood



Building Communities that Deepen Neighborhood Bonds with ongoing beautification

Example

Grande Maison Itami Ikejiri Literacity (Itami City, Hyogo Prefecture)

Offering venues and opportunities for residents to enjoy friendly interactions by providing a variety of public spaces and events

This condominium, which currently accommodates more than 300 households, has various attractive features that offer venues and opportunities for friendly interactions to residents. For example, the condominium is furnished with a pleasant green space named “Aqua Garden,” which is visited by wild birds and butterflies, and a south-facing private garden with good sun exposure, which is spacious enough for children to play and run around. These spaces also allow residents to relax and spend time at leisure. In this condominium, various neighborhood events are held, including a harvest festival to share the crops grown in the vegetable garden on the premises, and the Candle Night event in which residents turn their lights off and gather in the entrance to spend the evening together under candlelight. These events, which range from small-scale events that allow residents to just drop in and enjoy themselves to large-scale ones involving participation of many people, have been effective in encouraging exchanges among residents and have naturally deepened neighborhood bonds.



Green peppers and egg plants are grown with less agrochemicals in the vegetable garden on the rooftop.



In the Candle Night event, residents turn off their lights and gather to spend the evening quietly.



Example

Greenery Plaza + Nanakuni Chiffon Hill Park (“Hachioji Minamino City Chiffon Hill”) (Hachioji City, Tokyo)

Ensuring the sound growth of children and fostering friendly ties among residents at the center of greening promotion activities located in the middle of the community

In the “Hachioji Minamino City Chiffon Hill,” community development activities are carried out under the theme of “greening promotion.” Here, residents join efforts to develop a pleasant green townscape while encouraging the sound growth of children, taking inspiration from the growth of forest trees which is slow but steady. To inspire residents’ attachment to the neighborhood and develop an attractive and comfortable community, the green spaces created inside the roads are placed in the possession of the residents’ association and the responsibility to keep the greenery is assumed by residents. These activities are coordinated from the Greenery Plaza, a public facility in the Nanakuni Chiffon Hill Park at the center of the community.

The Greenery Plaza is an assembly hall managed and operated by residents. It is a landmark of the community and open as a venue where residents naturally meet together and enjoy friendly interactions, thus encouraging community-based activities. Events held in and coordinated by the Greenery Plaza in the past include community management activities such as taking care of trees and cleaning, as well as a gardening seminar, vegetable growing seminar, barbecue party, disaster drill, craft workshop for children during summer vacation, and a Halloween party. The semi-outdoor space between the Greenery Plaza and Nanakuni Chiffon Hill Park allows children to feel natural sunlight and hear the sound of rainfall while playing, and can be used as a venue to promote their emotional development.

These activities are highly regarded for their effectiveness in deepening solidarity among residents through their children and reviving the traditional way of associating with neighbors. The efforts of residents to develop a pleasant and attractive community by means of these activities are making steady progress, and the Greenery Plaza is expected to continue to play an important role as the base for supporting community management and neighborhood activities.

*Greenery Plaza + Nanakuni Chiffon Hill Park was given the “5th Kids Design Award” in 2011.



Residents join various greening promoting activities, such as taking care of trees and participating in a vegetable growing seminar.



Greenery Plaza



Some community-based events are held with many participants, such as a fire drill and barbecue party.



Activity Report

5 Offering a wide variety of housing options to support healthy lifestyles of elderly people and children

We have been committed to bringing “comfortable living—now and always” to our customers based on our “lifelong housing” concept. In pursuing this concept, we will inevitably face a significant increase in the needs of elderly people for medical and nursing care, in light of the extended average life expectancy and the resulting growth of the aging population. To successfully meet these needs, we must be able to offer a wide range of attractive solutions, while preparing for a drastic change in the social system that is soon to occur.



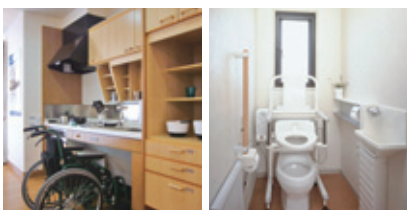
Catering to the needs of an aging society based on our “lifelong housing” concept

The Japanese average life expectancy is 79.64 for men and 86.39 for women (according to a survey of the Ministry of Health, Labour and Welfare in fiscal year 2011), which is the highest in the world. To ensure healthy and comfortable lifestyles for elderly people, homebuilders are required to offer a wide range of housing options to cope with physical decline due to aging, while preparing for change in the social system. To meet the emerging needs of the aging society, we are implementing and supporting various projects, including construction of detached houses, medical and nursing facilities, residential care homes for the elderly and clinic malls, building on our track record of delivering universal design homes under the “lifelong housing” concept.

Major residential and care facilities offered by Sekisui House to the elderly

Detached houses

We offer housing features that better cope with age-related physical changes by employing the Smart Universal Design* option, an advanced version of our universal design.



Residential care homes

We supply residential care homes for the elderly, including private nursing homes for the elderly in need of care, and group homes designed for the elderly with dementia.



Nursing and medical facilities

We offer day-care facilities and small-scale multifunctional care facilities, which help elderly people continue to live in their homes while receiving necessary care, as well as clinic malls that will play a leading role in providing local medical services.



*Smart Universal Design is our proprietary design method that adds an increased sense of comfort to the Universal Design. The Universal Design ensures greater safety, reliability and ease of use of products, buildings and living spaces to people of all ages, regardless of whether they are with or without disabilities.

Our track record of contributing to healthy lifestyles

- 1975: Sekisui House begins construction of homes designed specifically for persons who need ADL training at home after their discharge from rehabilitation hospitals (wheelchair homes).
- 1999: Sekisui House is presented the “Caring Company Award” from the International Council for Caring Communities, a UN agency and NGO.
- 2001: Sekisui House builds East Coast 11, Japan’s first condominium with medical care in Rokko Island City.
- 2002: Sekisui House announces the Universal Design Declaration.
- 2010: The Smart Universal Design awarded the Good Design Award.

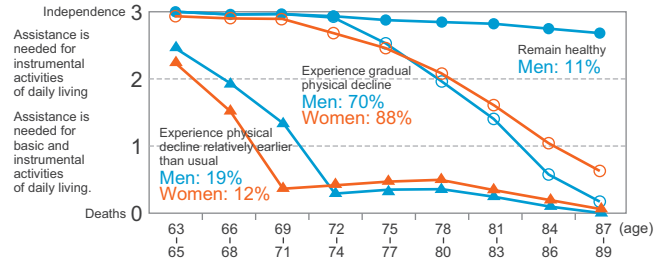




Meeting the diversifying needs for medical and nursing care services against the backdrop of an increasingly aging population

In Japan, more than 25 million people are aged 65 and over, accounting for approximately 20% of the total population, and the proportion is increasing. Physical changes due to aging vary from person to person, therefore different types of medical and nursing care are required at different times. For this reason, we should be able to provide housing features and services that can meet the ever-diversifying needs of our customers.

Change in the level of independence of the elderly



Source: Hiroko Akiyama, *Philosophy of Science and Society in the Aging Era* (Iwanami Shoten)

Construction of medical and nursing facilities

We have been expanding our projects into the construction of detached houses, residential care homes and medical and nursing facilities for the elderly, and have delivered more than 2,500 housing products in a cumulative total in this category. Our strength is especially evident in the increase of the number of houses for the elderly. We will strive to achieve further growth in this category by launching advanced "Green First" homes incorporating the latest technologies to protect the environment and people's health.

Growth in the number of houses for the elderly built by Sekisui House (including former rental homes exclusively for the elderly*)



*Former rental homes exclusively for the elderly refer to rental homes registered under a former law, whose owners agreed to accept occupancy by the elderly and that mainly consisted of elderly households.

Example Nursing facility complex

Kanegasaki Housing Service for the Elderly: Hanakeian (Kanegasaki-cho, Iwate Prefecture)

This complex consists of a center house (former rental home exclusively for the elderly) capable of providing nursing care and medical services to local residents, a satellite house, and other facilities. This was adopted as one of the first model projects for the stable supply of housing for the elderly* under the national subsidy program, and has drawn much attention from various fields since its opening in April 2010 for its ability to offer a wide range of services backed by our pool of expertise. The center house has a traditional Japanese appearance with its hip-and-gable roof, and is designed to bring a sense of spaciousness and comfort.

*The model project for the stable supply of housing for the elderly is a project eligible for subsidy from the national government to cover the project expenses in part. This project aims to ensure a stable supply of housing for the elderly by offering homes and enhanced living environments that allow elderly people to live comfortable lives, and contribute to revitalization of the community.



- Site area: 12,119.67 m²
- Total floor area: 1,560.93 m²
- Structure: One-story, light gauge steel structure
- No. of residential units: 20
- Opening: April 2010
- Operator: Medical corporation, Souseikai

Example Rental condominium for multigenerational interactions

MAST Life Furukawa Teien (Kita-ku, Tokyo)

This rental condominium consists of 62 residential units with care services for elderly households, and 66 units for younger households with children. It incorporates various facilities to meet the varying needs of residents of different ages, based on the idea of creating a new venue for cross-generational communications, and offers a concierge service and emergency response service, while encouraging events for multigenerational interactions among the residents and in the neighborhood. With a clever design and ingenuity, this condominium ensures that residents of varying generations enjoy healthy, comfortable and happy lives.



- Site area: 5,009.72 m²
- Total floor area: 9,525.02 m²
- Structure: Seven-storied reinforced concrete structure
- No. of residential units: 129 (66 units for households with children, 62 units for elderly households, and one unit for the residential manager)
- Completion: March 2012
- Operator: Sekiwa Real Estate, Ltd.

Concierge service

A concierge service is available to assist residents in various ways, for example, by offering helpful information, giving guidance on the use in-house facilities (including reservations), and providing support services tailored to the specific needs of households with children and elderly households.



Sophisticated public spaces

The condominium is furnished with many public spaces such as a kids' room for small children to play safely, a multi-purpose free space suitable for various events such as home parties and birthday parties, and space for child tricycles.



The "Housing and Living Environment Considerate of Households with Children" certification given by Mikihouse Child & Family Research and Marketing Institute

The condominium is given the above certification for the innovative design of its public spaces and individual residential units, such as user-friendliness, a pleasant green environment, and various innovations which facilitate interactions between families with children and the elderly.



Activity Reprt

6

We are striving to create workplace environments where employees feel happy and motivated, while fostering relationships of trust with everyone associated with our business

Commitment with building contractors and business partners

To finish building a single home requires cooperation from many people outside Sekisui House, from materials procurement sources to construction contractors. Unless every individual involved in housebuilding is working with the same intention, we cannot provide our customers with safe, reliable, comfortable, high-quality housing. That is why the Sekisui House Group is fostering relationships of trust among all our building contractors and business partners, as a community united by a common destiny*, regarding these bonds as extremely important. We will continue to increase the level of trust in our relationships, implementing supply chain management with the aim of overall optimization.

*In Japanese, this term, *unmei kyodotai*, is usually rendered with characters that literally mean "group with a collective destiny," but as the corporate philosophy of the Sekisui House Group incorporates the ideal of working by joining forces and helping each other, we write with characters meaning "group with a cooperative destiny."



Sharing the "customer first" philosophy As a community united by a common destiny, the Sekisui House Association is working toward coexistence and mutual benefit

Working together as colleagues, rather than principal contractor and subcontractors, in order to offer customers safety, reliability, and comfort

Building partners are indispensable to Sekisui House, which has championed project accountability since its establishment. Since the dawn of the industrialized housing era, when Sekisui House rose to the challenge of using construction methods completely different from conventional prefabricated wooden construction, the company has seen its relationships with building contractors not in terms of principal contractor and subcontractors, but rather as respected colleagues working in tandem to improve quality with the aim of coexistence and mutual benefit. It is no exaggeration to say that we could not have developed our various construction technologies, an effort in which we have been industry pioneers, achieved zero emissions, or engaged in activities to promote customer satisfaction (CS) without the collaboration of our building contractors.

The Sekisui House Association is built on the foundation of these activities. The Sekisui House Association is an organization composed of Sekisui House Group companies responsible for construction and building contractors. The 21 Group companies (20 Sekiwa Construction companies and one Landtech Sekiwa company), together with around 7,000 building contractors, are affiliated in their various regions. Sekisui House Associations in each region work together with Sekisui House branches and sales offices not only to improve quality and construction capabilities, but also to deal with owners and neighborhood residents, continuing to engage in a wide range of community-based initiatives, including measures to improve safety, local landscape improvement projects, human resource development, and better working environments. The Associations also offer opportunities for discussion of the issues faced by different construction sites and contractors and the exchange of information on measures for solving them, as well as providing venues for training and study, in the effort to raise standards in the industry and improve techniques by everyone engaged in construction with the aim of "making customers happy."

Close-knit bonds that came into their own after the Great East Japan Earthquake

The awareness that the Sekisui House Group and Sekisui House Association form a "community united by a common destiny," as well as our adherence to the attitude of "customer first," came fully into their own after the Great East Japan Earthquake.

Immediately after the earthquake, Sekisui House Group employees and the Sekisui House Association collaborated in starting to contact house owners. Members of the Sekisui House Association from around the country provided major amounts of assistance, not only in recovery and reconstruction work but also by transporting and distributing relief supplies and donating money. Over 60,000 people from Sekiwa Construction and Sekisui House Associations nationwide also rushed to help in the construction of temporary housing, working together as a team despite short construction deadlines.



Recovery work continued all-out amid repeated aftershocks.



Building contractors from around the country rushed to help with the construction of temporary housing.



The owner I visited cheered me up.

From right after the earthquake, I worked day and night to restore the water supply to residents of Iwaki as quickly as possible. In some places that meant digging to a depth of over four meters, and even with continuing dangerous aftershocks, we managed to complete it safely. At one point, I went with a member of staff from a Sekisui House branch office to visit a house owner. The area had been devastated by the tsunami, and I felt downcast, with no idea what words I could use to express my sympathy, but the owner greeted me with a smile, saying "There are five houses built by Sekisui House in this area, all so well constructed that none of them were washed away. Isn't that amazing?" and that actually cheered me up. I felt proud to be working with Sekisui House, and greatly encouraged.



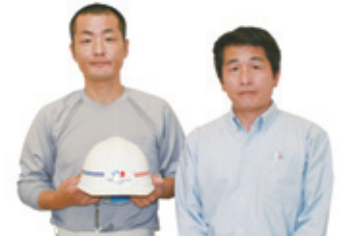
Tsukasa Waragai, Representative Director
Seibu Co., Ltd., Iwaki Sekisui House Association

We immediately responded to the appeal for assistance, and commenced work with pride.

We had heard that after the Great Hanshin-Awaji Earthquake, members of Sekisui House Associations from around the country rushed to help with recovery and reconstruction, so as soon as the Great East Japan Earthquake occurred we knew we had to help, and immediately responded to the request from Sekisui House for assistance in constructing temporary housing. However, we had never actually built temporary housing before, and were anxious as to whether we would actually be able to be of any use when we went to the disaster zone. We traveled by ferry from Kyushu, which took 36 hours. After arriving at Ishinomaki in Miyagi Prefecture, on our way from our lodgings to the construction site we were lost for words at the extent of the destruction, which was far beyond what we had imagined, and were filled with the strong desire for the area to recover as early as possible.

The construction deadlines were shorter than usual, so the job demanded not only accuracy but also speed. Work continued every day from early morning to late at night, making this the hardest job we had ever worked on. Six of us went from our company, and after hearing that work on other sites was delayed we all applied to extend our stay and help.

The Sekisui House structures are of such high quality it seems unfair to call them temporary housing. We were proud of doing this work.



Isamu Karakawa and Yasunori Taki
ERA-f Co., Ltd., Fukuoka Sekisui House Association

Toward achieving top quality, best cost, optimum distribution and stable supply, and environmental awareness in materials procurement

Policy Meeting

Twice a year, we hold Policy Meetings on procurement of construction materials with the aims of deepening mutual understanding with our business partners and harmonizing Sekisui House's purchasing policy with their corporate policies. In addition to a business overview of the Sekisui House Group and explaining matters such as our medium-term management plan and purchasing policy, the meetings include the exchange of opinions toward achieving top quality, best cost, optimum distribution and stable supply, and environmental awareness in materials procurement. *Kaizen* (Improvement) Case Studies Workshops are held at the same time where we hear presentations on good examples of activities to improve corporate health, with the aim of enabling both us and our suppliers to raise our standards further.

Soon after Business Continuity Management (BCM) had been taken up as an important theme of Policy Meetings, the Great East Japan Earthquake occurred in March 2011. Thanks to the efforts of our suppliers, excluding extraordinary circumstances, we were able to continue our business activities without stopping work for even a day. To further cement these alliances, we distributed a questionnaire to our suppliers, and shared issues related to BCM and measures for dealing with them in future at the Policy Meeting held in August.

Supporting improved corporate health for our suppliers

We visit our leading suppliers regularly for factory visits and quality control assessments, with the objectives of identifying points for improvement, suggesting and following up on measures for dealing with them, and promoting improved corporate health. In FY 2011, we held Policy Management Training sessions for senior management at our suppliers. The practical program covered all aspects of business planning, including improving corporate health and methods of formulating policy.

Supplier evaluation

To ensure that our business dealings are fair and balanced, since 1998 we have been carrying out supplier evaluations. Since 2009, we have disclosed the results of these evaluations, in the hope that this will prove useful in enabling our suppliers to improve their corporate health. Evaluations are carried out in association with the development and production divisions, and the evaluation categories and standards are periodically reviewed. In FY 2011, suppliers were evaluated in eight categories: quality, delivery time, price, corporate credentials, capacity for technical cooperation, proposals for improvement, business condition, and environmental awareness. They were given an overall evaluation on a five-point scale based on these evaluation categories. Balance charts were used to clarify strengths and problems. Our primary aim is to ensure that the process does not simply stop with the evaluation, but results in activities toward improvement by helping suppliers implement the PDCA cycle in a more practical way.

At the Sekisui House Group, we are working together with all our suppliers to engage with issues including increasing customer satisfaction by improving quality, rigorous compliance, environmental awareness, disaster mitigation measures, and business continuity, in order to contribute to creating a sustainable society.

Commitment with employees

In March 2006, Sekisui House announced the Declaration for Human Resources Sustainability as the company's basic personnel policy. We are developing workplace environments and workplace rules that enable sustainable growth on the part of both employees and the company, and are striving to create a work environment where all employees feel happy and motivated in their work, based on the three pillars of promoting women's success, diversity of human resources, and work-life balance.

Supporting the success of a diverse range of employees by creating a workplace environment in which they can demonstrate their competence

We are encouraging employees to make use of programs such as work category transfers, internal open recruitment, retiree reinstatement registration, support for returning to work, and volunteer leave.

Using the Work Category Transfer Program

Everyday contact with customers means I feel responsibility and pride in my work.

For many years I worked in general administration, but decided that I wanted to find out what I was capable of in another field, and took the plunge of applying under the Work Category Transfer Program. I succeeded in transferring to sales as a Remodeling Advisor. Working in sales means that if I don't act on my own initiative then nothing happens, which is a heavy responsibility, but conversely makes it easy to evaluate success clearly. I also have more chances to hear expressions of gratitude directly from customers, which means that every day I go to work with a sense of my own value and pride in my job. I have also been given more opportunities to talk to women employees about my experience as someone who has made use of this system. Whenever I remember the time I was worried about work, it makes me want to tell people about the advantages of the program.



Mika Inagaki.
Kobe Sales Office, Sekisui House Remodeling Co., Ltd.

Using the Volunteer Leave Program

My experience overseas is a great asset for me and the company.



I thought that people of all professions, in any job types, would need to have an international outlook in the coming era. When I heard that it is possible to use the in-house system to participate in volunteer activities overseas, I thought it would be a good opportunity to gain experience, and applied. At the moment I am working as an advisor to the Bureau of Agribusiness in the Ministry of Agriculture, Forestry & Fisheries of the Democratic Republic of Timor-Leste, passing on expertise in gathering and analyzing information on farmers and the agricultural market and developing the abilities of their employees with the aim of expanding production and consumption. I am sure this experience will be useful in many ways after I return to Japan. The Volunteer Leave Program offers many possibilities for looking at things differently and gaining experience, and I hope it will be more widely used within the company.



Satoshi Suzuki.
Hyogo Sha-Maison Branch

Using the Internal Open Application Program

I want to acquire new skills and offer a large number of high value-added rental properties.

I formerly worked in rental property marketing in the northern Kanto area, but applied for a rental property marketing position in the Tokyo metropolitan area via the Internal Open Application Program with the aim of improving my sales skills for both rural and urban rental properties. Marketing in the metropolitan area, where people, goods, and information are all on the cutting edge, meant I could experience industry trends directly, which is highly motivating. Recently, I am beginning to feel that I am getting somewhere in achieving results through community-based approaches, and I hope I can continue to put a large number of high-quality rental properties on the market, decisively fulfilling our company's aims.



Keita Yoshihashi.
Tokyo North Sha-Maison Branch

Promoting in-house education on work-life balance and expanding the number of users

We are encouraging employees to make use of programs such as parental leave, shortened work hours, and nursing-care leave. Male employees are being encouraged to actively take advantage of these programs.

Using the Parental Leave Program

Improving my productivity at work means I can relax at weekends

When my wife was about to give birth she was suddenly hospitalized, and I made use of the Parental Leave Program to look after our two elementary-school-age children. I took around two weeks' leave. Many of my colleagues at work have children, and I was glad that the atmosphere made it easy for me to take parental leave. It was difficult to catch up with work after I came back, but I acquired the attitude of focusing on productivity at work. Today I lead a full life, with more time at weekends to spend with my family and on my hobbies, and I am enjoying my work more than before.



Junji Uchida.
Saitama Sales Office, Sekisui House Remodeling Co., Ltd.

Promoting women's development and establishment, and building an environment for their future success

During the five years since the Diversity Development Team was launched, we have been promoting women's development and establishment. In 2011, one of the women who joined the company in 2005, the first year we actively started recruiting women sales personnel, was appointed a branch manager. A salesperson who has returned to work after her second parental leave is also working successfully. Her experience of marriage, pregnancy, and parenthood has given her the confidence to engage in negotiations with customers, and people trust her more. Women who have accumulated a wealth of experience in their daily lives and experienced such changes are an indispensable asset to the Sekisui House Group. We will continue to build an environment in which women employees can successfully combine work and parenthood.

Working successfully as a sales manager

Approachability is my strength for becoming a fully fledged sales manager.

I have been appointed a sales manager on the strength of successive sales awards and my work as the leader of the Women's Sales Representative Association in the Shikoku region. I am very happy about this. Because I also have responsibilities as a homemaker I can't stay late at work, but I work hard to arrange my schedule, and am endeavoring to use my time as effectively as possible with the cooperation of my colleagues. I also try to create an atmosphere in which I can give appropriate instructions to my team members, and they can feel free to ask me for advice at any time. I will continue to do my best to grow and develop, so that I can become a fully fledged branch manager as soon as possible.



Mayumi Yuita.
Ehime Branch

Returning to work after taking parental leave

I can carry on working without anxiety thanks to my colleagues' understanding and cooperation.

I found out I was pregnant just when I had started to enjoy my job. I agonized over whether to quit or continue working, but because I find my work worthwhile and wanted to maintain the good relationships I had build up with customers, I decided to take parental leave. After I returned, my boss and colleagues helped me in many ways, and I have been able to carry on working without problems. Customers now find me more empathetic, as I am able to offer them suggestions that reflect my own experience of parenthood. Combining work and family does entail many hardships, but I intend to be positive and continue working in future, never forgetting to feel grateful to those around me.

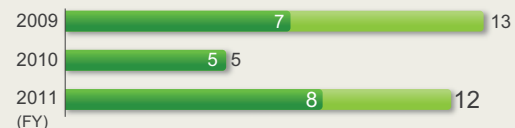


Aiko Watanabe.
Nagoya West Branch

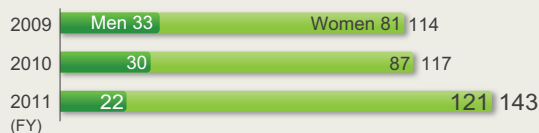
■ Increase in the number of women in managerial positions (total of the Sekisui House Group)



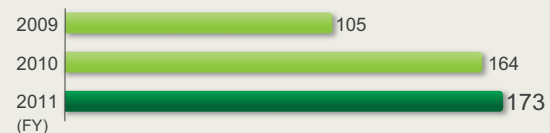
■ Employees applying for work category transfers (Figures in white indicate the number of employees switching to a different category.)



■ Employees taking parental leave (including short-term usage)



■ Employees using the shortened work hour program



Initiatives on human rights and labor practices

The entire group is engaged in efforts to promote human rights education, the hiring of people with disabilities, and occupational health and safety.

Initiatives toward human rights education

Sekisui House has been working to create a corporate culture of zero tolerance for infringements of human rights, by ensuring that all employees correctly understand and practice compliance and our Corporate Ethics Guidelines. Since 1980, the company has engaged proactively with a range of human rights issues, including the so-called Dowa issue (discrimination against descendants of former outcasts) and discrimination against women, foreign residents, and people with disabilities, and continued to support educational activities such as Human Relations Training. The aim is to raise the awareness of every individual employee. The company has also set up a Sexual Harassment Hotline as a point of contact where employees can report or ask for advice about sexual harassment and other human-rights-related concerns. In view of the company's intended business expansion overseas, Sekisui House is also putting resources into initiatives to build up a corporate climate in which Japanese and foreign associates respect each others' human rights, in light of the necessity of respect for international rules and mutual understanding between different cultures.

Human Relations Training (for all employees)

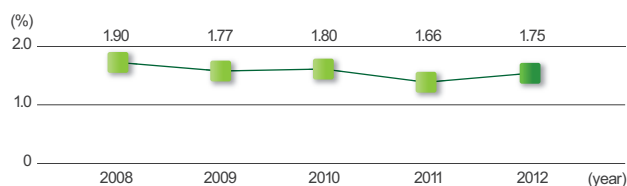
In FY 2011, Sekisui House put resources into ensuring respect for its Corporate Ethics Guidelines with the aim of ensuring rigorous compliance. Training sessions using the Human Relations Training Textbook 2011 have focused on power harassment, sexual harassment, compliance, self-control leading to self-development, and the real estate business and human rights as priority themes. Training is also continuing for the staff responsible as the point of contact for reporting of sexual or power harassment in each business premises.



Initiatives toward hiring people with disabilities

Sekisui House is continuing to endeavor to employ disabled people as its social mission as a company providing "lifelong housing," and the hiring rate in 2012 was 1.75%. We will continue to strive to improve this rate in future, with the aim of ensuring the employment and establishment of at least one disabled person in every business premises, in order to create a vibrant workplace environment in which all employees, including those with disabilities, feel happy and motivated in their work.

Ratio of hires with disabilities (Figures are as of February 1 each year.)



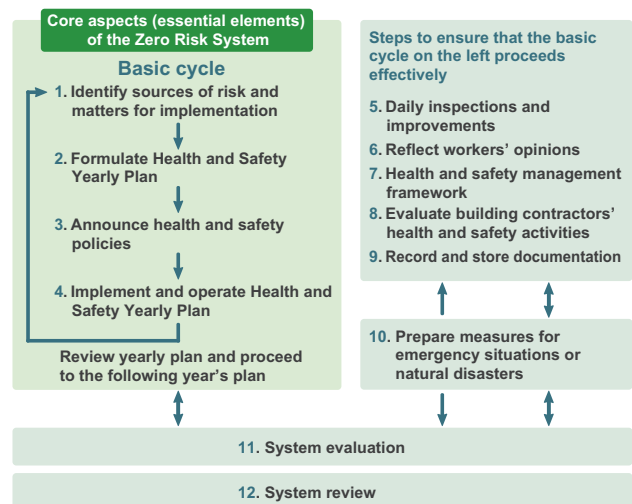
Initiatives toward occupational health and safety

The occupational health and safety of all employees involved in construction must be one of our priorities as a housing maker. At Sekisui House, we are focusing our efforts on providing a consistent system covering not only employees of the entire group but also staff of associated companies and those working for our building contractors.

Occupational Health and Safety Management System

To minimize risk factors, we are operating and extending our own proprietary Sekisui House Zero Risk System, based on the Occupational Health and Safety Management System recommended by the Ministry of Health, Labour and Welfare but adapted to the particular nature of construction sites. This system has at its core the Construction Health and Safety Yearly Plan produced every year by each company and business premises, and ensures that we are rigorous about engaging in health and safety management to make sure that employees of Sekisui House and building contractors can work safely with no risk to their health.

Outline of Zero Risk System



Health and Safety Education and Training

Based on the Construction Health and Safety Yearly Plan, Sekisui House holds regular Health and Safety Education and Training sessions for everyone associated with construction work, both the company's own employees and those of building contractors, covering matters such as measures to prevent damage during natural disasters. Other forms of training include safety training for different types of work, provided for everyone engaged in construction work on-site, and a Safety Promotion Convention for building contractors.

Health and Safety Committee

Employees take the lead in setting out action plans for workplace health and safety and streamlining, improving, and reforming business practices, primarily through the Health and Safety Committees and Business Practice Improvement Committees established in all our business premises nationwide, with the aim of improving the working environment in the workplace. They engage in a range of activities to achieve the prescribed targets.



Commitment to shareholders and investors

Sekisui House not only discloses business information such as financial information and the status of its business activities to shareholders and investors in accordance with legislation, but also proactively and fairly releases voluntary information that might have an effect on investment decisions via a range of media, including press releases and on the company's website. The company also strives to engage in direct communication such as interviews, and values the opinions of investors as a useful reference for management decisions. Through these activities, Sekisui House is doing its best to help obtain an accurate assessment of its corporate value. Our basic policy on information disclosure is set out in our Disclosure Policy, which is published on our website.

Returning profits to shareholders

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

The company issued a medium term dividend of ¥10 and a year-end dividend of ¥10 for a yearly dividend of ¥20.

Yearly dividends per share

	(year/January quarter)				
	2008	2009	2010	2011	2012
Dividend (¥)	24	24	10	21*	20
Dividend ratio (%)	27.4	140.8	—	46.6	46.6

*Including ¥5 dividend to commemorate the 50th anniversary of the company's establishment

Seminars for private investors

Sekisui House participates in seminars including Q&A sessions held for private investors from a variety of perspectives, offering opportunities to give a simple overview of the company and its accounts and answer questions from shareholders on matters such as returning profits.

To enable investors to fully understand the company's appeal, we will continue our proactive involvement in these seminars, providing points of contact with private investors and engaging in a wide variety of IR activities.



<FY 2011 attendance>

July 14, 2011:
Tokyo, approx. 80 participants

July 15, 2011:
Osaka, approx. 110 participants

Preferential treatment for shareholders

Sekisui House has established two programs offering preferential points and preferential gifts to shareholders, to encourage them to hold onto the company's shares for the long term.

Shareholder Preferential Points Program

Points are allocated every half-year according to the number of shares and the length of time they have been held, and can be used when doing business with Sekisui House (new construction or remodeling, etc.).

Shareholder Preferential Gift Program

Shareholders who hold more than one share unit (1,000 shares) at the end of the accounting period receive a gift of 5 kg of Uonuma Koshihikari rice every year.

For more details, please see our website. Corporate and IR information:
<http://www.sekisuihouse.co.jp/english/index.html>

Increasing shareholder satisfaction

Shareholders who are unable to attend the Annual General Meeting may exercise their voting rights not only on paper but also via the Internet, in an attempt to make the process more convenient.

The company also engages in appropriate reporting of its business to shareholders by publishing a half-yearly Business Report. For overseas investors, it also issues and sends out its Annual Report at the end of each financial year as well as an interim Semi-Annual Report, in the endeavor to ensure good communication with shareholders and investors.

In some cases, Uonuma Koshihikari rice sent to shareholders under the Shareholder Preferential Gift Program has been returned to the company because it has been refused or the recipient has moved and their location is unknown. In such cases, since the Preferential Gift Program was introduced in FY 2008, this rice has been donated to welfare facilities and organizations for people with disabilities and the elderly, with the understanding of shareholders. Donations in FY 2011 are shown below.

- Recipients
- Inclusion Japan (Minato-ku, Tokyo)
 - Hoyukan (small-scale multipurpose residential nursing care institution; Hitachi City, Ibaraki Prefecture)
 - Kinmokusei Group Home/Kirakiraboshi Day Care (Hitachinaka City, Ibaraki Prefecture)
 - Unoura Hospital (Rikuzentakata City, Iwate Prefecture)

Activity Report

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Developing programs to encourage voluntary social contribution activities focusing on “enrichment of housing culture,” “sound growth of next-generation citizens” and “environmental preservation”

With the awareness that our corporate activities directly affect people’s lives and local communities, we have been promoting various social contribution activities as a member of the community and society. With a “love of humanity” at the core of our corporate philosophy, and placing emphasis on “housing culture,” “sound growth of next-generation citizens” and “environmental preservation,” we have developed programs to enable employees to voluntarily take socially meaningful action, while working for the wellbeing of communities as part of our core corporate activities. We also encourage employees to take part in volunteer and charitable activities, work in partnership with NPOs and NGOs and support their activities, and extend support to educational activities in cooperation with educational institutions.



Housing culture

Sound growth of next-generation citizens

Environmental preservation

Employees' volunteer activities Participation in charitable activities International cooperation Emergency assistance

Partnership with NPOs and NGOs Support for the activities of NPOs and NGOs Support for educational activities in cooperation with educational institutions Contribution to society as part of core corporate activities

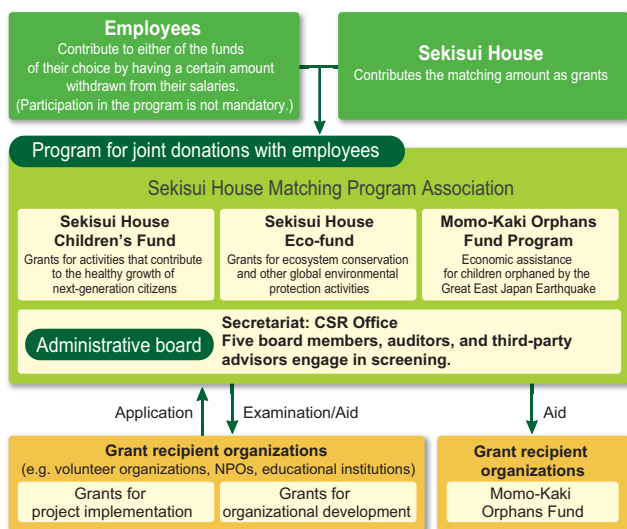
“Love of humanity,” at the core of our corporate philosophy

Matching employee donations to NPOs under the Sekisui House Matching Program

In fiscal year 2006, we launched the Sekisui House Matching Program (with membership of around 2,200 people), under which we match employee donations to NPOs and other organizations engaged in activities to benefit society. Employees who join this program have an amount of their choice (1 unit = 100 yen) withheld from their salaries for donations, and Sekisui House matches the donations and contributes the same amount as grants. Grant money is disbursed from two funds, Sekisui House Children’s Fund and Sekisui House Eco-fund, and the administrative board consisting of representatives of the program members determines recipient organizations.

In FY 2011, we provided ¥15.66 million in assistance to 29 organizations. We also support the aims of the Momo-Kaki Orphans Fund (chaired by architect Tadao Ando), which provides assistance to children orphaned by the Great East Japan Earthquake, and have established the Momo-Kaki Orphans Fund Program as a third fund. The Momo-Kaki Orphans Fund Program provides economic assistance to earthquake orphans over a ten-year period.

■ Sekisui House Matching Program



■ Aid offered during fiscal year 2011

Grants for project implementation (¥12.91 million disbursed to 15 organizations)	Grants for organizational development (¥2.75 million disbursed to 14 organizations)
<ul style="list-style-type: none"> ● Children’s Fund: ¥7.08 million to 7 organizations ● Eco-fund: ¥5.83 million to 8 organizations 	<ul style="list-style-type: none"> ● Children’s Fund: ¥1.55 million to 8 organizations ● Eco-fund: ¥1.2 million to 6 organizations

Organizations receiving grants from the program

Children’s Funds	Eco-funds
<ul style="list-style-type: none"> ● NPO ADRA Japan ● NPO Allergy Support Network (Alle-Net) ● NPO Medecins Sans Frontieres Japan ● NPO Child Chemo House ● NPO Association for Aid and Relief, Japan ● NPO Japan Good Toy Committee ● Himawari Volunteer Japanese Class 	<ul style="list-style-type: none"> ● Osaka Prefectural Engei High School ● Kashima Environment Network ● NPO Groundwork Mishima ● NPO Sangosya Schole ● NPO Association for Nature Restoration and Conservation, Japan (NAREC) ● NPO Shirakami Mountains Preservation Society ● NPO Eco-works ● NPO Japan International Volunteer Center



Participating in Disabled Persons Week events

Since 2005, we have participated in the planning and implementation of "Disabled Persons Week events" (supported by the Cabinet Office) which are held in the Umeda Sky Building.

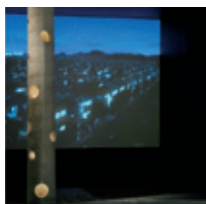
The Symposium Connecting People with Disabilities to Society included a panel discussion with the title "From the disaster area, and from Kansai. Initiatives by local communities, institutions, and companies: What we can do." This discussion involved the audience, and thus provided a meaningful opportunity for government personnel, business persons, NPO members and citizens to get together and share opinions.



The symposium attracted a large number of participants from many different sectors.

Supporting the Real Size Thinking competition for ecological living space design, with entries from 50 universities nationwide

Since 2005, Sekisui House has been participating in the planning and management of the Real Size Thinking competition for students, for which entrants must construct a scale model of a living space that can fit within a volume of 2.4 cubic meters. Its main objectives are to raise environmental awareness concerning living spaces, design products that improve living standards, strengthen collaboration between industry and universities, promote communication between students, and foster young designers. In FY 2011, 187 models from 50 universities nationwide were entered.



First prize, Kanto Block "Urban Transformation to Dream Pillars" Made by Mai Shibutani, Natsuki Misumi, and Makoto Sakai of Nihon University Graduate School

Donation of Urban Flow, a mural by Genichiro Inokuma

In September 2011, when the Hotel Fujita Kyoto was rebuilt, we donated the mural Urban Flow to the Marugame Genichiro-Inokuma Museum of Contemporary Art in Marugame, Kagawa Prefecture. Urban Flow had been displayed in the first-floor lobby of the hotel since it was first opened, but after a wall was constructed in front of the mural during renovations in 1982 its whereabouts had been unknown. Its existence was revealed prior to demolition work, and it was removed at this point and donated to the museum.



Photo: Akira Takahashi. Urban Flow (mural, 1969) displaced in the Marugame Genichiro-Inokuma Museum of Contemporary Art on the occasion of its 20th anniversary

Supporting the creation of local communities "Kobe Machizukuri Rokko Island Fund" charitable trust

The "Kobe Machizukuri Rokko Island Fund" was established in 1996 jointly by Sekisui House and P&G, companies closely associated with Rokko Island City (Higashinada-ku, Kobe City). Through this fund, we support projects and activities that can contribute to the process of creating international and culture-rich communities in Kobe City. Since the establishment of this fund, we have awarded grants to NPOs and many other organizations, and by FY 2011 had made 413 grants totaling ¥347.68 million. FY 2011 marked the 15th year of our sponsorship activities, and the trust received an award from Kobe City for its track record of continuous activities supporting community creation.

Collaborating with NPOs to support the independence of people with disabilities

At Sekisui House, we have been working with NPO Together (Nara City) since 2000 in proactive initiatives to support the independence of people with disabilities. As part of this support, we use SELP products* made by people with disabilities as novelties to give out to visitors at Sekisui House Visiting Days and showrooms nationwide. In FY 2011, we purchased 28,452 items.



*SELP products: Products made in welfare facilities by people with disabilities with the aim of job training and social inclusion.

VOICE

Creating new value in collaboration with many other people

The strong point of Sekisui House's initiatives for contributing to the wellbeing of society is its capacity for collaboration. Initiatives such as the Kobe Machizukuri Rokko Island Fund, matching programs, and events during Disabled Persons Week are creating new value not only by our own company, but also thanks to the collaboration of many others. This advantage came fully into its own in support for areas affected by the Great East Japan Earthquake. I believe this is the fruit of the careful nurturing of face-to-face, relaxed relationships during our everyday initiatives for contributing to the wellbeing of society. I hope to develop this aspect even further in future.

Ms. Aya Mizutani

Director
Osaka Voluntary Action Center

Ms. Mizutani often visits the project sites of NPOs to support project implementation, while working for the establishment of an NPO governance framework. She also focuses on working with governmental agencies and developing corporate CSR/social contribution programs.



Comments from External Members of the CSR Committee

At Sekisui House, a CSR Committee meeting is convened every three months to develop and promote important CSR policy issues and verify the relevancy and effectiveness of current CSR activities (refer to p. 33). During the meeting, three external members are asked to present “third-party opinions,” which provide the basis for discussion among Committee members, including the board members. The following are comments given by the external members in the light of the discussions held during fiscal year 2011.



Mr. Haruo Tsuji
Advisor, Sharp Corporation

Excerpt of his comment given at a CSR meeting

We are facing a very harsh economic environment. In order to overcome these difficulties and compete successfully, management should have a strong sense of ownership and risk awareness. In addition, employees should be able to think from the perspective of customers and behave in a well-disciplined manner, while acting on their own judgment and do their utmost with a firm determination to achieve their goals however difficult the situation may become.

Deepening CSR efforts in both primary and fundamental aspects

Since the Great East Japan Earthquake that occurred in March 2011, Japan has become increasingly aware of the importance of the safety and security of housing and living environments and the seriousness of energy shortages. While many companies embarked on new activities to address emerging needs, Sekisui House was quick to launch forward-looking projects both in housing development and community service. To be specific, Sekisui House has been promoting the “Green First HYBRID” initiative, while striving to deepen neighborhood ties in residential areas and enhance disaster preparedness of the communities through the Community Fair events and other programs, which have earned them a well-deserved reputation.

On the other hand, the past year has also seen some companies being accused of wrongdoing or misconduct concerning corporate governance. In this light, besides enhancing both monitoring and internal control capabilities, it is necessary to encourage employees to think about the significance of the three principles—“communications,” “compliance” and “risk management”—on their own, and practice these principles in their respective workplaces.

Against the backdrop of changes in management environments that are occurring on a global basis, we hope Sekisui House will deepen their CSR efforts, both primary and fundamental, while remaining faithful to the perspectives of stakeholders, and continue efforts to further increase their corporate value by developing new innovations.



Dr. Tadao Kagono
Special Visiting Professor, Konan University

Excerpt of his comment given at a CSR meeting

Conventional community development projects are designed for households of the same generation. Accordingly, with the aging of residents, the communities themselves age. On the other hand, multigenerational communities such as the one in the Mast Life Furukawa Teien condominium consist of residents of different generations and hardly age.

Gathering wisdom to halt population decline

In recent years, the management of the Sekisui House Group has been going well, like a boat under full sail in a tailwind. Their CSR efforts have made significant contributions to the wellbeing of society, which, in turn, has generated positive effects on their business performance. We may say that the Sekisui House Group benefits from a virtuous cycle between their CSR activities and business activities, and this is rare in Japan. They should have confidence in what they are doing. In the longer term, however, the tailwind may turn into a headwind. I say this because population decline is inevitable in Japan. For example, population decline was a prelude to the fall of the medieval Maritime Republic of Venice that enjoyed great prosperity for centuries. Population decline also poses a threat to the Sekisui House Group, because this can reduce the demand for new build homes. In fact new build homes may not be required any longer in the future. In this light, I would like to encourage the Sekisui House Group to place greater emphasis on measures to create an environment conducive to increasing the birthrate in their CSR activities. There are many things that they can and should do for this purpose, and I expect them to think long and hard for solutions to this inevitable problem.

Also, there are many things that should be done as part of their business activities. I hope the Sekisui House Group will enhance their ability to deliver greater value to customers through their remodeling projects and after-sales services to ensure corporate sustainability even if the demand for new build homes decreases.

On the first anniversary of the Great East Japan Earthquake and the Fukushima nuclear power plant accident



Mr. Shunsuke Kano
Lawyer

Excerpt of his comment given at a CSR meeting

At Sekisui House, high-level CS efforts are already in place. To further enhance the efforts, unceasing diligence is required. I suggest Sekisui House strengthens employee education by prompting leaders in each workplace to repeatedly communicate the importance of CS to their subordinates.

One year has passed since the occurrence of the Great East Japan Earthquake and the Fukushima nuclear power plant accident on March 11, 2011. During the past year, Japan has been at the center of worldwide attention. Today, the date March 11 is deeply etched in the memories of people around the world, taking on a special meaning for the issues of global environmental preservation and secure supply of electricity. Japan relies heavily on nuclear power to meet its electricity needs. Japanese citizens and companies are now required to reduce electricity consumption in the face of the imminent shortage of electricity supply on a nationwide basis due to the discontinued operations of all the nuclear power plants. Furthermore, a sharp rise in electricity rates seems inevitable. These circumstances are dealing a heavy blow to our daily lives as well as Japan’s industry and economy. Now is the time for all of us to maximize our efforts to overcome the looming crisis together. Despite having few domestic energy resources, Japan leads the world with its state-of-the-art energy saving, producing and storing technologies. Sekisui House was among the first to take advantage of these technologies when they launched the “Green First HYBRID” smart house model equipped with solar, fuel and storage cells and have achieved steady success in promoting this model. This success is attributable to their ability to anticipate future needs. Such foresight and the ability to resolutely take action are at the core of the force that drives CSR activities forward.

Third Party Review

Each year, we request a third party to review our sustainability report to enhance our accountability. An international NGO, the Natural Step Japan, again undertook the third party review of the Sustainability Report 2012.

Sekisui House, Ltd.

March 2012

Third Party Review

Sachiko Takami

Representative
The Natural Step Japan



The Natural Step Japan (TNS) was asked by Sekisui House, Ltd. to conduct a third party review of their Sustainability Report 2012. TNS analyzed the report independently of Sekisui House and on an equal footing with Sekisui House stakeholders. The responsibility of TNS is to conduct an analysis and evaluation of the report under the predefined scope of statements and information collected according to the analysis procedures shown below.

Analysis procedures

- ◇ We reviewed the process flows that are important to the company and the impacts given by the company's products and services while in use. We also conducted an analysis using the TNS Sustainability Analysis Methods to assess whether or not Sekisui House has been able to flexibly respond to the need for reform and constantly develop their competencies, along with whether or not the company's strategy and vision have been consistent with their policy, and their targets have been successfully met. Detailed information about the TNS Sustainability Analysis Methods is given at: www.naturalstep.org/ja/japan. (The full text of the report on the results of the Natural Step Sustainability Analysis is shown on this website.)
- ◇ We interviewed members of the Environmental Improvement Department and the CSR Office in charge of CSR affairs.
- ◇ We analyzed Sustainability Report 2011, and the draft version of Sustainability Report 2012.

Results of our analysis

We conducted the sustainability analysis focusing on the following three questions.

1. Is Sekisui House flexible enough to respond to the need for reform?

Sekisui House has flexibly introduced reform in promoting their products and services and played a leadership role in society. Today, a major shift in public awareness is occurring in Japanese society, where people recognize the seriousness of the energy issues and the importance of the ability to protect themselves during emergency times more than ever. To meet the needs from such a drastic change in society in the wake of the Great East Japan Earthquake, Sekisui House launched the "Green First HYBRID" energy-saving and disaster-resistant home. This home is equipped with solar, fuel and storage cells, which work together to maintain energy availability and ensure self-sustained lives even during a blackout in an emergency. In ordinary times, the home contributes to cutting the amount of electricity supplied by a utility provider with its ability to generate electricity for domestic consumption. The efforts of Sekisui House to promote innovative future-oriented products such as this deserve high recognition.

Six years ago, Sekisui House initiated a Diversity Development Team to assist the career development of its female employees. However, the number of female sales office directors is still very low, while the number of women in managerial positions is only 34, which is far behind the international average. Efforts for reform are deemed far from satisfactory. Sekisui House is required to promote reform more flexibly to support work-life balance and offer more opportunities for female employees to play leading roles in their workplaces.

2. Is Sekisui House capable enough to promote reform?

In the field of energy, Sekisui House has successfully instilled the reform-oriented mindset in all its employees by positioning the "Green First" and "Green First HYBRID" models at the core of their corporate strategy. Also, their continued commitment to preserving ecosystems and promoting resource recycling as part of their Eco-First promise indicates that they are steadily upgrading their ability to respond to the need for reform. In the field of chemical substance control, we think highly of the introduction of the "Airkis" high-quality indoor air system, which reduces the indoor concentrations of five chemical substances by more than 50% from the guideline values specified by the national government. On the other hand, chemical substance issues, like global warming, are important environmental problems that require drastic reform on an international basis. From the perspective, Sekisui House is advised to add "chemical substance control" to their Eco-First promise to ensure all employees have a better understanding of this issue and are better able to deliver solutions.

Speaking of social targets, we highly appreciate the human relations training Sekisui House has conducted for all employees. We suggest Sekisui House offer workshops for all employees how to promote women employee to play leading roles in their workplaces.

3. Is Sekisui House able to ensure connectivity between short-term achievements and long-term targets by means of the backcasting approach?

Sekisui House places sustainability at the core of its management policy. They also announced the Sustainable Vision and adopted 13 guidelines to bring 4 values to customers, including environmental value and social value. However, it seems to us that they have failed to make clear how the annual achievements contribute to attaining the long-term targets. The targets specified in the Sustainable Vision are ambitious and long-term, while daily efforts tend to focus on seeking short-term solutions through a shortsighted approach. In the field of energy, Sekisui House has made significant progress toward their Sustainable Vision, but they should also make clear the connection between all of their long-term targets and annual achievements and communicate the gap to stakeholders.

New challenge for Sekisui House

The new challenge that Sekisui House will face is promoting CSR activities overseas as part of their overseas business development in response to the request of their international stakeholders. In China, especially, Sekisui House will have a lot of opportunities to contribute to environmental and social wellbeing, but must still expect to encounter difficulties. We hope Sekisui House will remain faithful to their Sustainable Vision and the 13 guidelines in expanding its business into overseas markets and remain committed to facilitating communications with stakeholders in order to play a leadership role in the international arena as a leading company.

Main Third Party Evaluations of the CSR Activities of Sekisui House during FY 2011

Environment

October 2011

“Gohon no ki” gardening concept

President Award of Earth Water & Green Foundation at the Environmentally Friendly Corporate Activities Competition

Organizer: Executive Committee for the Environmentally Friendly Corporate Activities Competition
Supporter: Ministry of the Environment, Ministry of Agriculture, Forestry and Fisheries

October 2011

Platama Powder field chalk Grande Maison Takarazuka Kiyoshikojin condominium

President Award of the Reduce, Reuse and Recycle Promotion Council at the Commendation for Outstanding Contribution to Reduce, Reuse and Recycle Promotion

Organizer: Reduce, Reuse and Recycle Promotion Council

December 2011

Detached houses in City Andante Gakuen Higashimachi

CASBEE Architecture Award at the Kobe City Design Awards

Organizer: Kobe Municipal Government

January 2012

“Green First Hybrid” housing model

Minister of Economy, Trade and Industry Award at the New Energy Award

Organizer: New Energy Foundation

グリーンファーストハイブリッド
新エネ大賞



経済産業大臣賞

Award for Excellence and Nikkei Sangyo Shimbun Award at the 2011 Nikkei Superior Products and Services Awards

Organizer: Nikkei Inc.



Townscape, landscape

February 2011

Grande Maison Nishikujo BIO

Governor of Osaka Award at the Osaka Green Landscape Awards

Organizer: Osaka Prefectural Government

Special Award at the Osaka Sustainable Architecture Awards

Organizer: Osaka Municipal Government

February 2011

Stylish Stage Kamigoto condominium

Outstanding Landscape and Building Award in Yonago City in the Heisei Period

Organizer: Yonago Municipal Government

February 2012

Honmachi Garden City

Governor of Osaka Award at the Osaka Sustainable Architecture Awards

Organizer: Osaka Prefectural Government



Kids Design Award

July 2011

Organizer: Kids Design Association

Excellent Prize (Social kids products category)

SHAIDD55 acoustic isolation floor system (L-55)

Special Chief Judge's Prize (Future products category)

Sekisui House's "living with LED lamps" vision

(Universal safety category)

Kids-friendly key Fully flat sash window and door frames Living Space with Smart UD (Universal Design)

(Future products category)

Greenery Plaza + Nanakuni Chiffon Hill Park

(Social kids support category)

Common Stage Yayoigaoka

Good Design Award

October 2011

Organizer: Japan Industrial Design Promotion Organization

(Housing category)

Slow Living



CSR efforts in general

As of the end of January 2012

Inclusion in SRI Indexes

FTSE4Good Global Index, FTSE4Good Japan Index, Morningstar Socially Responsible Investment Index

February 2011

Sekisui House, Ltd.

Prize for Excellence at the Japan Internal Control Grand Prix 2011 (Integrity Award)

Organizer: Integrex Inc.

November 2011

Support extended to individuals and municipalities affected by the Great East Japan Earthquake

Letter of appreciation given by Osaka Municipal Government

December 2011

Grant activities under the “Kobe Machizukuri Rokko Island Fund” program

Letter of appreciation given by Kobe Municipal Government

March 2012

Sustainability Report 2011

Special Prize for Excellence in Biodiversity Reporting (Global Environmental Forum President Award) at the Environmental Communication Awards

Organizer: Ministry of the Environment, Global Environmental Forum

Concluding Remarks by the Board Members in View of the Third Party Comments



Fumiaki Hirabayashi
Director and Senior Managing Officer,
Chief Manager of Corporate Communications Department

Social activities

It has been one year since the Great East Japan Earthquake occurred. I would like to sincerely extend my renewed sympathy to all the people affected by the disaster.

Immediately after the earthquake, we launched CSR activities through our core business practices, such as confirming the safety of homeowners and implementing restoration and reconstruction projects. Also, each of us, as citizens of Japan, considered seriously how we could support the people affected by the disaster, and embarked on a wide range of activities to facilitate the reconstruction process. One such activity is the Ainori (riding-together) Project, conducted jointly by various sectors of society, including the government, citizens, NPOs and businesses, which worked together to leverage their respective strengths and delivered aid supplies to areas that were difficult to access. From this project and other relief activities, we learned first-hand that cooperative relationships fostered in ordinary times can be a great source of power in case of an emergency. The reconstruction process is still at an early stage. We will remain committed to offering much needed support to the stricken areas on a timely basis.

Speaking of our social targets, the results we achieved during the period under review are mixed. We have renewed our determination to achieve all the targets set for fiscal 2012 by ensuring more efficient implementation of the PDCA cycle. We will especially take immediate measures to increase the employment of persons with disabilities to meet the legal requirement.

Against the backdrop of the expansion of our overseas business, we will also enhance our efforts to contribute to the wellbeing of communities in the countries where we are carrying out projects by making full use of our proprietary environmental technologies, while ensuring fuller compliance in these countries. By compliance, we mean not only complying with local laws and regulations, but also responding to the demands of society directed to us. We will continue to expand our business overseas, while being fully considerate of the sense of value held by local people as well as respective regional characteristics.

The ISO 26000 social responsibility guidelines have been in place since 2010. To live up to the expectations of our stakeholders, each employee should be able to think and act from the perspectives of the stakeholders. In other words, employees should be faithful to our corporate philosophy that centers on a "love of humanity." Looking back to our origins anew, we will reinforce employee training to further enhance our CSR activities.



Tetsuo Iku
Director and Senior Managing Officer,
General Manager of Technology Headquarters

Environmental activities

After the occurrence of the Great East Japan Earthquake, time seemed to pass by very quickly for us as we were kept busy with post-earthquake measures, such as confirming the safety of homeowners, conducting inspections and repairs, supplying temporary houses, and developing plans for and constructing houses and apartments for people affected by the disaster. I would like to express my heartfelt condolences to the victims of the earthquake anew, and extend my deep appreciation to our business partners who are working with us to expedite the restoration process and to construction personnel who are mobilized from all over Japan to work in the stricken areas.

The earthquake triggered a major shift in public awareness of energy use and lifestyles. In response to the emerging needs of society, we launched the "Green First HYBRID" smart house model in the summer of 2011. Incorporating the knowhow and technologies we developed as part of our "Green First" strategy, this new model is the first in the world to employ three different types of —cells—solar, fuel and storage—which are operated by a proprietary control system to ensure energy availability even in times of emergency. In ordinary times, the "Green First HYBRID" model allows residents to live with far less power consumption without compromising on comfort, while catering to the electricity needs of the neighborhood residents by serving as a power generation plant for the local community.

As a housing manufacturer, we are on a mission to deliver safe, stress-free, healthy and pleasant living environments to our customers by leveraging our environmental technologies in an optimal manner, while promoting community development focusing on abundance of greenery and neighborhood bonds. We have been striving to complete this mission under our "SLOW & SMART" motto that we adopted last year.

Under this motto, we are not only working for the evolution of individual housing products, but also promoting a large-scale "Smart Common City" development project as part of our comprehensive urban planning efforts. Starting from the Smart Common City Akaishidai created in the suburbs of Sendai, a district that suffered the effects of the earthquake, we are currently implementing this project all over Japan. By continuing the Smart Common City development, we hope that we can provide a vision of an ideal Japanese community to society.

Since the 1990s, we have continued efforts to reduce the use of chemical substances in houses to protect the health of residents, especially children. A milestone in the efforts is the "Airkis" high-quality indoor air system introduced in 2011. We will remain focused on demands for high-quality lifestyles that are both comfortable and environmentally friendly, and strive to facilitate the process to a sustainable society by fulfilling our responsibility as a leading company.

Editors' Note

The one-year period covered by this report flew by very fast for us, during which we were absorbed in answering the questions of how we could contribute to the restoration and reconstruction process in the areas stricken by the Great East Japan Earthquake and how we could better respond to the drastic changes in public needs and the public's sense of value.

Through the process of editing this report, we were able to discover that the invaluable partnerships with the Sekisui House Association members, and the Sekisui House Group personnel from all over Japan and the gratitude we have towards homeowners gave us the power and courage to take action in times of emergency. This discovery was really touching and moving for us.

Recently, an increasing number of companies have opted to publish their corporate information on their websites instead of in printed reports, but we, the editorial team, chose to stay with paper, placing importance on providing information in greater depth and breadth. As a result, this year's report contains ten more pages than the previous year's edition. In light of the ongoing expansion of our overseas business, we will have more and more information to report to our stakeholders. In producing a CSR report for the next year, we will continue to stick to our motto, "Offering information in a sincere and easy-to-understand and easy-to-read manner." We are aware that our report has much room to be improved. Therefore, your frank opinions and comments on this report are highly welcome and appreciated.

Last but not least, we would like to extend our deep gratitude to all the people who kindly cooperated with us in producing this report. Thank you very much.



Sustainability Report 2012 Editorial Team
Members of the CSR Office of the Corporate Communications Department, the Environmental Improving Department, and the IT Operation Department

for the next stage

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As an MOE-certified Eco-First Company, Sekisui House is committed to the Challenge 25 Campaign



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