

# Building a Better Workplace Together

Sekisui House is firmly committed to building a positive workplace where employees have the freedom to grow and utilize their skills and abilities. We believe this represents a key to providing sustainable value to society through our business activities. Based on Human Resources Sustainability, our basic personnel policy, we are moving forward with measures that focus on diversity in the workplace, greater work-life balance and support for female careers.

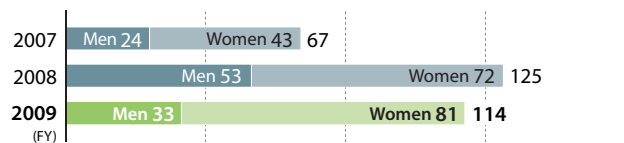
## Developing Workplaces that Value the Skills and Long-Term Contribution of Women

In 2006, Sekisui House established the Diversity Development Team to develop training programs and company policy that assists the career development of female employees. We have also actively hired female sales representatives and promoted females to managerial positions.

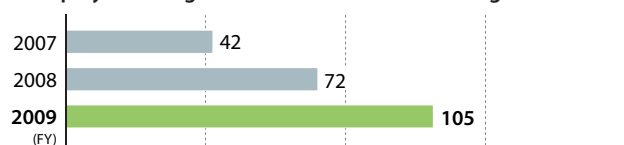
In fiscal 2009, 21.6% of newly hired graduates for sales representative positions were 43 women, while at the end of fiscal 2009 there were a total of 304 women sales representatives employed at Sekisui House. At the same time, the number of women in managerial positions has grown from 15 in 2006 to 23 in 2009. Going forward, we will continue our active hiring and promotion of females as we work to build a work environment that values the skills and long-term contribution of women in the workplace.

Sekisui House has also been accredited as an active supporter of employee childcare by the government of Japan.

### Employees Taking Parental Leave (including short-term usage)



### Employees Using the Shortened Work Hour Program



#### Comment from the Diversity Development Team

### Moving on to the Next Phase—Developing Better Work Environments

**Midori Ito**  
 Manager, Corporate Planning Department  
 Diversity Development Team

Over the past 5 years, Sekisui House has encouraged the active hiring of women sales representatives, and today, the number of these new hires taking parental leave is on the rise, as 10% are now married. As life experiences, including marriage, childbirth or childcare, better prepare our sales reps for developing winning relationships with our customers, Sekisui House is firmly committed to supporting its employees in balancing work with their personal lives. Yet, we also need to alleviate employee concerns about taking leave by building better work environments and cultivating more role models in the workplace. In fiscal 2010, Sekisui House plans to further strengthen communication between the head office and its branches to meet these goals.

## Sustainability in Action

### Achieving a Work-Life Balance



**Ai Tajima**  
 Plaza SW Store, Maebashi Branch

Initially, I worked for Sekiwa Construction where I was in charge of CAD for exterior structures and cost estimation, but after I received my first-class registered architect, I was recruited to be a sales rep for Sekisui House.

I had recently married and was concerned whether I could balance work with home, but everyone at my new workplace was understanding of my situation which made it easier to leave work before my colleagues when I did not have prior work-related commitments. Additionally, I normally have Tuesdays and Wednesdays off, but I am also able to change one of these days to Sunday once a month. With the amount of time I spend at work reduced, I find that I have improved my efficiency and focus, yet still have been able to increase sales.

At first, I was reluctant to be the one who always left first, but the support of my coworkers has made the transition easier. Being married has expanded my sales talk, and now that I am expecting to give birth soon, I believe this experience will also bring me even closer to our customers. I'd like to set an example for other female sales reps undergoing the same transition, getting married, having a baby and returning to the workplace.

### Creating Better Workplaces as the First Female Remodeling Manager



**Akiko Ota**  
 Manager, Hanshin Sales Office  
 Sekisui House Remodeling, Ltd.

I was hired at a local remodeling firm when my child was in the first grade. Three years later, I joined Sekisui House with ambitions to move my career forward. At the customer center, I discovered my passion for remodeling and so later decided to join Sekisui House Remodeling where I would become a store manager and the first woman manager in August 2009.

As manager, my focus has been on developing the future generations of Sekisui House employees. To this end, I have started workshops that feature lecturers from our head office. Going forward, I look forward to working to create a work environment where all employees can truly shine.

## Providing Sustainable Value through Human Resource Development

Companies are only as strong as their employees are. Sekisui House is firmly committed to developing the skills and abilities of its employees, beginning with product and service training programs conducted systematically based on employee work category and occupational competencies, whereby ensuring

the highest standards of customer satisfaction.

Our core philosophy governing employee development is happiness and job satisfaction. Employees who are happy and satisfied with their jobs are better positioned to assist us with earning and cultivating the trust of our customers and broader society.

We need to develop leaders in our branches and improve management competencies if we are to remain competitive and capitalized on our core strengths, including environmental technologies. We are also focusing efforts on training programs in leadership for new managerial appointees as well as follow-up programs to spur awareness so that they understand their responsibility as management.

### Human Resource Programs that Support Flexible Work Methods

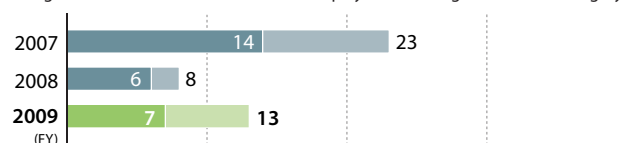
Sekisui House believes in the importance of supporting a broad mix of work methods so that its employees can leverage their core competencies in a sustainable manner.

Although we hire new graduates under three separate work categories, we have implemented the Work Category Transfer Program that allows employees to switch work categories during their career from either production or general administration to career track sales. We also have developed the Internal Open Recruitment Program that allows for voluntary transfers between departments or group companies where recruited.

In addition, the Rehire Program was rolled out in 2006 which allows employees who had to leave the company to return to work for Sekisui House at a later date. We also offer a full range of flexible employee leave programs, including the Voluntary Leave Program and the Accumulated Leave Carryover Program where employees can carryover holidays for more than two years.

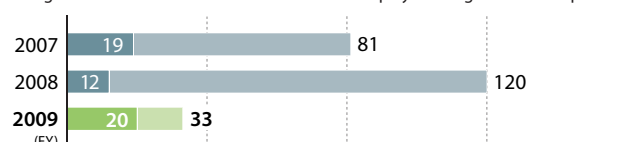
#### Employees Applying for Work Category Transfers

Figures in blue indicate the number of employees switching to a different category.

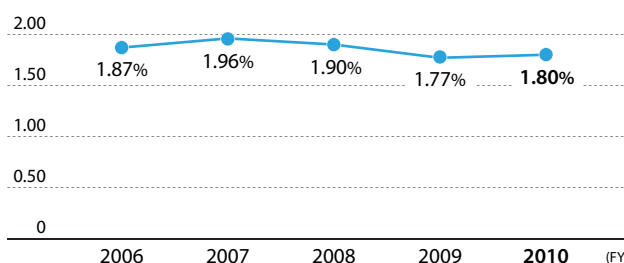


#### Employees Applying for Open International Recruitment

Figures in blue indicate the actual number of employees assigned to a new position.



#### Ratio of hires with disabilities



### Sustainability in Action

#### Taking Advantage of the Rehire Program



**Yukiko Kawabata**  
Saga-Kurume Customer Center

After joining Sekisui House, I was involved in back office work for sales and model home displays. I envisioned myself working for Sekisui House for the foreseeable future, even after getting married, but my husband was transferred, forcing me to leave my job. At the time, I learned about the Rehire Program and signed up without hesitation.

I was able to rejoin Sekisui House at a customer center located near my new home, and feel grateful that I found a job that leverages my previous work experience with the Company.

#### Switching from Production to Career Track Sales to Get More Involved with Factory Operations



**Nobumitsu Tanaka**  
Ironwork Department, Yamaguchi Factory

After working in the production of steel components for 7 years, I was assigned to back office administrative duties within the same department and responsible for drafting production plans.

I had wanted to get more involved with factory operations, so in 2008 I took advantage of the Work Category Transfer Program to switch to career track sales. This greatly broadened the scope of my role, leading to cost pricing and negotiations with suppliers. Later, I was promoted to a team leader position, which has motivated me even more as an employee and supervisor.

### Ensuring Employee Health and Safety

Sekisui House believes in the importance of maintaining the highest possible standards in employee health and safety as a primary means to sound and sustainable business operations. In addition to annual physical exams, all employees have access to specialist mental counseling services free of charge and training programs aimed at improving awareness of mental health issues. We are also working to improve the work environment, which includes long overtime hours, by holding training seminars for managers on appropriate over-time management practices.

Furthermore, construction site safety, which includes employees of our partner companies, is considered to be of the utmost importance. As such, we provide safety education training and institute measures to prevent workplace accidents under annual plans that are reviewed yearly.

# Pursuing the Sustainable Homes of Tomorrow

Sekisui House R&D facilities actively engage in the research and development of new housing technologies to provide our customers with safe, secure, comfortable and long-lasting homes that are also eco-friendly.

## Launch of Smart House Test Homes

In contrast to Europe and North America, where large photovoltaic arrays, or solar power plants, generate renewable energy at one location and supply this energy to individual homes,



Annex Laboratory Smart House test home

Japan has taken the opposite course by promoting the use of PV systems in individual homes. As a result, Sekisui House has begun the development of related technology solutions that generate energy for the home, making it a net supplier of electricity.

However, the supply of natural energy, such as solar power, is largely subject to weather patterns. Consequently, smart grids\*<sup>1</sup> that control the supply and consumption of energy and smart homes that link up with this technology are required to safeguard a stable supply of natural energy.

From October 2009 to March 2010, Sekisui House and Osaka Gas teamed up to conduct experimental trials in such new home technologies at the Osaka Gas Torishima Test Site in Osaka and the Sekisui House Comprehensive Housing R&D Institute in Kyoto.\*<sup>2</sup> These experimental trials studied ways to enhance the stability of a combined PV and storage battery system and increase the supply of electricity through the addition of a fuel cell system. In addition, the trials developed an early warning system that alerts the homeowner during peak energy usage, encouraging energy saving practices. Thus, the energy needs of the entire home can be centrally controlled by properly managing energy usage with generation and storage.

\*1 A smart grid optimizes regional energy use, including renewable energy, by using advanced computers and IT systems.

\*2 This initiative is part of the Smart House Test Project commissioned by the Ministry of Economy, Trade and Industry of Japan for which Sekisui House is working under the Mitsubishi Research Institute, Inc. as a subcontractor.

### Home Server (Alert Screen)



Encourages reduced use of energy during peak hours to achieve the energy savings goal for the household

### Home Server (Status Update Screen)



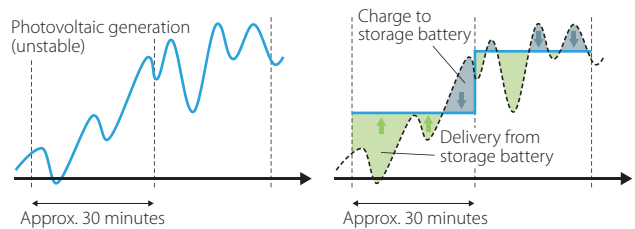
Notifies the user of the balance of energy

### ■ Linking with Smart Grids

- Cities consist of buildings that are net users of energy, such as office buildings, and a distributed energy system of buildings that are net suppliers of energy, such as homes.
- A smart grid, or microgrid, for example, determines energy generation demand in 30-minute intervals, purchasing electricity from larger grids when necessary to cover shortfalls.
- Energy management protocol
  - 1) A smart grid uses advanced computer and IT systems to link with all homes and office buildings in the city to assess energy demand and supply capacity. Using this data, it determines the amount of energy to be generated or purchased from larger grids.
  - 2) Electricity is then supplied based on the computer forecast. (An overview of smart grids and smart houses is provided on page 8)

### ■ Controls for Stable Electricity Supply

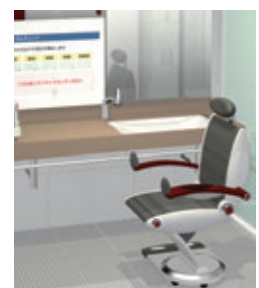
- As it remains unstable, photovoltaic power generation is not suited to citywide supply systems without modification. By using a small storage battery, however, photovoltaic power can be supplied steadily over 30-minute, even when power is not being produced.
- Strict management of a home's energy consumption, although, is required to produce such stable supplies of photovoltaic power.



## Joint Research on Robot Technology for Senior Citizens

Sekisui House, together with Chiba Institute of Technology, is working on the research and development of robot technologies for the home targeting the areas of health management and support systems for senior citizens.

This system allows older adults to independently monitor and manage their health while at home, which also serves to reduce the workload for caregivers. In addition to automatically measuring body temperature, blood pressure, and pulses, the robot dispenses health advice using speech-recognition. Our future goal is to position this system as an interface connecting those needing medical assistance at home with healthcare practitioners. This project is commissioned by the New Energy and Industrial Technology Development Organization (NEDO).



Conceptualized image

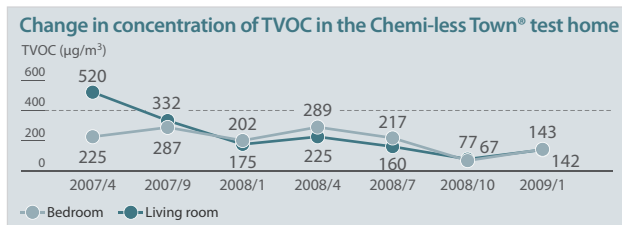
## Chemi-less Town® Receives Prototype Certification

As part of the Chemi-less Town® project,\*1 Sekisui House constructed a unique detached house free from sick building syndrome (SBS) at the Chiba University Center for the Environment, Health and Field Sciences. Together with Chiba University, we are conducting research to eliminate SBS to safeguard future generations.

At the detached house test site, the levels of 116 chemical substances are measured quarterly to ascertain seasonal changes in the concentration of interior airborne volatile chemical substances. Our research has greatly reduced airborne total volatile organic compounds (TVOC) in the bedroom and living room to constant year-round levels that fall far below provisional targets (400µg/m<sup>3</sup>) set by the Ministry of Health, Labour and Welfare of Japan. As a result, the Chemi-less Town® test home has received prototype certification.\*2 The next phase of testing will be to have a child test subject who is suspected of suffering from SBS to reside in the home with their family for a short duration to verify the affects.

\*1 Chemi-less Town® is a registered trademark of the Center of Environmental Health Science for Future Generations (NPO)

\*2 Detached houses with airborne TVOC under 400µg/m<sup>3</sup> are applicable for certification. As it is not a commercialized home, however, the test home received prototype certification.



Results show that the TVOC concentration measured in the test home is lower than the provisional target specified by the Ministry of Health, Labour and Welfare, even during summer where indoor temperatures are high.



### Chemi-less Town® Research Partner Comments

## Promoting Chemi-less Town® Overseas

**Dr. Chisato Mori, M.D.**

Professor, Graduate School of Chiba University  
Head of the Center for Preventive Medical Science, Chiba University

This project, conducted as a joint effort between industry and academia in hopes of promoting its widespread application in society, aims to build a healthier living environment for our future generations. I believe such industry and academia joint efforts are needed in the sense that a significant development not available on the market is meaningless. The research targets for this project include: town building from the perspective of preventative medicine; development of an eco-universal design that focuses on precise standards that protect unborn children; and, sustainable long-term town building, homebuilding and community building.

Sekisui House has already made significant progress at its Comprehensive Housing R&D Institute. I hope that the Company can translate this progress into success internationally with the Chemi-less Town® concept.

## Sustainable Design Laboratory Providing a Vision for Future Homebuilding Practices

The Sekisui House Sustainable Design Laboratory is a test home research facility open to the public in Kunitachi, Tokyo built to explore ideal living environments that incorporate natural air and light as well as traditional Japanese lifestyle elements. The home is also site of research on the future vision of nature-linked homebuilding practices, including tests on comfort levels and character. 4,472 people have visited the test home since it opened in 2006.



Sustainable Design Laboratory

## Sekisui House Technology Selected for the Long-Term Quality Housing Lead Model Project

Starting in fiscal 2008, the Ministry of Land, Infrastructure, Transport and Tourism of Japan launched the Long-term Sustainable Housing Lead Model Project, with the purpose of enhancing homebuilding practices in Japan. In fiscal 2008, the Sekisui House Social Asset Low-Rise Apartment Advancement Technology was selected for the project under the testing category. Trial construction was completed on a prototype home at our Kanto Factory between April 2009 and March 2010.

During testing, we developed and assessed technologies promoting easier maintenance and renovation solutions, such as making it easier to adjust and update exterior components, interior layouts and fixtures. In addition, we also conducted market research on Social Asset Low-Rise Apartments in order to verify potential and market needs based on long-term renovation plans, property management simulations and opinion surveys of owners and tenants.

Sekisui House has also been selected under this project for its new build and existing home renovation technologies.

### Independent Exterior System

The Sekisui House independent exterior system designs exterior passageways and balconies as independent structures, ensuring that updating and replacement of exterior components with differing service life is comparatively easier.

#### Pre-renovation



#### Post-renovation



# CSR Policy and Structure

Sekisui House considers CSR to be an important management principle and is committed to actively engaging in CSR in its daily business operations, with the promotion of CSR activities involving company-wide coordination between all group companies, departments and employees. Sekisui House also believes in reflecting outside perspectives in its CSR initiatives, and as such appoints external stakeholders to its CSR Committee.

## CSR Policy

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. Our corporate philosophy also forms the backdrop for a separate corporate code of conduct established in 1990 that focuses on employee expectations, efforts and attitude.

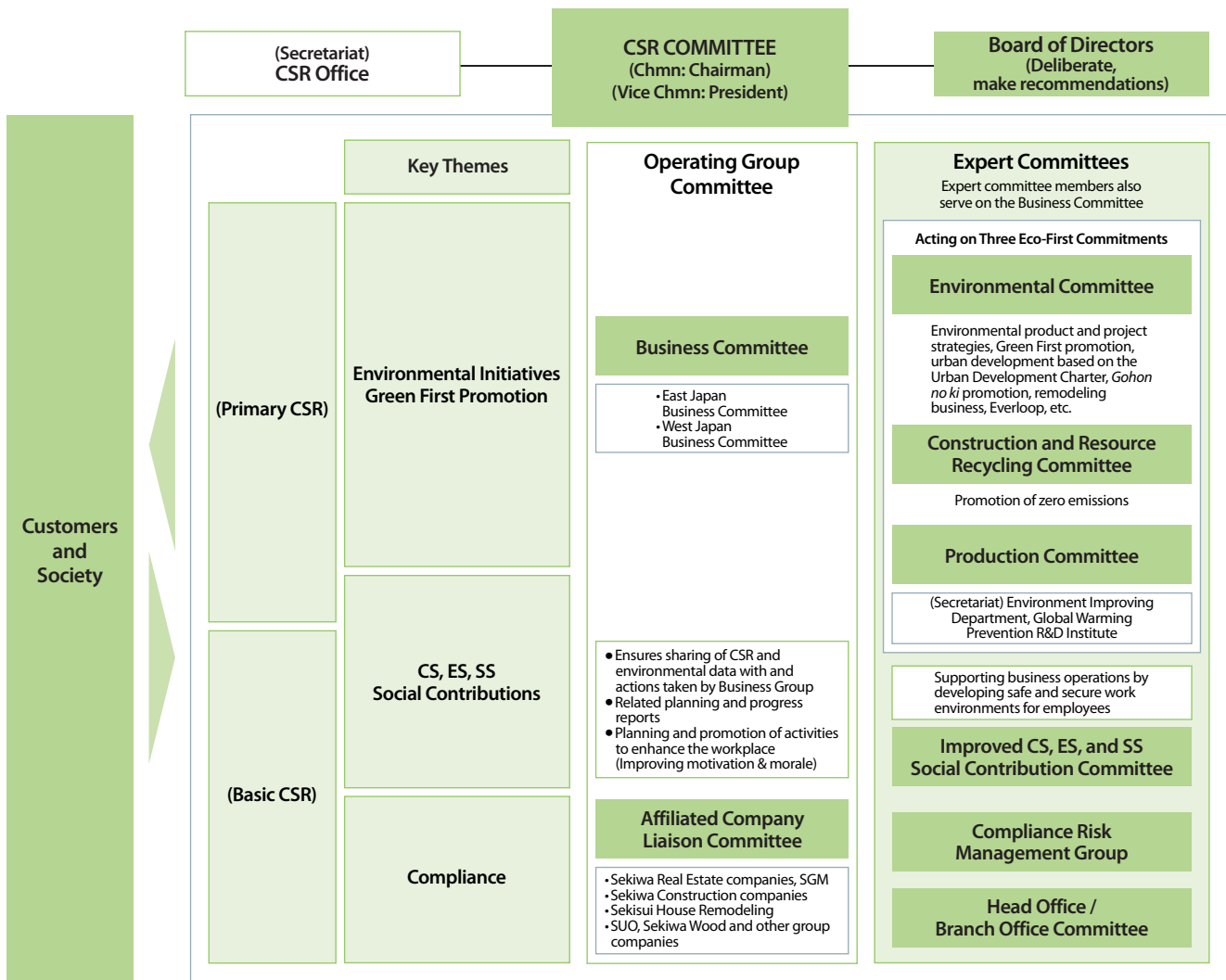
## CSR Committee and CSR Promotion Structure

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, meets once every three months. CSR Committee members are appointed by the board of directors. Based on our principal CSR promotion needs, the three current external stakeholders include an environmentally forward-thinking corporate manager, business management expert, and compliance specialist.

Previously, Expert Committees, in charge of planning, and the Working Committee, in charge of operations, operated

### CSR Promotion Structure



under the CSR Committee, but the structure has since changed as the result of a large-scale restructuring in fiscal 2009 to further strengthen company-wide cooperation based on predetermined CSR themes. The new CSR structure positions the Business Committee as the focal point of CSR initiatives and activities, from planning and proposals to

progress reports and monitoring. In addition, CSR promotion officers are also located at each of our business offices.

Under this new committee structure, we have positioned environmental initiatives and Green First promotion as key themes for fiscal 2010. In achieving this, Sekisui House will take steps to enhance employee motivation and morale, improve customer satisfaction (CS), employee satisfaction (ES) as well as shareholder satisfaction (SS), and promote compliance best practices going forward.

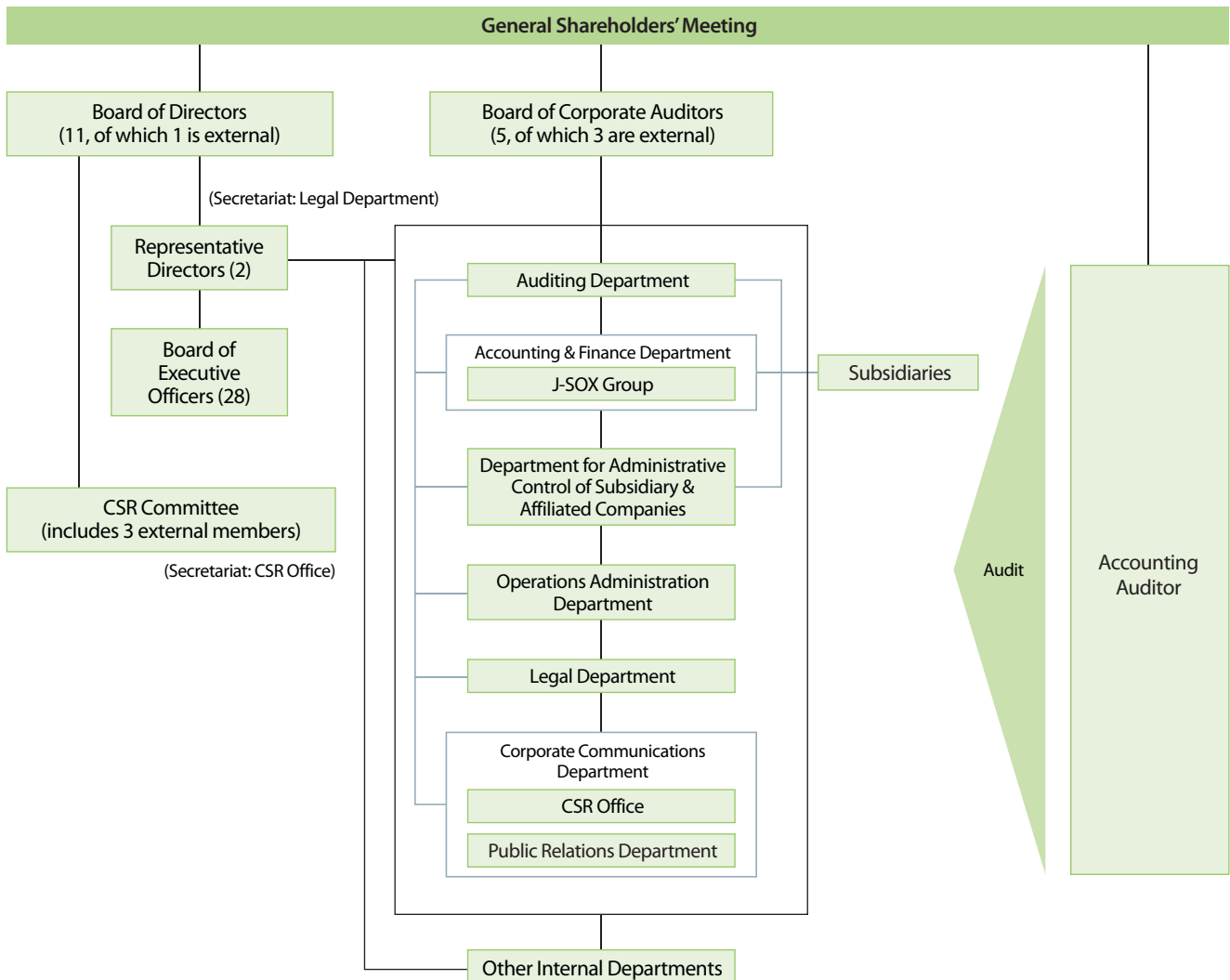


CSR Committee meeting

### 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

#### Corporate Governance Structure (as of April 1, 2010)



## CSR Policy and Structure

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 10 basic policies relating to the Basic Policy Concerning the Development of an Internal Control System, including one 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, strict internal controls (J-SOX) were implemented starting in January 2010 to ensure full compliance with the Financial Instruments and Exchange Law, with the J-SOX Compliance Office in charge of related compliance monitoring.

### 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

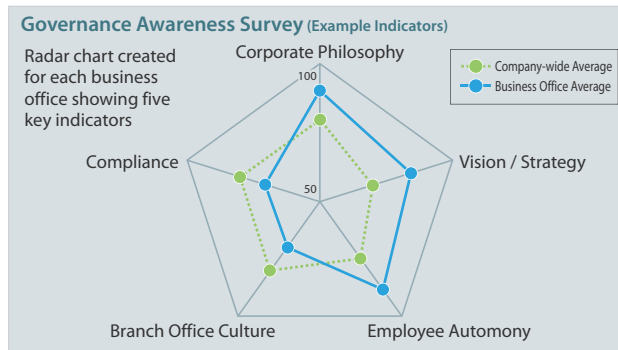
Sekisui House began conducting the Compliance Awareness Survey in fiscal 2005 to quantitatively measure employee awareness levels and understanding, and to establish indicators for compliance promotion activities.

As the next phase of this process, the Governance Awareness Survey was conducted in fiscal 2009. Responses, which were received from all sales division employees, were analyzed and indexed, with the resulting data now used as a key tool in branch management training programs to improve management "awareness."

#### Compliance Promotion Activities

The Sekisui House Group 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.

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 employs on the protection of personal information.

As advocated by the Japan Business Federation we have also designated October as corporate ethics month. In addition, all executive officers, and employees are required to submit a Corporate Ethics Compliance Pledge annually. In fiscal 2009, we conducted group-based discussions on case studies in compliance, and as a new initiative, distributed the Code of Conduct Card to each employee, requiring it be carried at all times.

#### Code of Conduct Card

- Are you placing the priorities of the Company or yourself ahead of the customer?
- Are you always aware that you are a representative of the Company?
- Do your actions infringe upon rules and/or laws?
- Are you making efforts to improve your knowledge to comply with rules and/or laws?
- Can you speak about your actions with pride to your family or friends?
- Do you find that you engage in improper behavior while all the well knowing?
- Do you openly speak to those around you about your concerns?
- Do you properly report incidents as soon as possible?
- Do you condone the negative or improper actions of those around you?

#### To employees in a leadership role:

- Do you deal with team members with equal parts compassion and severity for their betterment?
- Have you created a positive atmosphere where team members feel comfortable talking to you?
- Are your actions considerate of team member feelings?
- Are you aware your decisions may greatly impact those around you?
- Do you verify that the work of team members does not infringe upon rules and/or laws?

### 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.

### 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.

Sekisui House has developed an information management structure compliant with the Personal Information Protection Law including the appointment of an executive officer in charge of the protection of personal information and the establishment of the Customer Personal Information Management Office. We also conduct regular employee training programs to ensure strict controls are maintained over access to and the management of customer information.

## Risk Management

### Risk Management Structure

Sekisui House's risk management efforts are handled by the Compliance Risk Management Group, operating under the CSR Committee. Sekisui House has adopted measures to reduce compliance risk based on predetermined themes, including employee education programs developed and conducted across various committees, while specialized project teams are set up to address significant risk identified in internal compliance risk monitoring surveys.

Risk management is also included in training programs for construction managers at our partner construction companies, ensuring that steps are taken on a group-wide basis to enhance compliance risk awareness.

### Risk Awareness and Management

Construction site quality control represents a significant source of risk for homebuilders. As a built-to-order homebuilder, Sekisui House has taken steps to ensure all structural components are manufactured at company-owned and operated factories, where strict quality control practices are in place. In addition, our subsidiary Sekiwa Construction Ltd. and other partner construction companies work closely with us to ensure construction sites, which we consider secondary manufacturing facilities, are managed effectively and appropriately from a risk standpoint.

### Environmental Risk Management Construction Waste Management

Construction waste management represents a key to our environmental risk management practices. As such, Sekisui House has taken steps to reduce this risk, including the development of a proprietary construction waste monitoring system.

The cooperation of our carefully selected intermediate waste disposal partners is key to minimizing illegal waste dumping risk. Sekisui House has created a set of guidelines and standards for the selection of its vendor partners that assigns a number grade based on their employee education programs, account ledger practices and waste management and storage practices. Training programs in construction waste management are also conducted for construction managers of our partner construction companies. In fiscal 2010, we will establish our own access service provider (ASP) to assist with managing and operating our construction waste electronic manifest system, which we plan to launch sequentially until 100% of all construction waste data is uploaded.



Vendor Selection Guidelines Manual

### Countermeasures against New Influenza Strains

Sekisui House set up the New Influenza Countermeasure Task Force internally to study ways the company could guard against the 2009 global outbreak of the new strain of H1N1 influenza.

The Task Force focused on measures that would reduce the risk to the continuity of our business operations during the outbreak, which included steps to prevent the spread of the virus among employees to customers or our external stakeholders, ensuring adequate internal supplies of masks and other healthcare products, postponement of or reduced meeting schedule and requiring employees to take their temperature prior to leaving the workplace. A handbook was also created and distributed to employees and their families to ensure all group companies were educated on internal policy regarding the outbreak.



New Influenza Handbook distributed to employees and their families

#### Overview

Created to provide basic information and educate employees on proper responses, the handbook includes sections on basic knowledge, preventative measures, initial response, pandemic responses, and personal health management.



# Social Targets and Actual Performance

## Summary and Outlook

An organization and workforce that is open and independent, yet adheres to strict internal controls and regulations, is essential to sound business operations. We have made efforts to enhance the quality and effectiveness of our CSR activities, including focusing on initiatives linked to our core business, such as expanding sales of our eco-friendly Green First line of homes, and creating indices that objectively evaluate our CSR activities for each of our business offices to provide relevant feedback for improvement. As an approach to ensure the continued awareness of and best practices in compliance, we have also created a new Code of Conduct Card that we ask employees to carry with themselves at all times.

Positioned as a key CSR educational tool, senior executives often use our annual sustainability report to educate internal and external stakeholders about our company and CSR best

practices. We have also launched several internal CSR-related educational seminars throughout our nationwide network of companies and partners. Leaders at each of our business locations have worked to emphasize that compliance as well as social contributions represent core fundamentals of our business operations, which has resulted in improved employee awareness and self-led CSR efforts. Cooperation with NGOs and NPOs in our core business activities has also become a trademark of our approach to CSR.

On August 1, 2010, Sekisui House will celebrate its 50th anniversary since incorporation. Going forward, we plan to return to CSR fundamentals found in our corporate philosophy and code of conduct to ensure that each and every employee continues to value our customers, stakeholders and our responsibility as a company to greater society.



**Hidehiro Yamaguchi**  
Executive Officer and  
Head of Corporate  
Communications Department

## CSR Policy and Framework

	Fiscal 2009 Target	Fiscal 2009 Results and Commentary	Score	Fiscal 2010 Target
CSR Promotion Structure and Penetration	Use the CSR Index as well as targets and results for each business office to accelerate the PDCA cycle. Raise the level of initiatives from the bottom up and eliminate execution discrepancies between business offices. Foster development of an open corporate culture where communication actively occurs between superiors and subordinates.	Fiscal 2009 CSR targets and results in the areas of corporate philosophy, compliance, the environment, society, local communities as well as customer satisfaction, employee satisfaction and shareholder satisfaction were confirmed at our annual corporate meetings and shared over the internal intranet. This information was used to improve discrepancies in CSR execution found to exist across business offices.	B	Continue to use the CSR Index as well as targets and results for each business office to accelerate the PDCA cycle and further improve CSR initiatives. Foster open corporate culture through various training programs. Ensure management exerts leadership skills and work to eliminate disparities in CSR awareness between management and general employees.
Compliance Management	Develop a work environment respectful of human rights where employees are free to exercise their skills and abilities.	The Human Relations Training Text was distributed to all employees, including group companies, while lead managers conducted training programs on human relations at each business office.	A	Conduct training programs that assist in developing open and independent workplaces under the lead of business office managers.
	Launch the Internal Control System and continue to develop internal risk management systems.	Full-scale operations of the Internal Control System were launched in fiscal 2009. No major compliance violations occurred in fiscal 2009.	A	Focus on proper administration of work process rules based on adoption of our construction progress standards.

## For Our Customers

	Fiscal 2009 Target	Fiscal 2009 Results and Commentary	Score	Fiscal 2010 Target
Customer Satisfaction	Strengthen corporate communications with homeowners through the Internet, magazines, and other media.	Website content was updated twice monthly for the Internet Homeowners Club Kizuna (136 thousand registered member households). Published newsletter for homeowners and conducted research surveys.	A	Continue to provide the highest possible levels of customers care and satisfaction and ensure employees are aware of the role customers have played in our success as a company. Enhance direct communication with customers at branch offices and customer centers, and utilize various other outlets, such as the Internet and newsletters, to communicate with existing homeowners.
Sustainable Society and Long-life Housing	Grow the Everloop segment, focus on the effective utilization of resources and extending the lifecycle of homes, and cultivate the market for revitalized homes.	Everloop open houses were held at 100 locations. Completed the repurchase of 135 properties (YoY increase of 10 properties). Focused on the House Purchase & Resale Department, strengthened coordination between group companies, including Sekiwa Real Estate and Sekisui House Remodeling.	B	Take steps to educate customers about and cultivate the market for Everloop homes. Contribute to developing a larger and more liquid existing home market in Japan as a means to promote the effective use of resources and increased lifespan of houses.
	Expand the remodeling segment by entering the market for traditional wood-frame house remodeling, and recommend eco-friendly conscious remodeling solutions.	Increased remodeling orders for Sekisui House built homes, achieving net segment income of ¥47.5 billion (YoY increase of 1%) underpinned by marketing proposals aligned to the homebuyer's stage in life and active promotion of eco-friendly remodeling solutions. Received orders totaling ¥3.8 billion since launching remodeling projects for non-Sekisui House built traditional wood-framed detached houses.	A	Continue to actively promote eco-friendly remodeling solutions and expand our remodeling business for both Sekisui House and non-Sekisui House built homes.
Reliable, Safe and Comfortable Homes	Open the Kansai <i>Sumai-no-Yume-Kojo</i> (large-scale experiment-based facilities) and take other measures to enhance company-operated innovative hands-on learning facilities in other locations.	Greatly increased the number of visitors compared to the previous year: Home Amenities Experience Studio 41,864 visitors; <i>Sumai-no-Yume-Kojo</i> (large-scale experiment-based facilities) 92,137 visitors; and <i>Sumai-no-kagakukan</i> (medium-sized experiment-based facilities) 33,521 visitors.	A	Effectively utilize innovative hands-on learning facilities, such as Home Amenities Experience Studio and the 6nationwide <i>Sumai-no-Yume-Kojo</i> (large-scale experiment-based facilities) locations. Support the development of safe, secure and comfortable homes and lifestyles.
Community Development and Local Culture	Based on our Urban Development Charter and Urban Development Guidelines, develop quality communities with retained aesthetic value and hold <i>Machinami Sankan-bi</i> (Community Visit Days)	Community Visit Days were held in April and October in a total of 625 homes at 93 housing complexes. Provided positive town environments based on our Urban Development Charter and Urban Development Guidelines, while incorporating the <i>Gohon no ki</i> landscaping concept and accreditation of eco-friendly homes. Neighborhood festivals were held in subdivisions and condominium developments to foster community development, strengthen local relationships, and promote the succession of local culture.	A	Assist in developing communities with retained aesthetic value based on our Urban Development Charter and Urban Development Guidelines. Continue to hold Community Visit Days. Increase the number of neighborhood festivals to encourage localized community building and the succession of local culture.

A...Achieved target; B...Did not achieve but came close to target; C...Unable to make improvements toward achieving target

## ■ For Our Employees and Business Partners

	Fiscal 2009 Target	Fiscal 2009 Results and Commentary	Score	Fiscal 2010 Target
Commitment to Employees	Promote career development options for female employees: <ul style="list-style-type: none"> <li>Plan new system to ensure workplaces are aligned with the needs and competencies of female employees so they can be successful, long-term contributors.</li> </ul>	Active hiring has led to an increase in the number of female sales representatives who have returned from maternity or parental leave to produce stellar sales results. Support measures will be increased going forward to further develop female employee competencies and motivation. Managers and a leader from the Diversity Development Team discuss individually with female employees returning from maternity or parental leave, to determine flexible working schedules.	A	Continue to promote career development options for female employees and build workplaces where female employees can be successful, long-term contributors.
	Leverage our pool of diverse human resources: <ul style="list-style-type: none"> <li>Improve the Work Category Transfer Program and conduct relevant follow up.</li> <li>Continue the Retiree Reinstatement Registration Program.</li> <li>Continue Internal Open Recruitment Program.</li> <li>Hire more persons with disabilities to comply with legally stipulated requirements.</li> </ul>	7 employees transferred work category using the Work Category Transfer Program. No recruiting was conducted in fiscal 2009 for the Retiree Reinstatement Program. 33 employees applied on two recruitment occasions under the Internal Open Recruitment Program, with 20 transferring. These programs resulted in energizing the organization by providing employees with new opportunities and new business ventures. The employment rate of persons with disabilities was 1.8% as of February 2010.	B	Leverage our pool of diverse human resources: <ul style="list-style-type: none"> <li>Continue to offer the Work Category Transfer Program and conduct related follow up.</li> <li>Continue the Retiree Reinstatement Registration Program.</li> <li>Continue Internal Open Recruitment Program.</li> <li>Continue to hire more persons with disabilities to comply with legally stipulated requirements.</li> </ul>
	Support work-style diversity and work-life balance: <ul style="list-style-type: none"> <li>Develop work environment with increased productivity through reform initiatives.</li> <li>Ensure best practices in labor management compliance</li> </ul>	Although the number of male employees taking parental leave decreased year over year, the number of female employees taking parental leave increased from 72 to 81. The number of employees using the Shortened Work Hour Program increased from 72 to 105. Promoted enhanced productivity through reformed working styles and work processes covered in human resource management training programs. Established labor management compliance as an audit focus area. Guidance and reform of the work management system enabled a more accurate understanding of employee work hours.	A	Support work-styles diversity and work-life balance: <ul style="list-style-type: none"> <li>Continue to develop work environment with increased productivity through reform initiatives.</li> <li>Continue to ensure best practices in labor management compliance</li> </ul>

## ■ For Our Shareholders and the Community

	Fiscal 2009 Target	Fiscal 2009 Results and Commentary	Score	Fiscal 2010 Target
Commitment to Shareholders	Distribute annual dividend of ¥20 per share, taking into account market conditions and the economic recovery. Achieve a medium-term dividend payout ratio of at least 40%.	The annual year-end dividend was ¥10 per share for fiscal 2009. The shareholder loyalty point program and shareholder rewards program continue to be offered as a means to encourage long-term shareholdings. In October and January, under these programs, shareholders in the list received a gift certificate worth of 5kg bag of premium rice. 3,255kg of unclaimed rice was donated to organizations in need.	B	Ensure an average dividend payout ratio of at least 40% over the medium term. The target dividend for fiscal 2010 is ¥21 per share, broken down as follows: ¥8 mid-term dividend, ¥8 year-end dividend and ¥5 special dividend commemorating the company's 50th anniversary.
Housing Culture and Education	As a company open to local communities, utilize our facilities and expertise to focus on enhancing house culture.	Making the best use of our housing seminar expertise, we provided regionally tailored curriculum as well as an Internet housing webinar, which has increased the number of participants. Housing seminar classes for the public were held 11 times with 966 participants, while special housing seminars were held 24 times attracting 388 participants. The regionally held housing seminar was conducted at 53 locations nationwide for 921 participants, while 760 applications were received for Internet housing seminar webinar.	A	Continue to focus on enhancing house culture through the utilization of our facilities and expertise.
	Enhance educational initiatives through hands-on learning and other facilities. Create curriculum accordingly, dispatch teachers to schools and allow student visits to the workplace	Student visitors totaled 4,227 at Home Amenities Experience Studio, 2,087 at <i>Sumai-no-Yume-Kojo</i> (large-scale experiment-based facilities) 2,087 and 37 at Interactive Museum of Homebuilding. Workplace visits and teacher dispatch programs were held on 61 occasions attracting a total audience of 1,885. 7 classes were held at <i>Shin-Satoyama</i> for elementary and kindergarten students with a total of 345 participants. The Homebuilding Experience Program received a total of 340 college students from 16 universities. Special seminar programs were also held on energy conservation in everyday life, ecosystem preservation and resource recycling.	A	Further enhance educational initiatives through hands-on learning and other facilities, and expand workplace visits and teacher dispatch programs.
Contribution to Society	Increase the activity level of social contribution programs through information sharing, while eliminating discrepancies between business offices	Social initiatives in local communities were expanded and the number of volunteer projects nationwide was increased. Conducted 4,242 volunteer projects with 15,851 total participants. Employees donated ¥2.14 million for various disaster relief programs. Donations received at charity and other events totaled ¥2.82 million. ¥640 thousand in equivalent foreign currency was donated at the Children's Day Charity.	A	Increase the activity level of social contribution programs through improved information sharing and dissemination.
	Donate ¥16.32 million to 21 separate organizations during the fourth round of the Sekisui House Matching Program. Communicate donation activities more effectively to both internal and external stakeholders and increase employee awareness regarding these organizations and their activities.	Improved visibility of the Sekisui House Matching Program, with registered members now totaling 1,700. Increased grant aid, the number of organizations receiving aid and the number of applications accepted. Fourth round grant aid totaled ¥16.32 million, which was disbursed to 21 organizations, while 113 programs applied for the 5th round grant aid.	A	Disburse ¥17.83 million to 30 organizations for the fifth round of grant aid. Strengthen public relations activities to promote employee understanding and participation.

A...Achieved target; B...Did not achieve but came close to target; C...Unable to make improvements toward achieving target

# Environmental Targets and Actual Performance

## Summary and Outlook

In 2009, our eco-friendly Green First line of homes, launched in March, made great strides in market penetration underpinned by government subsidies for fuel cell and PV systems and the start of an energy buyback program. I am convinced that our reputation as a company and brand that values the environment has grown considerably, based on this and our increased marketing of PV solutions, the launch of our own rebate program, the introduction of various sales and marketing initiatives and company-wide training programs. In addition, we view the announcement by the recently elected Democratic Party of Japan-led administration setting the ambitious target of cutting Japan's greenhouse gas emissions by 25% from 1990 levels by the year 2020 as a major business opportunity that will act as the driving force for our business development initiatives over the mid- to long-term.

I believe our mission as a leading eco-first homebuilder is to accelerate the market penetration of our environmental technologies cultivated through our R&D activities and

professional experience. Fiscal 2009 was a busy year in terms of our environmental initiatives, as we recorded the most sales fuel cell systems for the home of any homebuilder in Japan, constructed the first model home featuring all LED lighting solutions, and made preparations for the nationwide launch of our IC tag-based next generation zero emissions system aimed.

In addition, with the 10th Conference of the Parties to the Convention on Biological Diversity (COP10) to be held for the first time in Japan in October 2010, corporate Japan has seen a surge in interest in biodiversity-friendly corporate management practices. As a result, we have also come under the spotlight for our biodiversity initiatives, including our proprietary Wood Procurement Guidelines.

In marking the 50th anniversary since our founding later this year, we will position our environmental initiatives as the core of our corporate growth strategy going forward, and will work toward building a more sustainable society by providing our customers with greater comfort eco-friendly homes.



**Tetsuo Iku**  
Director, Managing Officer  
in charge of Environmental  
Initiatives

### ECO FIRST Commitment 1. Reduce CO<sub>2</sub> emissions in both the construction and occupancy of our buildings

Category	Fiscal 2009 Target	Results	Commentary	Score	Fiscal 2010 Target
Reducing Home CO <sub>2</sub> Emissions	Orders for 3,000 PV systems for detached houses and 300 for low-rise apartment buildings, with total output equivalent to 15,200kW	Received orders for 7,030 PV systems for detached houses and 371 low-rise apartment building.	Sales of our Green First line of homes featuring PV systems were buoyed in fiscal 2009 by various government subsidy programs and a review of the energy buyback system. In fiscal 2010, we will seek to further boost sales for PV systems by expanding sales of our proprietary roof tile PV system.	A	Orders for 10,000 PV systems for detached houses
	Increase rate of all-electric homes using high-efficiency water heaters to 90%	Increased the rate of all-electric homes using high-efficiency water heaters to 94%	Based on expanded sales of our Green First line of homes and the increased penetration of Eco-Cute units, the rate of all-electric homes using high-efficiency water heaters has nearly reached 100%.	A	—
	Orders for 1,000 <i>ENE FARM</i> fuel cell systems	Received orders for 1,222 <i>ENE FARM</i> fuel cell systems	We posted the largest number of <i>ENE FARM</i> orders of any homebuilder in Japan underpinned by expanded sales of Green First homes and government subsidy programs. We will continue to spur demand for fuel cell systems through sales of our Green First line of homes with the hope of further reducing homeowners' CO <sub>2</sub> emissions footprint.	A	Sales of 2,400 <i>ENE FARM</i> fuel cell systems
	Reexamine key internal initiatives for the promotion of eco-friendly remodeling solutions in existing detached houses	<ul style="list-style-type: none"> <li>Updated 36,288m<sup>2</sup> of window and door insulation</li> <li>Installed high-efficiency water heaters in 3,447 homes.</li> <li>Installed PV systems in 718 homes</li> <li>Sold 3,362 sets of energy efficient bath fixtures</li> </ul>	We exceeded fiscal 2008 results for window and door insulation updates, PV system and high-efficiency water heater installations as well as sales of energy-efficient bath fixtures. We have also made heat-insulated bathtubs and bathrooms, water faucets with thermostat and hand-held showerheads all standard for energy-efficient remodeling projects	A	<ul style="list-style-type: none"> <li>Increase window and door insulation updates to 80,618 m<sup>2</sup></li> <li>Install high-efficiency water heaters in 4,500 homes</li> <li>Install PV systems in 2,000 homes</li> <li>Sell 4,000 sets of energy efficient bath fixtures</li> </ul>

### ECO FIRST Commitment 2. Promote ecological networks and biodiversity revitalization

Category	Fiscal 2009 Target	Results	Commentary	Score	Fiscal 2010 Target
Reduce Impact on Ecosystems during Procurement	Reduce the sourcing of C-rank wood products	Reduced C-rank procurement from 32% to 22% of total wood products	We were able to reduce the amount of C-rank lumber products backed by the cooperation of many of our suppliers. The increased availability of product information has also been another factor that has helped to increase the amount of higher ranked wood products. We were also able to increase the amount of domestically sourced wood materials in fiscal 2009. We will continue to promote and follow our FairWood procurement guidelines.	A	Increase procurement of S-rank and further reduce sourcing of C-rank wood products
Preservation of Ecosystems through Landscaping	Plant 1 million trees	Planted 710,000 trees	We experienced some difficulty in increasing the number of trees planted in fiscal 2009 because of the impact on our landscaping business from the downturn in the housing market in Japan. Although the number of trees planted fell from 850,000 in fiscal 2008 to 710,000 in fiscal 2009, we have begun to see an upswing in orders and so will continue to promote the advantages of landscaping and tree planting during the sales process.	C	Plant 1 million trees

A...Achieved target; B...Did not achieve but came close to target; C...Unable to make improvements toward achieving target



### Commitment 3. Promote active resource recycling

Category	Fiscal 2009 Target	Results	Commentary	Score	Fiscal 2010 Target
Recycling at Factories and Construction Sites	Reduce manufacturing related waste by 3% of 2008 levels	Achieved 1% reduction	Changes made in manufacturing processes at our factories resulted in only a minimal reduction in manufacturing-related waste. However, we will continue our factory waste reduction initiatives to improve yield in fiscal 2010 and beyond. (Separate targets have been set for factory waste and construction site waste.)	B	Reduce manufacturing related waste by 3% of 2009 levels
	Achieve 100% operations under the electronic manifest system during fiscal 2010	Began partial operations under the electronic manifest system and moved forward with preparations for the launch of full-scale operations	In August 2009, we launched linked operations with the electronic manifest system and our Gurutto Mail internal system under Regional Certification for the tracking of construction waste from site to our Resource Management Center. Arrangements are currently being made for the monitoring of construction waste as it transits from our Resource Management Center to our disposal partners. We plan to achieve full system operations for demolition-related construction waste in fiscal 2010, having held briefing sessions and conducted registration of partner companies in fiscal 2009. We are currently taking steps to ensure full system operations in fiscal 2010 for factory waste transiting for final disposal by our partners as well. (some factories already have fully operational systems in place)	A	Achieve full-scale operations under the electronic manifest system
	Reduce construction waste at new build construction sites to 1,300kg per house	Construction waste at new build construction sites totaled 1,323kg per house	Construction waste reduction efforts progressed regionally in line with the target. The launch of our new IC tag-based construction waste management system will enable more precise understanding of waste volumes and enhanced management practices, streamlining and improving our construction waste reduction efforts going forward.	A	Reduce construction waste at new build construction sites to 1,200kg per house
	Review the cost-effectiveness of implementing the IC tag-based waste collection and disposal system	Made projections for cost and effectiveness	Data for waste volumes was collected, analyzed and evaluated, while trials were also conducted for our electronic manifest system. After reviewing required costs, we have decided to implement the system nationwide in fiscal 2010.	A	Launch the IC tag-based construction waste collection and management system nationwide

A...Achieved target; B...Did not achieve but came close to target; C...Unable to make improvements toward achieving target

# Third Party Review

Each year Sekisui House orders a third party review of its sustainability report under the AccountAbility AA1000 Assurance Standard principles. The third party review for the Sustainability Report 2010 was conducted by The Natural Step Japan.

Sekisui House, Ltd.

April 2010

## Third Party Review

Sachiko Takami

Representative  
The Natural Step Japan



The Natural Step Japan (below "TNS") was consigned by Sekisui House, Ltd. to conduct a third party assurance review of its environmental and social initiatives as outlined in its Sustainability Report 2010 under AccountAbility AA1000 Assurance Standard principles.

TNS conducted its evaluation independently of Sekisui House in fair and equitable standing with Sekisui House stakeholders. As an experienced third party assurance review provider having worked with Sekisui House each year since 2004, TNS's responsibility is to conduct a review and evaluation under the predefined scope of statements and information collected according to the below evaluation process. All statements and information appearing in the Sekisui House Sustainability Report 2010 are the sole responsibility of Sekisui House. The following assurance review report provided by TNS is addressed to both Sekisui House management and Sekisui House stakeholders.

### Summary

The Sekisui House Sustainability Report 2010 provides an accurate summary of the materiality, performances, challenges and commitments of Sekisui House environmental and social initiatives in 2009. Sekisui House responds adequately to the concerns of its stakeholders.

#### Evaluation Procedures

The evaluation and review of Sekisui House materiality and measures were conducted according to the following methods, standards and criterion.

#### Evaluation Process

- We reviewed the process flows important to the company and the impact of product and service usage. We also conducted an analysis using TNS Sustainability Analysis methods\*1 to assess whether the company responds to reform flexibly, constantly develops its competencies, or links its strategy, vision and policy with targets and performance.
- We conducted a review of the information found in the Sustainability Report 2010, incorporating internationally recognized AccountAbility AA1000 Assurance Standard principles\*2 (Inclusivity, Materiality, Responsiveness).
- We conducted interviews involving Sekisui House Chairman & CEO, President & COO and related departments concerning all aspects of the drafting process for the Sustainability Report 2010 to answer the questions outlined below. A review and evaluation was also conducted of the Sekisui House Sustainability Report 2009 and the Internet version, the draft version of the Sustainability Report 2010, and the Green First and Sekisui House Comprehensive Housing R&D Institute brochures.

All statements and information appearing in the above-mentioned reports and brochures are the sole responsibility of Sekisui House.

\*1 Detailed information regarding TNS Sustainability Analysis methods can be found at:  
<http://www.tnsj.org>

\*2 Detailed information regarding AA1000 Assurance Standard principles can be found at:  
<http://www.accountability.org.uk>

- Assurance services provided by TNS are limited to the evaluation and review of related documents and interviews only, and no reviews have been conducted regarding the authenticity of information provided in related documents or interviews. The medium degree of AA1000 Assurance Standards was used for this review.

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## Conclusions

### 1. Inclusivity

**Is Sekisui House committed to its sustainability responsibilities toward significant stakeholders? Does Sekisui House include the viewpoints of its stakeholders in its strategic sustainability measures? Has Sekisui House cultivated the necessary competencies and processes to include stakeholders' views?**

Sekisui House is committed to its sustainability responsibilities toward significant stakeholders, including customers, employees, suppliers, NGOs and local communities. Sekisui House is making efforts to include the viewpoints of these stakeholders in its strategic sustainability measures through seminars, training programs, cooperation and dialogue. However, the achievement of work-life balance, development of improved working environments for female employees continue to represent social issues facing all of Japan and cannot be resolved by any one company alone. More dialogue is hence necessary with the media as well as national and local governments. Sekisui House competencies and processes covering these areas are considered to be future challenges.

### 2. Materiality

**Is materiality understandable and addressed from a well-balanced perspective in the Sustainability Report 2010? Is there a process in place to determine what materiality is? If so, is that process accurate?**

The Sustainability Report 2010 includes Sekisui House materiality as well as information on materiality from a well-balance perspective. An accurate process has been established for determining materiality, with required competencies for defining materiality provided by the CSR Committee, CSR Office and Environment Division. We evaluate that Sekisui House is aware of its responsibility to prevent global warming and materiality as a leading housing company. We think Sekisui House's commitment to Green First eco-friendly homes featuring fuel cell technology and active participation in the Ministry of the Environment of Japan's Challenge 25 Campaign, as well as corresponding links from these initiatives to management policy, prove its awareness.

### 3. Responsiveness

**Does Sekisui House address stakeholder concerns sufficiently? Does the Sustainability Report 2010 attempt to communicate the most important stakeholder concerns and in timely manner?**

Sekisui House sufficiently responds to the most important stakeholder concerns using five feature segments: global warming prevention, biodiversity conservation, building a recycling-oriented society, ensuring safe and secure homebuilding, and enriched community building. In this as well as future sustainability reports, however, we expect Sekisui House to communicate more clearly regarding its renewable energy solutions, measures to reduce chemical exposure levels in homes, plans to expand use of domestically sourced lumber and consideration for the work-life balance of its employees, since these societal issues represent common, meaningful challenges.

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## Performance

Sekisui House has achieved the following results in the areas of the environment and society.

### The Environment

- Greatly exceeded its sales targets for photovoltaic power generation systems (PV system), with over 60% of detached home orders featuring PV systems at the end of the fiscal year.
- Launched trial experiments for smart homes that feature fuel cell, PV and storage cell system technologies.
- Began offering energy-conscious remodeling for non-Sekisui House built detached homes.
- Launched sales of Chemicare homes that enhance air quality.
- Increased the sourcing of domestic lumber to 15% of total lumber procurement.

### Society

- Distributed the Human Relations Training handbook to all employees and group companies and conducted related training programs.
- Public visitors to the Zero Emissions Center totaled 26,156.
- Conducted homeowner-led Biodiversity Survey, ecosystem extension classes at elementary schools and teacher training programs.
- Recognized as the top company in Japan based on a nationwide survey of CSR initiatives of 100 companies, among several other awards and recognitions.

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## Future Challenges

Compared to its international peers, Sekisui House has engaged in a variety of unique stakeholder-inclusive CSR initiatives. Going forward, we anticipate that Sekisui House can leverage these strengths as it expands operations internationally to become a leading company globally.