

CSR Policy and Structure

Sekisui House and each of the Sekisui House Group companies are undertaking business based on a corporate philosophy, with the aim of pursuing profit through fair competition at the same time as fulfilling a useful social role and earning the trust and understanding of society.

In this section, we outline the framework and approach that form the foundations of our business activities.

CSR Policy

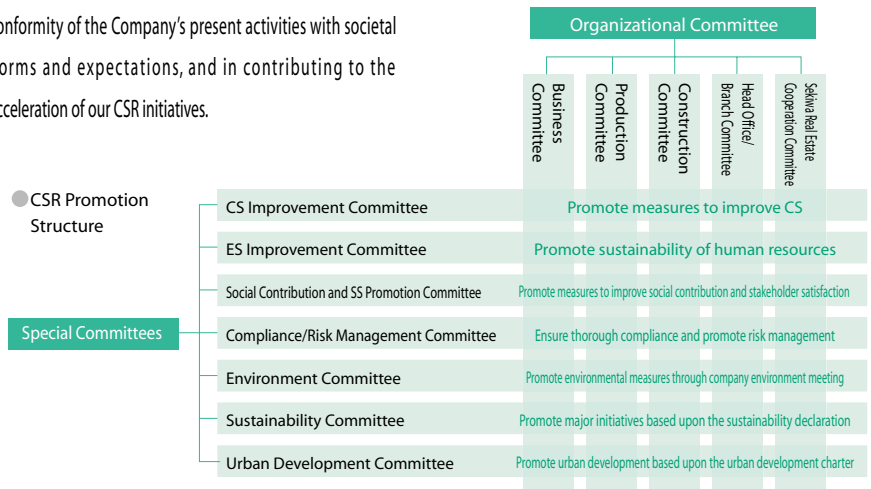
In 1989, we formulated a Sekisui House corporate philosophy centered on the theme of *love of humanity*. In formulating this philosophy we received input from throughout our workforce, and based on this philosophy we have set a vision for sustainability as our goal. Through our CSR program we seek to raise corporate awareness and meet our responsibilities to all stakeholders in good faith as a trusted corporate citizen.

Reflecting our aim to become a sustainable company, we have adopted this CSR approach as a central tent of S-Project, the medium-term management vision we established in 2004, in addition to CS (Customer Satisfaction), ES (Employee Satisfaction) and SS (Stockholder Satisfaction).

CSR Promotion Structure

The CSR Committee meets every three months. This committee is chaired by the Chairman and CEO and comprises 22 internal committee members (all of the internal directors and some of the corporate officers), as well as three external committee members with respective backgrounds in corporate management, business academia and law. With the input of third-party members, this committee assesses the conformity of the Company's present activities with societal norms and expectations, and in contributing to the acceleration of our CSR initiatives.

Operating under the CSR Committee are a number of other committees responsible for management and production, the environment and risk management, in a structure that enables sound cross-sectional communication and collaboration on various themes. To assist the promulgation of CSR activities at the operating level, a CSR committee member is located at every regional office.



Corporate Governance and Internal Control System

We have positioned corporate governance as a key management responsibility, and are endeavoring to ensure a prompt and sincere management approach through a corporate governance structure that enables us to earn the trust of all our stakeholders.

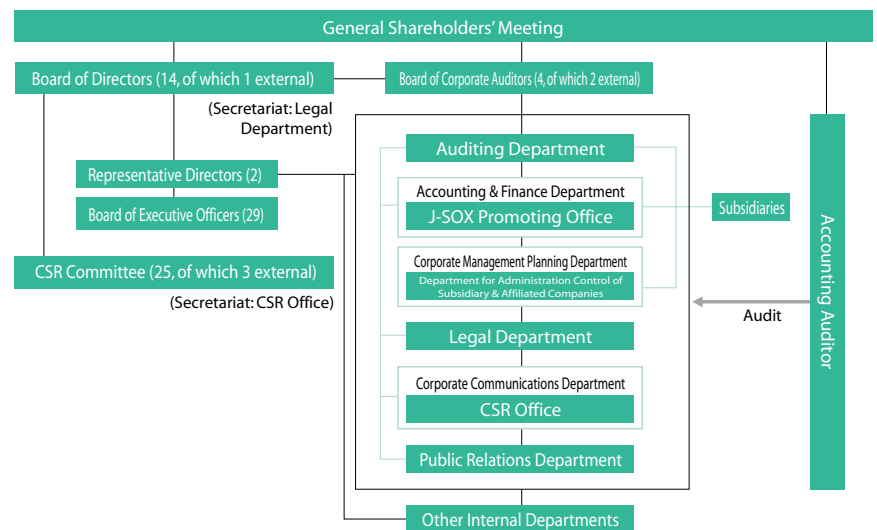
To facilitate transparent, timely checking and monitoring of management, we have appointed one external director to the board of directors and two external auditors as corporate auditors. In addition, in 2002 we moved to clarify responsibilities and accelerate business execution by halving the size of the board of directors and introducing an executive officer system.

In May 2006, the board of directors formed a Basic Policy Concerning the Development of an Internal Control System. Under this policy, we are working to develop an internal control system correlating to ten basic policies,

including *Systems to ensure the legal compliance of directors' business execution, and Articles of incorporation*. In July 2007, a J-SOX Promotion Division was established within the

Accounting & Finance Department, and this division is focusing on the development of internal control systems relating to financial reporting.

● Basic Outline of Corporate Governance Structure (as of April 2008)



Compliance

Promotion Structure and Activities

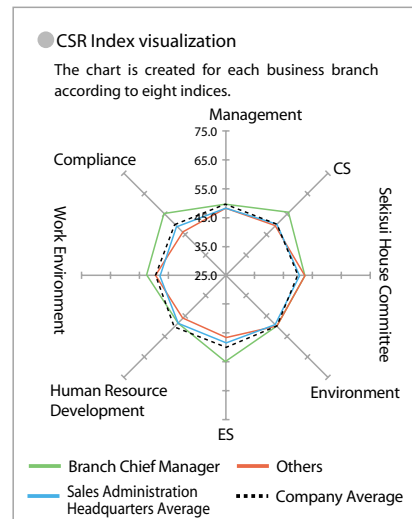
A Compliance Risk Management Group operates under the CSR Committee, serving to promote the education, training and awareness raising of employees. From 2005, we have conducted a twice-yearly compliance awareness survey, covering 10% of employees, in order to quantitatively gauge the compliance awareness of employees. The resulting feedback is reviewed by the President and discussed and reviewed at the CSR Committee in the attendance of independent committee members, and steps are then taken to address any issues that have been identified.

In 2007, we began using the results of this compliance awareness research to develop a CSR Index tool to visualize CSR awareness and activity levels. This tool comprises eight indices (Compliance, Management, CS, Sekisui House Committee, Environment, ES, Human Resource Development and Work Environment) and allows the strengths and weaknesses of each business division to be visually depicted, serving to assist improvement efforts. The CSR Index is contributing to steady progress in the promotion of CSR.



The CSR Compliance e-learning program

In addition to training at each management level within the company, we have developed a new CSR Compliance e-learning program through which we are working to improve compliance awareness throughout the company.



Internal Reporting System

In August 2001 we established the SCS System (Sekisui House Group corporate ethics helpline). This system supports the enforcement of compliance if employees become aware of unlawful actions or violations of corporate ethics within the company. The guidelines to this system clearly protect the anonymity of the whistleblower and the confidentiality of the report, and prohibit any discrimination as a result of expressing a concern. We also established a Sexual Harassment and Power Harassment Help Line and a Labor Management Help Line as part of measures to develop a compliance culture among employees.

Protection of Personal Information

Our Customer Personal Information Management Office is responsible for reviewing company guidelines and measures undertaken to protect personal information. Employee understanding is enhanced through the distribution of a guidebook that incorporates visual representations of key issues.

Risk Management

In 2007, we undertook a comprehensive assessment of risk across the entire Group, and after identifying the most material risks set up special projects to address the respective issues. As a housing manufacturer, one of the most critical risk management issues we face is quality control at construction sites. We are able to leverage the advantage of using a prefabrication process to undertake thorough quality of building framing at our own factories. At construction sites, which can be viewed as a second production site, our specialist subsidiary Sekiwa Construction or other partnering companies construct the buildings. Quality control at this stage is implemented through strong mutual cooperation. Environmental risk is managed with a particular focus on the control of construction waste. Other risks that fall within the scope of our system for investigation and control include land contamination risk and natural disaster risk.

Comments from External Members of CSR Committee

The CSR Committee, which is chaired by the Chairman and CEO, meets every three months to plan and promote as well as to review the activities of important CSR policies. Activities regarding compliance and the environment or urban developments are reported on by each director in charge who is a member of the committee, and are then subject to discussion by the entire committee, including three external members. On this page we feature some comments from the external members of our CSR Committee.



CSR Committee

Creating innovative living environments



Haruo Tsuji
Advisor, Sharp Corporation

The steps Sekisui House has been taking through residential and urban development to promote the creation of a sustainable society have been warmly received. Following the company's Action Plan 20 for the prevention of global warming, the Urban Development Charter has also been recognized by an award from the Minister of the Environment, helping accelerate CSR activities throughout the company.

In recent years, confidence in the food and housing sectors has been greatly undermined. From a customer's perspective, it is not possible to live a healthy, comfortable, secure and safe lifestyle without having this confidence.

Sekisui House bears a considerable responsibility as an industry leader in the provision of housing stock to society, and as such I expect them to view this responsibility as a challenge. By constantly considering things from the customer's point of view, Sekisui House can not only carry out its social responsibility, but also contribute directly to society and increase its value as a corporation. By sharing dreams and aspirations among employees, I hope Sekisui House can continue innovating to create the living environments that will be required by society ten or twenty years in the future.

Connecting environmental technology and customers



Tadao Kagono
Professor, Graduate School of Business Administration, Kobe University

With environmental issues expected to be the main theme at this year's G8 Toyako Summit, environmental awareness has been growing. Japan's environmental technology is at the forefront of the environmental industry. Looking at the auto industry, Japan pioneered the commercialization of hybrid engines. It is difficult for competitors to catch up with this progress, because it requires comprehensive technology not only from the auto manufacturers, but also from a whole range of suppliers.

In the solar panel industry, too, Japan has become one of the most important suppliers, in an industry where supply shortages have developed in Europe. Solar panels have previously been criticized for their inefficiency in terms of the power required to produce panels compared to the power the panels themselves can generate. However, as a result of intensive research and development Japanese manufacturers have developed a technology that is economically viable. The improvement of residential fuel cells is also underway.

It is the responsibility of housing manufacturers to make this kind of environmental technology available to consumers. Housing manufacturers should therefore also be considered as distributors of environmental technology.

Continuous efforts to realize a sustainable society



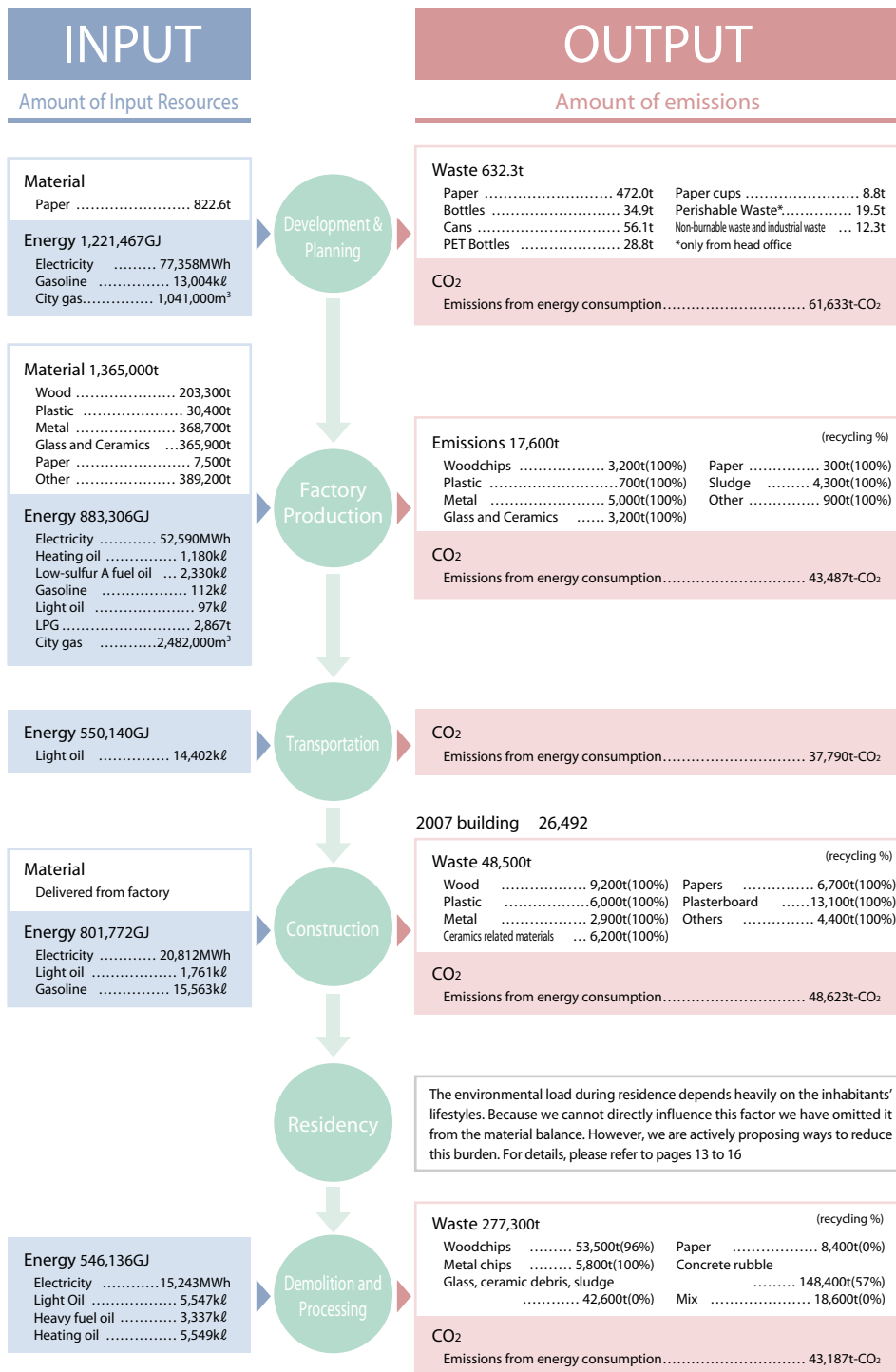
Shunsuke Kano
Lawyer

The announcement that an elite marathon runner had decided not to participate in the Beijing Olympics because of the air pollution in the region surprised the world. Although we are at a critical stage in sustaining the global environment by reducing CO₂ and other greenhouse gas emissions, conflicts of interest among countries are interfering with progress. In this context, I believe that Sekisui House's actions in making its Declaration of Sustainability demonstrate a very progressive approach. Through the CSR Committee, committee members including the Chairman and President are earnestly addressing these issues. Realizing a sustainable society will require patient, step-by-step efforts by individuals. As a leading housing provider with more than 20,000 employees, the impact of mobilizing the passion of each individual in the organization can have a very positive impact on society. However, by looking at the results of several compliance awareness surveys that have been undertaken, we can see that further ongoing effort is required to change people's awareness and actions. For this reason, when companies are considering their responsibilities under CSR they need to remember that practice indeed makes perfect.

Environmental Burden Material Balance

Together with all group companies and partnering construction companies, we are calculating the environmental load of the production, transportation, construction, residency and demolition of houses at each lifecycle phase, seeking to understand the environmental burden of our business activities as a whole and to promote efforts to effectively reduce this burden.

Material Flow Chart



Calculation methods for each Data
 Data based on FY2007, using basic CO₂ emission units adopted by the Japan Prefabricated Construction Suppliers & Manufacturers Association.

Development and Planning
 (include sales and administration department)
 Electricity, gas, and gasoline consumption is calculated from actual data. Waste data is derived from head office waste and sampling research at other locations.

Factory Production
 Data is based on materials shipped and construction waste volumes. Emissions and energy use data based on research at six in-house factories.

Transportation
 Energy: Light oil (diesel) consumption data based on research on dispatching trucks at six in-house factories.

Construction
 Electricity, gasoline and diesel data based on actual usage. Waste data based on actual outcomes.

Demolition and processing
 Energy and waste data based on actual outcomes.

Most of the demolition orders we receive are for traditional wooden houses. The above numbers are therefore based on research results from the demolition of wooden houses.

Social Targets and Actual Performance

Summary and outlook

In 2007, we concentrated on evaluating objectively visible results of our CSR activities by creating multifaceted indicators and focused on conducting verification on each business division and the feedback on these. In addition, by ensuring the effective functioning of the PDCA (plan-do-check-act) cycle, we acted to raise the level of activities companywide and eliminate differences between our business divisions in the level of activity. Meanwhile, in order to build an organization that can achieve legally compliant and sound business activities under its own volition, we enhanced our risk management system and built an internal control system. We also sought to instill a thorough awareness of compliance by enhancing internal training systems and continuously setting compliance policies for board members and employees, such as our Corporate Activity Guidelines and the elements of our Corporate Philosophy.



Hidehiro Yamaguchi
Executive Officer and
Head of Corporate
Communications Department

CSR policy and framework

| Targets and outcomes for FY2007 | | | Evaluation | FY2008 target |
|---------------------------------|--|--|------------|--|
| CSR policy and framework | Target: Formulate CSR indicators for business divisions and evaluate, visualize and accelerate CSR activities. Actual performance: Created CSR indicators, evaluated degree of activity from various viewpoints and provided feedback to each business office. CSR activities have been accelerated by formulating aims for each area of activities in compliance, environment and society and evaluation of actual performance by the CSR Committee of the Sales Administration Headquarter. | | ○ | To raise the level of activities at each business office by implementing the PDCA cycle while using our CSR indicators and the targets and actual performance of each business office. |
| Compliance targets and policies | Target: Continue to build up internal control system and risk management system. Actual performance: Formulated "Basic policy regarding establishment and development of internal control system" and are currently creating an internal control system. Set up J-SOX Promotion Department, which is specifically in charge of financial reporting. | | ○ | Complete internal control system ready for launch by February 2009 and continue to develop risk management system. |
| Communication with society | Target: Increase opportunities to communicate with stakeholders by setting up forums, etc. Actual performance: Organized a workshop at our Sustainable Design Laboratory, a meeting for the exchange of opinions with those involved in CSR, and public tours; 2,669 people participated in total. | | △ | |

For our customers

| Targets and outcomes for FY2007 | | | Evaluation | FY2008 target |
|---|---|--|------------|--|
| To improve customer satisfaction | Target: Enhance training to improve customer satisfaction. Continue to expand various channels for homeowners and enhance communications with them. Referred order ratio: 47.2% (up 2.4 percentage points on 2006) | | ○ | Promote enhancement of communication with homeowners via the internet and publications. |
| Sustainable society and long-lasting housing | Target: Fully develop a business project in which we repurchase detached housing and Sha-Maison low-rise apartments of our development and completely remodel them for resale. Outcome: The home revitalization operations EVERLOOP has started. A total of 94 houses have been purchased. | | ○ | Expand the EVERLOOP business. |
| | Target: Further enhance marketing of remodeling business, reduce costs and concentrate on following up with housing stock. Outcome: Sales from remodeling business were ¥46.25 billion. Zero emission of waste products from remodeling sites nationwide. | | ○ | Further enhance activities such as energy saving remodeling. |
| Construction of reliable, safe and comfortable houses | Target: Increase new facilities and experience-based facilities in each area and promote awareness. Outcome: Number of visitors at experience facilities; 30,975 at Home Amenities Experience Studio, 75,858 at Large Scale Experience-based facilities and 23,356 at other facilities. | | ◎ | Create more easy-to-understand experience facilities in each area. |
| Local culture succession and community formation | Target: Based on "Urban Development Charter," and "24 Guidelines for Urban Development," create good quality communities and implement Machinami Sankan-Bi with beautification as a theme. Outcome: 179 apartments and 1,639 houses supplied as a result of two Machinami Sankan-Bi held in April and October. | | ○ | Create good quality communities and implement Machinami Sankan-Bi, with beautification as a theme. |

For employees and business partners

| Targets and Outcomes for FY2007 | | | Evaluation | FY2008 target |
|---------------------------------|---|--|------------|--|
| For employees | Target: Further promote active role of women Outcome: •Established women's sales network, hosting events such as Women's Sales Representative Conference and other business networking events for women. •Launched the Diversity Development Team creating a forum for regular events through aligned activities at each branch office. Held study groups and seminars on working methods, skill development and a range of other topics. •Appointed female mentors in each division to help educate and support the professional development of female staff. •Launched in-house website for female sales representative, providing a wide range of information on activities, success stories and suchlike. | | △ | •Maintain working environment and plan new system to ensure a sales and marketing environment aligned with needs and capabilities of women so they can be successful over the long term. •Build a nationwide network of sales assistants at each display home with the aim of building motivation and skills. |
| | Target: Promote diversity in human resources Outcome: •Revised and implemented work category transfer system. Five production employees transferred to the sales or technical department (main career track) on April 1, 2007. In 2007, a work category transfer system was implemented for general employees and production department employees, with transfers taking place on April 1, 2008. •Two employees were reinstated as regular employees after having previously resigned because of child-bearing, child-care or nursing care, under our reinstatement program for registered former employees. •Through the internal hiring program, 81 employees applied for three projects and 19 employees were transferred. •Disabled employee percentage: 1.9% | | ○ | Make best use of a variety of human resources •Improve work category transfer system and enhance follow-up of transferees. •Continue registration program for former employees, to continue making use of experienced personnel •Continue internal hiring program to make effective use of internal human resources •Promote employment of disabled persons and ensure compliance with employee ratios required by law |
| | Target: Support a variety of work styles and work-life balance Outcome: •Enhanced support system to enable management of work with childcare and nursing care. •Extended child-care leave scheme to level above legal requirement, so that parental leave is available until the day before a child turns 3, rather than the current age of 1.5 years or April after a child reaches turns 1. •Extended shortened working hour system to the end of Year 3 elementary, instead of the current time period of when a child first starts school. •Made the first four days of child-care leave paid leave. Participants: Child-care leave: 67 (including 24 male employees); Shortened working hours: 42; Nursing care leave: 3 •Review working conditions in the scheme for reemployment of persons reaching retiring age •Received approval from the Ministry of Health, Labor and Welfare based on the Law to Support the Development of the Next Generation | | ○ | Support a variety of work styles and work-life balance •Maintain support system to enable management of work with childcare and nursing care, and improve manual guidelines. •Prepare for extension of the Law to Support the Development of the Next Generation and continue to the second stage of action plan. •Improve business efficiency by encouraging employees to use their paid leave and work efficiently. •Create a dynamic, motivating work environment by pursuing Labor Compliance (Labor CSR). |
| | Target: Promote workplace safety and health Outcome: •Industrial accidents: 64 •Commuting accidents: 20 | | ○ | •Reduce industrial accidents by sharing safety activities of each branch companywide, and improve accident prevention activities. |

For shareholders and the community

| Targets and Outcomes for FY2007 | | Evaluation | FY2008 target |
|--|---|------------|---|
| For the Shareholders | Target: Increase dividends per share by ¥2 yen to pay total dividend of ¥24 per share in FY2007 with the expectation that cash flow will improve through improved business performance. Outcome: Distributed IR news email and facilitated exercise of voting rights via mobile phone. Introduced shareholder complimentary gift system, an addition to the shareholder special benefit point system. Paid dividends per share of ¥24 in FY 2007. | ○ | Continue stable dividend payments. Improve asset efficiency through cancellation of treasury stock. |
| Improvement of Housing Culture/ Supporting Education | Target: Improve housing culture, both in the material sense and in the human sense, using existing facilities and accumulated expertise and as a company that is open to the community Outcome: Conducted 11 sessions of the Housing School Open Seminar, attended by a total of 819 people, and the Housing School Commitment Seminar, attended by 56 people. 1,195 people attended the nationwide seminar Housing School - Office Seminar. 2,343 people visited the Housing Library. | ○ | Improve housing culture using existing facilities and accumulated expertise. |
| | Target: Further enhance activities to contribute to education using our interactive facility as well as by increasing the numbers of dispatched lecturers and work experience admissions. Outcome: Numbers of student visitors: Home Amenities Experience Studio: 5574; Experience-based facilities: 38; Large-scale experience-based facilities: 3220. College curriculum at Home Amenities Experience Studio was held at 9 colleges 13 times and attended by 298 students. Work experience and lecturer dispatch implemented 30 times. Accepted 136 college internships (work experience: 49; workshops: 87). | ◎ | Categorize curriculum; increase the number of dispatched lecturers and work experience admissions. |
| Contribution to Society | Target: Share information and improve its contents to address disparate commitment levels of different business offices toward social contribution. Outcome: Number of volunteer activities: 1451. Number of volunteers: 34,236. Contributions to disaster relief using employee donations: ¥11,312,132. Donations to charity events: ¥3,929,830. Awarded President's Award for Society Contribution Activity. Promoted sales of products made by disabled people, adopting 18,750 "eco-bags" and 12,562 Ryohei Koiso "eco" desk calendars. Co-hosted the Disabled Person's Week with public administration, government organization, NPO and other companies. | ○ | Share information through company newsletter and intranet, to achieve horizontal development of social contribution activity. |

Environmental Targets and Actual Performance

Summary and outlook

Ten years have passed since the implementation of the Kyoto Protocol in 1997, and we have been taking measures to prevent global warming concomitant with the government's long-term Cool Earth 50 strategy. We expanded our zero emissions framework at production factories and construction sites to the remodeling sites that we have developed with the aim of prolonging the useable life of houses. In materials procurement, we are now at the stage of putting into effect procurement guidelines that we have already formulated in tandem with partnering companies. As a housing company, it has become increasingly important for us to take steps to prevent global warming. Actions we have taken include implementing future-focused initiatives such as the sale of the world's first houses with household fuel cells, provision of the Carbon Neutral House, and community verification of the effectiveness of fuel cells. We will advance our efforts towards even higher goals as a leader in broader areas beyond the housing industry.



Akira Morimoto

Director and Senior Managing Officer
in charge of Environment

Energy

| Targets and Outcomes for FY2007 | | Evaluation | FY2008 target |
|---------------------------------|---|------------|---|
| | Target: Solar power generation systems output: 8,000kW Outcome: 4,347kW | × | Solar power generation systems output: 8,000kW |
| | Target: High-efficiency water heater adoption at homes using gas and electricity: 100% Outcome: 93.9% | ○ | — |
| | Target: High-efficiency water heater adoption at all-electric houses: 70% Outcome: 60.9% | △ | High-efficiency water heater adoptions at all-electric houses: 70% |
| | Target: CO ₂ emissions from factories manufacturing housing materials: 1% less than FY2006 Outcome: Reduced by 2.8% | ◎ | 2% reduction of CO ₂ emissions from plants manufacturing housing materials |
| | Target: CO ₂ emissions from transportation of housing materials: 1% less than FY2006 Outcome: Reduced by 5.6% | ◎ | 2% reduction of CO ₂ emissions from transportation of housing materials |

Chemical substances

| Targets and outcomes for FY2007 | | Evaluation | FY2008 target |
|---------------------------------|--|------------|---|
| | Target: Introduction of guidelines for chemical substances and strengthening supply chain management Outcome: Held internal orientation meeting; Conducted verification based on trial introduction | △ | Promote implementation of guidelines for chemical substances and enhance control system for chemical substances |
| | Target: Reduction of usage of toxic agents and emissions from houses Outcome: Reduced usage of organic solvent type adhesives including toluene by over 50% | ○ | Promote further shift from usage of solvent-type adhesives to water-based adhesives |

Resources

| Targets and outcomes for FY2007 | | Evaluation | FY2008 target |
|---------------------------------|---|------------|--|
| | Target: Introduction of wood procurement guidelines and strengthening supply chain management Outcome: Held internal orientation meeting and introduced guidelines; Considered changing specifications of floor materials and others and constructed implementation system | ○ | Change type of wood used for some floor materials based on results of considerations Promote procurement of certified materials |
| | Target: Reduce total volume of waste including waste inside factories (as well as recycling waste) and waste from new house construction sites by 20% with FY2004 performance as benchmark Outcome: 11.2% | × | Reduce by 20% compared to FY2004; Introduction of Material Flow Cost Accounting |
| | Target: Achieve zero emission of waste from remodeling sites by the end of July 2007 Outcome: Achieved in October | △ | Consider future approach towards zero emission of demolition waste |
| | Target: Reduce waste from new house construction to 1,000 kg/unit Outcome: Reduced waste from new house construction to average 1,646 kg/unit | △ | Emission of waste from new house construction: 1,300 kg/unit |
| | Target: Reduce plasterboard ends from 600 kg to 400 kg/unit Outcome: Reduced plasterboard ends to average 486 kg/unit | △ | Reduce plasterboard ends to 450 kg/unit |
| | Target: Reduce wood waste from 330 kg to 230 kg/unit Outcome: Reduced wood wasted to average 247 kg/unit | △ | Reduce wood waste to 230 kg/unit |

Other

| Targets and outcomes for FY2007 | | Evaluation | FY2008 target |
|---------------------------------|---|------------|----------------------------|
| | Target: Plant 1,000 thousand trees Outcome: 800 thousand trees planted | △ | Plant 1,000 thousand trees |

Criteria for self-evaluation:

◎...Achieved end target ahead of schedule; ○...Achieved numeric target for the year under review; △...Did not achieve but came close to target; ×...Unable to improve toward target

* Summary only. Details are available in the Japanese report.