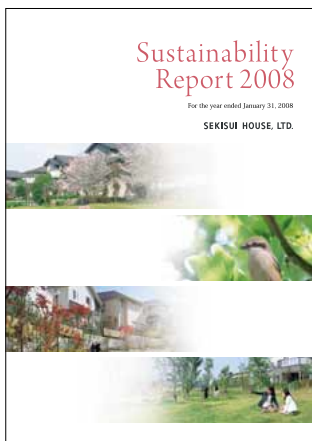


# Sustainability Report 2008



## Scope of coverage

### Businesses covered by this report

The scope of businesses covered by this report includes 73 companies, namely: Sekisui House, Ltd., and the following consolidated subsidiaries that are considered important in regard to CSR and environmental management: Sekiwa Real Estate, Ltd. (7 companies); Sekiwa Real Estate KRM Ltd.; Sekisui House Remodeling, Ltd.; Sekiwa Construction, Ltd. (54 companies); Landtech Sekiwa, Ltd. (2 companies); Greentechno Sekiwa, Ltd. (3 companies); SGM Operation Co., Ltd.; Sekisui House Umeda Operation Co., Ltd.; Sekiha, Ltd.; and Sekiwa Support System, Ltd.

### Business activities covered by this report

This report covers the business operations of the Sekisui House Group, which includes the design and construction of attached and detached houses (for sale and for renting), real estate sales business (houses, condominiums, land and city redevelopment), real estate leasing, and other business (exteriors and remodeling, etc.). There were no material changes in the types of business operations undertaken by the Group during fiscal 2007.

**Period covered** Fiscal 2007 (February 1, 2007 to January 31, 2008)

### Date of publication

This report is published annually in Japanese around April.

This year's edition is the first to be translated into English.

### For inquiries about this report

Sekisui House, Ltd.

Corporate Communications Department

Corporate Social Responsibility Office

Environment Improving Department

Tel. +816-6440-3111 / Fax. +816-6440-3369

Online inquiries <http://www.sekisuihouse.co.jp/english/contact.html>

## Editorial Policy

This report comprises a printed version and a web-based version. Through this report we aim to contribute to the realization of a sustainable society by gaining wider understanding of the approach of the Sekisui House Group, while communicating to readers our aim to further enhance our approach.

It is produced with reference to the Environmental Reporting Guidelines 2007 of Japan's Ministry of the Environment, and the Sustainability Reporting Guidelines (Version 3.0) of the Global Reporting Initiative.

## Main points of improvement in the Sustainability Report 2008

- This report has been organized by the CSR Committee into ten sections, from the perspective of materiality, following reference to questionnaire responses from approximately 4,100 internal and external respondents and the results of 19 meetings for the exchange of opinions with external specialists.
- In addition to reporting on our activities, this report includes policies adopted by our Group with regard to related social issues, with the aim of clarifying our position on such matters.
- The report now includes more detailed content on core activities of the Sekisui House Group that have a large impact on the creation of a sustainable society, from the perspective of *Taking responsibility for the future*.
- In sections entitled *Taking responsibility for the future*, we have increased the extent of third-party commentary from a wide range of stakeholders.

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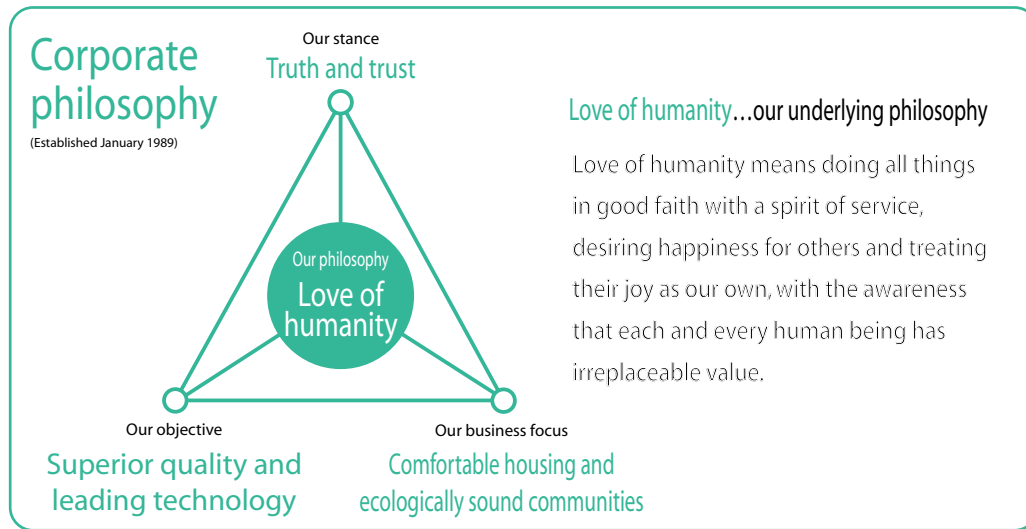
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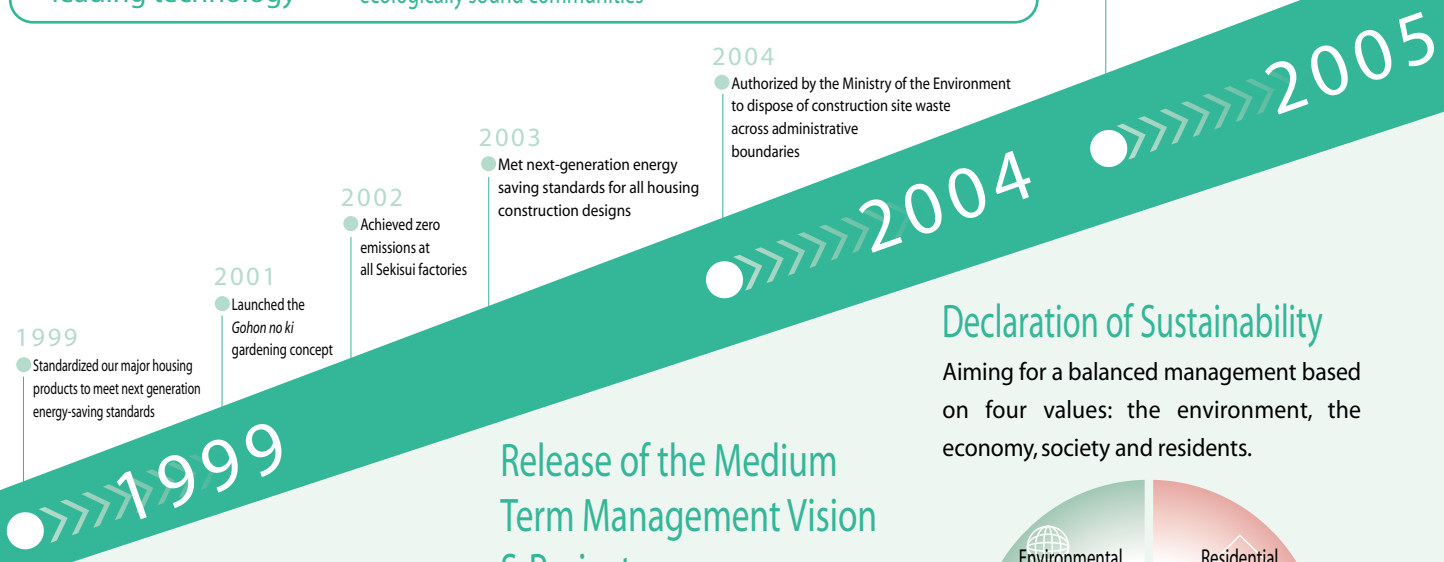
# Toward a Sustainable Society

In an effort to promote a shared awareness among all employees and to move forward in the best direction, Sekisui House advocates a Sustainable Vision as the foundation of our corporate philosophy, the core of which is a love of humanity.

To promote concrete action aimed at achieving this vision, we have established 13 guidelines based on our four values.



- 2005
- Launched Sustainable Vision
  - Established the Urban Development Charter
  - Launched Action Plan 20
  - Achieved zero emissions at new house construction sites



## Announced the Environmental Future Plan

The establishment of an environmental charter and a basic environmental guideline aiming to achieve harmony between human beings, towns and the planet.

## Release of the Medium Term Management Vision S-Project

A declaration aimed at achieving Corporate Social Responsibility via improvements in the satisfaction triangle of customer satisfaction, employee satisfaction and shareholder satisfaction.

Sekisui House will take the ideas contained in the S-Project and develop them into a more practical vision from the standpoint of sustainable and balanced management.

## Declaration of Sustainability

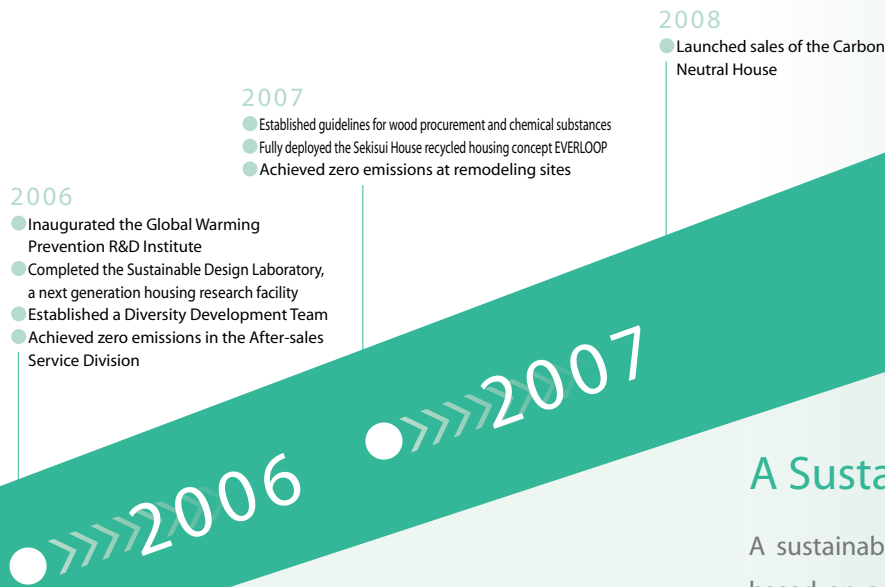
Aiming for a balanced management based on four values: the environment, the economy, society and residents.



### ● Our four values

The Triple Bottom Line concept is beginning to gain wide social acceptance. This concept refers to the need to pursue balanced business management that includes consideration of the environment and society as well as the economy in order to realize a sustainable society. At Sekisui House, we have carefully reviewed the value we can provide to society through our highly socially oriented core business of creating housing environments, and added a unique bottom line element of our own—residential value.

# Realizing a Sustainable Society



## Establishing 13 Guidelines based on our four values

Sekisui House has established 13 guidelines in order to realize four values. The 13 guidelines, deeply entwined with our four values, will be the signposts that guide our business activities in a sustainable direction.

\*For further information on the 13 guidelines, please see pages 5 and 6

At Sekisui House, all of our businesses are conducted based on our four values and 13 guidelines. Examples include our uniquely established Urban Development Charter (page 20), along with our Urban Development Basic Principles and 24 Guidelines for Urban Development.

### 24 Guidelines for Urban Development

We have established 24 guidelines to support the application of our basic principles in concrete urban development. These guidelines also serve as our evaluation standards for sustainable urban development.

## A Sustainable Vision

A sustainable society refers to a society based on a balanced, global eco-system, in which all people can live in comfort. In addition to contributing to the establishment of a sustainable society through the provision of housing that satisfies all of our customers, Sekisui House aims to become a company that creates housing environments and maintains the lead in providing for the lifestyles in that society.

### ● The Significance of Establishing the Vision

We have entered a period of tremendous social change, which makes forecasts about the future extremely difficult. We are in now an era that presents companies with tremendous challenges making it necessary to have a vision that clearly outlines the direction the company should head, without merely being swept along by events. In doing so, we seek to avoid taking haphazard measures and will endeavor to position ourselves toward achieving our goals. Guided by our vision of the ideal Sekisui House, we can validate the suitability and adequacy of our activities and more quickly achieve our aims.

# The Four Values and 13 Guidelines of Sekisui House

We place importance on our four values and 13 guidelines, not as a way of categorizing each of our businesses and activities, but because it allows us to regularly assess our overall balance. It is our belief that these efforts will lead us closer to a sustainable society.

## Environmental Value

Sekisui House is always conscious of the fact that our society and lives are founded on the earth's precious resources and the existence of diverse forms of nature. We are aware of the role and responsibility of the housing industry in contributing to environmental conservation and in preventing global warming. We also understand the environmental impact of our housing throughout its life cycle, and are taking measures to reduce that burden.

### The realization of energy usage not reliant on fossil fuels ..... Energy

We will reduce the amounts of fossil fuels used, including gasoline and natural gas, which emit greenhouse gasses such as carbon dioxide. Looking ahead, we will also promote the use of sustainable energy within the limits of sustainable supply.

### Resource use not exceeding the regenerative capabilities of the natural eco-system ..... Resources

We will use resources that generate no waste materials through the 3 Rs (reduce, reuse and recycle), and at the same time we will switch from using exhaustible natural materials to renewable or recyclable resources within the limits of sustainable supply.

### We will help reduce the concentration of non-biodegradable materials alien to the natural world ..... Chemical materials

We will reduce the types and amounts of chemical materials used, so that the impact of chemical material usage is contained within nature's biodegrading capabilities. In instances where that impact is unclear, materials will be used conservatively and following consultations with related parties.

### Protecting the natural life cycle and biodiversity ..... The eco-system

We will respect the delicate eco-system and biodiversity that has supported the existence of living things on our planet for millions of years, continuing to form our lives through its purifying and regenerative capacity. We also aim to maintain and conserve this capacity.

Environmental Value

Sustain

Economic Value

## Economic Value

The housing industry contributes widely to the revitalization of society and the economy. Sekisui House will make use of new technologies and services to contribute to sustainability and to enrich the housing environment and lifestyle. We will provide attractive, value added components to, and aim for, a positive economic cycle where the benefits can be given back to society.

### Accumulating knowledge and technology to create sustainable values ..... Knowledge and technology

We will increase the productivity of resources, energy and time, and develop and accumulate knowledge and technology in harmony with the environment and society, while continuing to provide sustainable products and business models.

### Promoting the regional economy ..... Regional economy

We will use local goods and services in the regions where we provide housing in an effort to promote the local economy and contribute to a regional value cycle.

### The pursuit of fair corporate profits and sharing with society ..... Fair profits and social sharing

We will pursue fair profits aiming for sustainable business growth, and distribute economic value to the various parties involved, including customers, clients, employees, shareholders and the regional economies.



Sekisui House provides housing in response to the needs of the family and with a level of quality that allows all people to live pleasantly, safely and with peace of mind throughout their lives. It is also our role to build housing that will be passed down and lived in for many generations, and to protect the asset value of that housing. By taking relationships with nature and society into account, we will support comfortable living for many years to come, and raise value for residents.

- Permanence** ..... **The creation of housing with increased value, to be cared for long-term**

Sekisui House aims to create housing that will mature with time, be cared for over many generations as the housing responds to changes in lifestyles, achieve a fair life cycle cost, and demonstrate its value over time.
- Comfort** ..... **The facilitation of peaceful, pleasant lives**

Sekisui House will provide housing that is healthy, pleasant, safe and creates peace of mind for all people, by incorporating universal designs, disaster prevention, crime prevention, customer support and optimum remodeling ideas.
- Fullness** ..... **Providing enrichment through the ages**

By providing individualized consulting on housing to address the desires of a family, Sekisui House will promote interaction between families, neighbors, and nature to create housing that provides fulfillment over the years.

Residential Value

ability

Social Value

By providing the homes that support our lifestyle, we promote life and culture. It is our role to nurture beautiful and vibrant communities. We contribute to the creation of a new society by promoting strong communications and remaining fully compliant at all levels.

- Co-existence and co-prosperity** ..... **Establishing prosperous relationships based on trust and affinity among the various community stakeholders**

Beyond simply maintaining legal compliance, Sekisui House actively engages in social contribution activities as a corporate citizen and strives to deepen communication and cooperation for both the present and the future through our corporate activities, the fostering of trust and affinity and by establishing relationships based on equality and mutual benefit.
- Creating relationships with regional culture** ..... **Inheriting and fostering regional culture and developing communities**

We will create aesthetically pleasing townscapes and scenery that become more pleasant as the years pass by. We will also contribute to the development of communities to serve as the base for families, friends and neighborhoods, and foster existing regional cultures by enabling the creation of regional bonds and relationships.
- Human resource development** ..... **Human resource development that generates sustainable value**

Sekisui House will develop human resources that contribute to society both at and outside of work, by increasing employee diversity, broadening our outlook, and developing the capacity to create sustainable values based on a love of humanity. We will also improve our employees' work-life balance, and provide a challenging environment in which they can demonstrate their capabilities.

# Commitment from the Top



**Isami Wada**  
Chairman and CEO

## Taking the early initiative in making long-life houses

In 2007, the Japanese administration announced its plans to promote more widely the 200-Year Housing Vision (long-term quality housing), while in the Basic Act for Housing, enacted in 2006, longer-lasting housing was an important theme, and efforts to increase the stock of quality houses commenced. The 200-Year Housing Vision is a symbol of the desire to create extra long-life and long-life housing that will span several generations of occupants. It is based on the idea that housing should not be for individual consumption but should instead be considered an important asset of our society. It is also an indication that we have entered an era of stricter standards regarding housing quality.

Sekisui House was one of the first to pursue initiatives toward more sustainable housing and considering the achievements we have made we feel that the government initiatives are timely. Compared to housing in some other nations, the average lifespan of homes in Japan is generally said to be comparatively short at less than 30 years. However, due to the durability and quality of construction frames (skeletons) used by Sekisui House, the interiors and facilities of our houses can be adapted to the changing requirements of the occupants, and so our houses can serve many different kinds of occupants for long periods of time. We aim to create housing that can adapt to changes in society and lifestyles and is always comfortable. This is the basis of the functionality of our houses.

## Promote circulation of housing by adding value to existing homes.

Sekisui House's EVERLOOP housing

## Constructing long-life housing, and reducing household CO<sub>2</sub> emissions. Fulfilling our responsibilities as a housing company.

In an era when environmental awareness is an increasingly important part of our society, the housing industry has an important responsibility. Answers to questions regarding how we should live and what our society should look like can be found to a large extent in the nature of our housing. The Japanese government's continued effort to promote its housing policy and create extra long-life housing, the 200-Year Housing Vision is aligned with the many sustainability initiatives that we have been implementing. We are dedicated to making this vision a reality, as we believe that "quality housing leads to a quality society". On this basis we will continually strive to improve sustainability.

revitalization program is a unique existing-home revitalization and distribution business in which we are harnessing the comprehensive capabilities of the Sekisui House Group to stimulate the existing home business. Due to the high quality and durability of our housing, we can resell our houses by adding value through remodeling these houses with the most up-to-date specifications. For those wishing to sell their homes, our EVERLOOP policy allows sellers to witness the remodeling of their home into a space that can continue to provide comfortable living for new occupants. Buyers are able to purchase homes of a quality similar to those that are brand new, at reasonable prices. Through these operations we believe we can continue to promote the circulation of goodwill amongst both buyers and sellers. Fundamentally, the key to long-life housing is to build quality homes that can be passed on through the generations. Of the cumulative total of around 1.9 million housing units that Sekisui House has built, approximately 800,000 are detached houses. Whilst continuing the implementation of technologies such as our new seismic damping SHEQAS system (approved by the Ministry of Land, Infrastructure and Transport), we will fulfil our responsibilities for the homes we have built by providing renovation and after-sales service so that our homes continue to provide comfort for future generations.

### Preventing global warming, promoting the Carbon Neutral House

In 2008, Hokkaido's Lake Toya will be the venue for the G8 Summit focused on combating global warming. As environmental issues come under ever

increasing scrutiny, housing companies have a very large responsibility. This is due to the striking rise in household energy consumption when compared to that of the industrial sector, and restraining this trend is a pressing issue. In pursuing our Action Plan 20, which we formulated in response to the Kyoto Protocol, we are installing solar power generation and high efficiency hot water systems in our new, thermally supply efficient homes that meet next-generation energy saving standards. Furthermore, to combat global warming and to improve the comfort and energy efficiency of our homes, we are implementing Action Plan R20 in homes that have already been completed. This plan includes replacing single pane windows with high insulation multilayered windows, in order to prevent the escape of heat from inside the home.

In the spring of 2008 we took a step forward with Action Plan 20, introducing measures to reduce CO<sub>2</sub> emissions by improving the thermal insulation properties of our houses and promoting the use of fuel cells and solar power generation. With these measures we created the Carbon Neutral House, housing that is virtually free of CO<sub>2</sub> emissions. We will continue to lead by example in our efforts to combat global warming and other environmental issues, and we will continue to introduce new policies to this end.

### Towns, communities and ecology—all are connected

In order to design more sustainable living, we believe an accelerated approach to housing development and community development is necessary. To this end, we have created a new project called "n times richer" life linked

with the *Gohon no ki* gardening concept. Instead of merely improving the comfort and energy efficiency of individual homes, we believe that by 'connecting' homes more closely with the local environment, we can synergistically improve the comfort and environmentally friendly characteristics of homes.

By having more connected homes, we believe the gardens of these homes will help to create channels to improve wind flow. Furthermore, the increased greenery will help to create landscapes that are softer on the eye, which will in turn help to cultivate a shared sense of environmental understanding between property owners.

Another important aspect of town development is the fostering of communities. Through tree-planting projects, social contribution programs and other forms of interest-based community interaction, we hope to develop the necessary social structures to assist the creation of communities that become more beautiful with time, supporting autonomous social associations capable of independently solving communal problems. We will continue to promote new methods of supporting these projects, as community development is a continuous process.

In terms of both housing and community development, we believe greenery is an important part of creating







beautiful communities that bloom with time. Through the cultivation of mainly indigenous plants and trees, we believe the ecological landscape will be revitalized by the gardens of our customers following the plans outlined in the *Gohon no ki* gardening concept. To this end we are also planning to hold bi-annual community visit days, focused on owned housing, in order to deepen our customers understanding of the connections between communities, housing, biodiversity and nature.

### Pursuing potential and possibilities

In order to realise a “sustainable society”, we must try to maximize the potential and possibilities of each individual. To this end, I have been telling my staff and all others involved in these projects that “We don’t need explanations as to why we can’t achieve our goals. We need to think of solutions and execute them.” I say this because I believe that if we can think of challenges as our own personal responsibility, then we can work together to overcome these problems and create a greater sense of teamwork that will lead to our goals being achieved sooner rather than later. An example of the success of this teamwork was when we succeeded in becoming the first housing company to achieve zero emissions in four housing industry

categories: factories; new house construction sites; after-sales service; and remodeling sites. It was a combined effort by our branches, factories, subsidiaries and partnering construction companies that allowed us to achieve this goal. In terms of environmental considerations, we have put strong effort into improving our methods of procuring wood as well as improving traceability, following the criteria outlined in our independently conceived Wood Procurement Guidelines. With staff motivation continuing to rise, we have continued our efforts to make our company a place where staff can work toward their goals and dreams, based on our promotion of *Human Resources Sustainability*. Our focus has been towards improving our support system for career development training programs, implementing our work group transfer system to support staff rotations within the company, and creating work environments that are comfortable for women. We have made a particular effort on this last point, recruiting over 100 women per year in sales operation to create an even ratio of male to female employees. By ensuring that women are not in the minority we believe we can create a work environment in which female sales staff will feel less self-conscious and thus able to fully demonstrate their abilities.

### CSR improvement should come from within

Our CSR committee (which includes 3 external committee members) is now in its fourth year and has become an arena for increasingly lively debates. The

committee members who are Sekisui House directors meet quarterly to discuss the content and progress of our projects and while canvassing the opinions of external members, we use the ideas and opinions that emerge from these discussions to develop our approach to CSR and compliance. However, according to our perception surveys our departments are not all at the same level in this area. CSR and compliance cannot be taken lightly; it must be undertaken thoroughly. We deeply regret the administrative order that we received under the Construction Industry Law in 2007\* and we vow to return to the basic tenets of compliance, reorganize our business practices, and proceed with internal reforms across all facets of the company. One of the focal points of 2008 will be the extent that we are able to ensure that our departments and employees make sure that everybody in the company understands our reformed approach to these issues and acts accordingly. As the leading company in the housing industry, we will continue to make strides along the path to achieving a sustainable society. We plan to increase the number of opportunities we have to share opinions and information with our stakeholders and through the combined efforts of all employees and people associated with our company, we will steadily work towards creating a sustainable society. This report is based on our operations in 2007. We hope our approach to realizing a sustainable society is clear and we would be very grateful for any opinions on this matter.

\* On August 27, 2007, Sekisui House was ordered by the Kinki Regional Development Bureau of the Ministry of Land, Transport and Infrastructure to suspend business for 15 days, from September 11, 2007 until September 25, 2007, in Gifu, Shizuoka, Aichi and Mie due to a breach of construction regulations. This was due to a failure by the Nagoya-Tokken Building Projects Department to provide an approved technical specialist at a contracted construction site for rental apartments. We immediately implemented a company-wide investigation and proceeded to revise our operations. We are aware of the gravity of this order and we are committed to revising our checking systems and operating rules to ensure that similar situations do not occur again. We will continue to undertake thorough compliance to ensure that a similar situation does not occur in any part of our company and to restore confidence in our company.

Our human resources development continues to rise to the challenge of achieving a sustainable society. It starts from the thorough application of our Corporate Philosophy

We have made progress on various fronts with our CSR and environmental activities over the past few years. I have so far been responsible for these activities in my position as Chairman of the CSR Promotion Committee in the Sales Division, but there are still differences between the approaches of our different businesses, and overall we face the challenge of further upgrading these activities. In this age, even if almost 90 percent of the requirements have been fulfilled, if the remainder is not being done then the whole company may be judged to have no forward looking activities. We must keep in mind that the view of society is becoming increasingly strict.

It is for this reason that I particularly wish to pursue compliance and fair operations, see awareness of CSR and the environment permeate throughout all employees, so that it is engaged in at the level of our daily operations. In order to achieve this, the awareness of managers and on-site leaders is important.

It has become extremely difficult to stay ahead of events, and continue healthy growth. However, for this very reason, if everyone works together using the excellent DNA of the Sekisui House Group

and spirit of challenge, I am sure that we can overcome the issues that we face. We have already repeatedly risen to the challenge and been successful by introducing cutting-edge solutions that nobody has tried before, including measures to reduce household CO2 emissions, unique community development activities, the promotion of zero emissions, and the *Gohon no ki* gardening concept.

It is my fervent desire that we maintain our customer-first starting point, forge close ties to the local community through open management, and put into practice our corporate philosophy with its underlying ideal of "love of humanity." I will continue to relay the words that appear in our Code of Conduct, namely, "Each and every one of us is Sekisui House," and "Using our originality to challenge the age." I will continue to lead by example, aiming for the creation of a company organization held together by those feelings.

Housing is an industry that exerts a great impact on the environment and society. Housing is a once in a lifetime purchase, the stage on which the lives of our customers unfold, the place they bring up their children, and places which



**Toshinori Abe**

President and COO

continue to be lived in through numerous generations, as well as being a social asset as part of the community and local area scenery. As the company that builds the most houses in Japan, it is our firm belief that by changing our housing to a sustainable model we can help society and the regional environment develop on a positive course. I will make every effort to see that each Sekisui House employee participating in that work, and each and every member of our partner organizations, maintains great pride and self-awareness.

I ask for your ongoing understanding and support in this venture.

**Sekisui House makes the following promises**

- We will continue to promote Action Plan 20 and Action Plan R20 in order to help prevent global warming. We will expand our adoption of fuel cells, and persevere in the promotion of our Carbon Neutral House .
- We will unfold on a nationwide basis the urban development of homes lived in from generation to generation and becoming more beautiful with time, based on our Urban Development Charter. We will focus on conservation of the ecosystem, and the creation of an affluent community based on the *Gohon no ki* gardening concept.
- By providing housing that is resilient in the face of disasters, and takes into consideration universal design, health, and the environment, we will create high-quality housing stock.
- We will build proper foundation for the Sekisui House EVERLOOP business, and contribute to the smooth formation of a market for existing homes.
- Continuing on from our achievement as the first company in the industry to achieve zero emissions in four industry categories, we will forge ahead with reductions in the actual amount of waste generated and recycling of those materials from the standpoint of resource recycling.
- We will promote fair procurement based on our guidelines for the procurement of wood and chemical substances, voluntary standards that exceed the scope of standard laws and regulations, and cooperate with suppliers to expand activities including the fair procurement of wood.
- We will share a common aspiration with Group companies and partnering construction companies, collaborating on construction quality management and the development of young workers, and aiming for coexistence and co-prosperity.
- Beginning with support for women's activities, we will actively support the development of diverse human resources and foster the next generation.
- We will thoroughly apply compliance in all operations, and forge ahead with improvements in employee awareness and the development of systems to promote fair business practices.