

Researchers and Consumers Working Together to Develop New Housing Concepts

For a sustainable future, R&D focused on ways of living and environmentally friendly technologies make it possible for residents to enjoy safe, secure, and comfortable lives, which is the duty of a housing company. The Company listens to consumers' opinions and applies the home-building expertise it has developed over many years. Its R&D endeavors are aimed at producing advanced energy-saving technologies and systems and new concepts for ways of living and housing that promote coexistence with nature.

Comprehensive Housing R&D Institute: Investigating, researching, and evaluating daily life and residential environments

Sekisui House's Comprehensive Housing R&D Institute in Kizugawa, Kyoto Prefecture, consists of the Technology R&D Institute, the Human Life R&D Institute, and the *Home Amenities Experience Studio*. All three perform R&D and functional evaluations on next-generation housing and share their results.

The *Home Amenities Experience Studio*, through approaches



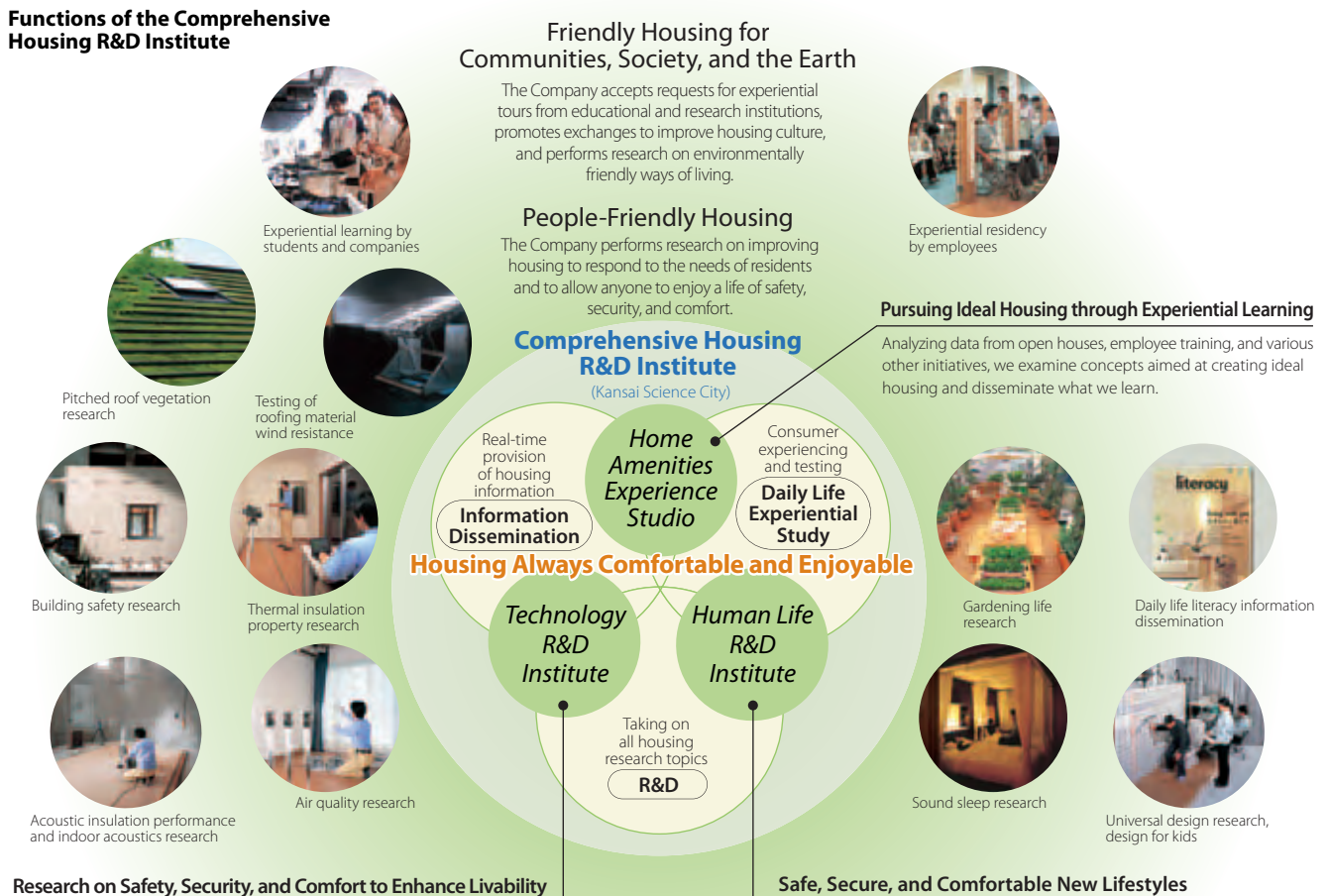
including experiential learning and dissemination of information on new housing ideas, is also a place where consumers and researchers can discuss what housing should be in the future.

New materials, techniques, and systems that enhance housing value

In fiscal 2008, the Comprehensive Housing R&D Institute pursued R&D initiatives, including housing safety and security, comfort, and sustainability. For example, housing safety and security research focused on fire-detection technology aimed at early detection and investigated losses incurred by residential burglaries. Housing comfort research, meanwhile, examined the use of ceiling vibration dampers to improve acoustic insulation for floors.

In the area of housing sustainability, research efforts focused on the use of *Racomitrium Bridel*, which requires little care, if any, and adds vegetation to the pitched roof of an experimental house. The researchers examined the housing design, installation of *Racomitrium Bridel*, and other aspects of this technology. This work studied the viability of *Racomitrium Bridel* as an option for the north-facing roof vegetation of *Zero Emission House* and the effectiveness of this approach in offsetting the heat island effect and thereby lowering summertime indoor temperatures.

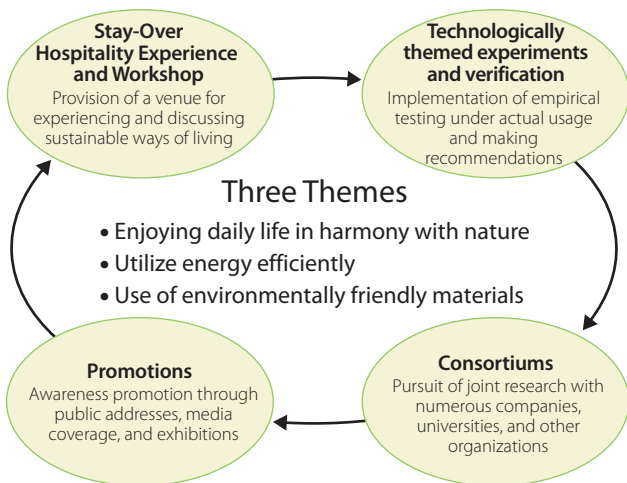
Functions of the Comprehensive Housing R&D Institute



The Sustainable Design Laboratory for recycling-oriented research on future housing

The *Sustainable Design Laboratory* in Kunitachi, Tokyo, is dedicated to the study of daily life activities that incorporate urban nature and are friendly to the environment. This laboratory explores daily life activities that build on traditional Japanese ways of living and adjust to the changing seasons. The laboratory consists of the *Sustainable Living Laboratory* and the *Waigaya Laboratory* and pursues research under three themes: enjoying daily life in harmony with nature, efficient energy usage, and use of environmentally friendly materials. The laboratory suggests different ways of living that incorporate new-concept space designs and seasonal adjustments.

As one of the few housing industry's facilities open to the public, the *Sustainable Design Laboratory* has welcomed 2,412 visitors since opening in 2006.



Sustainable Design Laboratory functions



Sustainable Design Laboratory



SD LAB COMMUNICATION, a quarterly magazine providing information on sustainable housing and ways of living



"Usage of Soil, Grass, and Wood for Building Private Homes" seminars held at the *Waigaya Laboratory*



Joint experiment with the Shibaura Institute of Technology to examine the benefits of veranda spaces



Workshop attended by 40 parents and children

Air Quality (Chemical-less Care) Standards for lowering indoor chemical substance emissions

Since 1990, the Company has been a leader in initiating measures to address problems associated with formaldehyde. We have developed technology for measuring and evaluating indoor pollution levels, endeavored to identify and evaluate the pollution amounts of each construction material, and worked to improve overall building standards.

We formulated chemical substance emission standards for construction materials (Chemical-less Care Standards) in 2004 and have worked to reduce emissions based on our Chemical-less Care Substances Guidelines. In recognition of our efforts, our Chemical-less Care Standards earned the second annual "Kids Design Award" (Product design category) in 2008.



Chemical-less Care construction materials
The Company uses wall and ceiling materials that absorb formaldehyde and lines closets with formaldehyde-absorbing gypsum board.



Amenity Ventilation System II
The cyclone unit and high-performance filter supply clean air to indoor spaces.



"Chemi-less Town[®]" Project
The Company is participating in the "Chemi-less Town[®] Project" in Kashiwa, Chiba Prefecture. The purpose of this project, which involves Chiba University and five housing makers, is to lower the use of chemicals in housing construction.



An illustrated book explaining the positive and negative aspects of chemical substances.

*"Chemi-less Town[®]" is a registered trademark of the Center of Environmental Health Science for Future Generations.

Joint Research Project with MIT

In July 2008, Sekisui House embarked on a joint research project with Massachusetts Institute of Technology (MIT) in the U.S. For the MIT Advanced Japan Design Workshop, the participating teams consisted of young Sekisui House engineers and MIT graduate students. These teams will spend two years working under the guidance of MIT professors, identifying issues related to falling birthrates, societal aging and population declines, environmental problems, and community destruction. They will perform research on sustainable community designs and ideal housing from a global perspective.



Fiscal 2008 final presentation at MIT

CSR Policy and Structure

Sekisui House and Sekisui House Group companies conduct business based on a corporate philosophy founded on *Love of humanity* and the desire to earn the trust and understanding of society. With CSR as a management fundamental, we are fulfilling our responsibilities to our stakeholders.

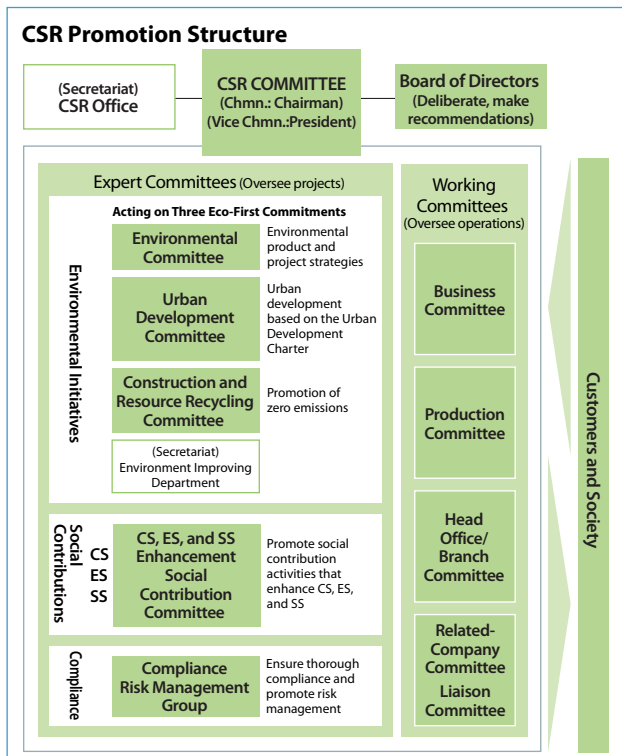
CSR policy

In 1989, we formulated a corporate philosophy centered on the theme of *Love of humanity*. In formulating this philosophy, we received input from our workforce, and we have a vision of sustainability as our goal. Through our CSR program, we seek to raise corporate awareness and to be recognized as a trusted corporate citizen by stakeholders.

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

CSR committee and CSR promotion structure

The CSR Committee meets every three months, led by the Chairman and CEO, and has 23 internal committee members (all of the internal directors and some of the corporate officers), as well as three external committee members accomplished in their respective fields. With the input of third-party members, this committee enhances the Group's CSR initiatives by setting new directions for activities while assessing the conformity of the Company's present activities with societal norms and expectations. As determined by the CSR committee, the CSR promotion structure is as shown below.

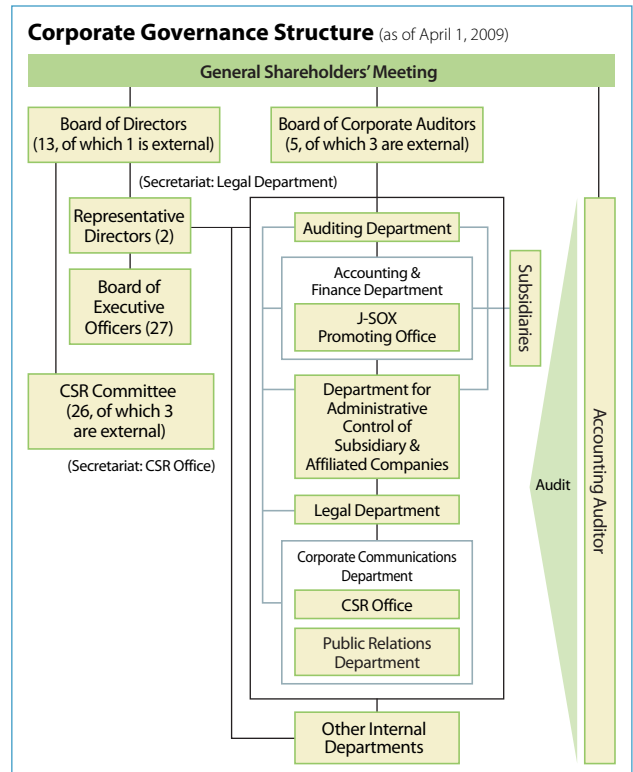


Corporate governance and internal control system

To ensure solid stakeholder support, we have 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 is as shown below.

As part of our Internal Control System, we have established 10 basic policies, including one calling for the establishment of a system to ensure that Board members are performing their duties in accordance with national laws and Company bylaws, based on the Basic Policy Concerning the Development of an Internal Control System passed by the Board of Directors in May 2006. These basic policies serve as the foundation for our efforts to implement systems and ensure that they operate properly.

The J-SOX Promoting Office established within the Accounting & Finance Department will confirm strict groupwide compliance with, and enforcement of, the internal controls required by the Financial Products Exchange Law, which takes effect in the fiscal year ending in January 2010.



Compliance promotion

■ Ideas on compliance

Viewing compliance as not only acting in accordance with laws and regulations but also paying constant attention to CSR, we have positioned compliance as an ongoing management concern. Accordingly, we have established the Compliance Risk Management Group under the CSR Committee and are working to train employees on related matters.

Working Committees head up efforts to resolve compliance promotion issues, while the managers throughout the country lead by example in resolving compliance issues.

■ Compliance promotion activities

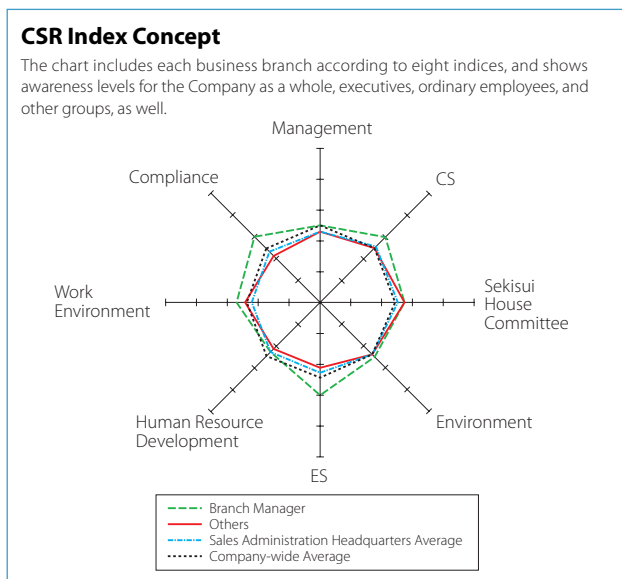
The Company has established a compliance education system and is conducting group-wide training by job level and role, so that executives and employees can work to promote and ensure compliance.

In fiscal 2005, we designated every October as a time for focusing on enhancing compliance (corporate ethics) and, since fiscal 2006, have required all employees to annually submit a "Corporate Ethics Compliance Pledge" and "Pledge to Help Stop Drunk Driving." We also implemented e-learning on related topics in fiscal 2006.

Sekisui House offices throughout Japan engage in readings of our Corporate Philosophy Booklet, discuss case studies, and prepare their own code of conduct.

■ Compliance awareness survey

We began conducting the Compliance Awareness Survey in fiscal 2005 to quantitatively measure awareness levels and degrees of understanding and to establish indicators for compliance promotion activities. Survey results are used to create a CSR Index (a management tool) for individual offices on an ongoing basis.



■ Internal reporting system and whistleblower protection

In August 2001, the Company established the SCS SYSTEM (Sekisui House Group Corporate Ethics Helpline). This internal reporting system helps to ensure employees are aware of violations of the law or corporate ethics.

The guidelines for this system include clear statements on the protection of the privacy of a whistleblower, the confidentiality of a report, prohibitions against retaliation against whistleblowers, and other matters.

■ Protection of personal information

We collect customers' personal information at display homes, sales offices, and other locations. We, therefore, have developed systems to meet the requirements of the Personal Information Protection Law and have appointed an executive to be responsible for the protection of personal information. In March 2005, we created our Guidelines for Handling Customer Information and established the full-time Customer Personal Information Management Office within the CS Promoting Department. This office considers policies and steps for protecting personal information, develops security measures, conducts employee training, and performs audits.

In employee training, the office distributed a guidebook in fiscal 2005. The office conducted new e-learning training for all employees in fiscal 2008.

Compliance and risk management

Sekisui House's risk management efforts are handled by the Compliance Risk Management Group, operating under the CSR Committee. Group companies cover risk management when training personnel at partnering construction companies.

We produce all prefabricated structural components. At the construction sites, our subsidiaries, Sekiwa Construction companies, and partnering construction companies, work with us to make sure construction is properly managed.

Regarding the environment, we have reduced risks by, for example, building a system for tightly managing construction waste. We have also identified risks related to soil contamination, natural disasters and other factors, and are putting into place systems to control them.

Social Targets and Actual Performance



Hidehiro Yamaguchi
Executive Officer and
Head of Corporate
Communications
Department

Summary and outlook

Maintaining sound business operations requires more than simply imposing stricter internal rules and punishments. It is important to create an autonomous, self-checking organization characterized by strong communications.

In fiscal 2008, we worked to increase overall awareness by again conducting our Compliance Awareness Survey and examining multiyear trends. We have also developed standard multi-perspective, objective measures of office-level CSR activities and will continue to provide feedback to each business office. Sekisui House has positioned its Sustainability Report, which is presented by our CEO in addresses outside the Company and key to other such purposes, as a core educational tool.

In the lead-up to the 50th anniversary of our founding in 2010, we hope Sekisui House employees individually return to the Corporate Philosophy and the Code of Conduct, which connect us directly to our identity at the time of our founding and the conceptual foundation of our CSR activities, and approach their work proactively.

CSR policy and framework

	FY2008 target	Fiscal 2008 Results and Commentary	Evaluation	FY2009 target
CSR promotion system and penetration	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.	Evaluated initiatives from multiple perspectives and provided feedback to each business office. Improvement activities were based on reducing gaps in activity levels of each business office.	A	Use the CSR Index and targets and results for each business office to accelerate the PDCA cycle. Raise the level of initiatives from the bottom up and foster development.
Compliance and management	Pursue measures that promote the development of workplaces where people are free to exercise their capabilities and where human rights violations do not occur, are not encouraged, and are not tolerated.	Held training sessions to improve the skills of employees responsible for sexual harassment and abuse of authority consultation services at all offices.	A	Promote the development of workplaces where people are free to exercise their capabilities, and where human rights violations do not occur.
	Built up internal control system	Creation of the Internal Control System, with full-scale operation, scheduled to begin in fiscal 2009. Strengthening risk management remains an issue.	B	Bring the Internal Control System fully up to speed and continue building risk management systems.
Communication with society	Hold forums and create other opportunities for dialogues with stakeholders.	Hosted workshops, and opinion-exchange gatherings at the <i>Sustainable Design Laboratory</i> , drawing participation from 2,412. Received 2,589 external visitors to the Zero Emissions Center. Used the Sustainability Report as a centerpiece of opinion-exchange meetings.	B	Continue to hold forums. Create opinion-exchange gatherings centered on the Sustainability Report, and offer other opportunities for dialogue with stakeholders.

For our customers

	FY2008 target	Fiscal 2008 Results and Commentary	Evaluation	FY2009 target
To improve customer satisfaction	Further strengthen communications with owners through all kinds of channels.	Began issuing a regular newsletter and conducting surveys of owners. Analyzed survey results and applied them in making improvements. Focused on referral rate as an indicator of customer satisfaction and noted a slight increase versus the prior year (0.6% increase to 47.8%).	A	Strengthen communications with owners through Internet, magazine, and other channels. Increase the referral rate versus fiscal 2008.
Realization of a sustainable society and long-life housing	Expand EVERLOOP—repurchase of housing sold by the Company for reusing purposes.	Purchased 125 houses (31 more than in fiscal 2007).	A	Expand EVERLOOP business, focus on effective resource usage and extending the lifespans of houses, and help form a market for revitalized houses.
	Strengthen remodeling business by concentrating on customer follow-up and cost-cutting.	Active recommendation of energy-conservation remodeling plans increased remodeling work (1.7% annual increase to ¥47.07 billion).	A	Expand remodeling business by entering the market for remodeling wood-frame houses. Recommend environmentally conscious remodeling plans.
Construction of reliable, safe and comfortable houses	Develop innovative experiential learning facilities in multiple locations.	Visitors to experiential learning facilities numbered 30,266 at the <i>Home Amenities Experience Studio</i> , 73,150 at the <i>Large Scale Experience-based Facilities</i> , and 13,495 at other facilities.	A	Establish <i>Kansai Large Scale Experience-based facilities</i> and take other measures to enhance innovative experiential learning facilities in multiple locations.
Community formation and local culture succession	Create good quality communities and implement <i>Machinami Sankan-bi</i> , beauty that blooms with time, as a theme.	Made 1,121 buildings in 131 complexes available for two <i>Machinami Sankan-bi</i> (community visit days) events in April and October.	A	Create good-quality communities and implement <i>Machinami Sankan-bi</i> , beauty that blooms with time, as a theme.

For employees

	FY2008 target	Fiscal 2008 Results and Commentary	Evaluation	FY2009 target
For employees	Further promote career development for women.	<ul style="list-style-type: none"> Implemented flexible responses to the needs of female sales staff regarding marriage, childbirth, and childcare. Responses are based on discussions with employees and Diversity Development Team leaders. Implemented training and study sessions for exhibition reception staff in all divisions to enhance motivation, skills, and network building. 	B	Promote career development for women. <ul style="list-style-type: none"> 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. Promote motivation and skills of sales staff.
	Promote diversity in human resources	6 employees used the Work Category Transfer System to change to career track. 4 employees returned to work through the Retiree Reinstatement Registration Policy. 120 employees applied for positions in one project through the Human Resources Recruiting System, and 12 successfully landed new positions. As of February 2009, the employment rate of the physically and mentally challenged was at 1.77%.	B	Make best use of a variety of human resources <ul style="list-style-type: none"> Improve work category transfer system. Continue the Retiree Reinstatement Registration Policy. Continue internal Human Resources Recruiting System. Promote employment of disabled persons and ensure compliance with employee ratios required by law.
	Support a variety of work styles and work-life balance	Prepared supervisor guidelines on considering the work-related needs of pregnant employees. An increase in users, including men taking child-care leave. Improved systems to help bring about appropriate working hours.	B	Support a variety of work styles and work-life balance <ul style="list-style-type: none"> Formulate and gain acceptance of systems for promoting a healthy work-life balance. Build highly productive work environments overflowing with vitality.
	Promote workplace safety and health	Industrial accidents: 52 (down 12 from the previous year), commuting accidents: 11 (down 9). 53,532 attended construction safety and health education. Held mental health trainings (32 sessions for 836 young employees and 88 leaders.)	A	Promote workplace safety and health <ul style="list-style-type: none"> Promote safety activities and disaster prevention activities. Conduct mental health training for all employees.

For shareholders and the community

	FY2008 target	Fiscal 2008 Results and Commentary	Evaluation	FY2009 target
For the Shareholders	Keep annual dividends stable at ¥24 per share and implement increases as necessary to maintain a dividend payout ratio of 30% or more.	In fiscal 2008, kept the annual dividend at ¥24 per share. Helped to promote long-term shareholding and increase the attractiveness of the Company's shares by maintaining shareholder special benefits.	A	Distribute an annual dividend of ¥20 per share, taking into account market conditions and economic recovery in fiscal 2009. Achieve a medium-term dividend payout ratio of at least 40%.
Improvement of Housing Culture/ Supporting Education	Effectively use our facilities and know-how, together with Internet and other media, to focus on improving housing culture.	Held 11 Housing School Open Seminars for a total of 825 people, 24 Housing School Commitment Seminars for a total of 115 people, and 75 Housing School - Office Seminars for a total of 3,971 people. 2,346 people visited Sumai no toshokan, Ltd. (Housing Library, Ltd.). Published issue number 102 of <i>Sumaigaku Taikai</i> originally.	A	As a company open to local communities, use our facilities and know-how to focus on improving housing culture.
	Further enhance education contribution activities utilizing experiential learning and other facilities. Create curriculum menus and accept more requests for course instructors and workplace experience opportunities.	Student visitors numbered 5,202 for the <i>Home Amenities Experience Studio</i> , 2,022 for the Large Scale Experience-based Facilities, and 213 for the other facility. Workplace experience and instructor dispatch requests numbered 85 for 1,680 students. 6 primary school and kindergarten classes were held for 314 students in <i>Shin-Satoyama</i> , biodiversity project. Experience programs about housing and life were held at 14 universities and attended by 388 students.	A	Enhance education contribution activities through experiential learning and other facilities. Create curriculums accordingly.
Contribution to Society	Enhance the sharing and content of social contribution activity information.	21,881 employees participated in 4,194 volunteer events. Employees contributed over ¥6.5 million in disaster and other relief funds, over ¥4 million to charity events, and ¥950,000 in foreign currency to Children's Day charity for UNICEF.	A	Enhance the sharing and content of social contribution activity information.
	Pursue internal and external PR activities for the Sekisui House Matching Program and promote employee understanding and participation in activities.	The Sekisui House Matching Program and boosted membership to 1,971 employees. In the third distribution round, over ¥8.8 million was provided to 12 NPOs organizations.	A	For the fourth distribution round, over ¥16.3 million is scheduled for distribution to 21 organizations.

Criteria for self-evaluation: A...Achieved numeric target for the year under review; B...Did not achieve but came close to target; C...Unable to improve toward target

Environmental Targets and Actual Performance

Summary and outlook

Sekisui House's pioneering environmental protection activities, such as the sale of *Carbon Neutral House* were recognized when the Ministry of the Environment certified the Company as an Eco-First Company. We displayed our near-future *Zero Emission House* at the G8 Toyako Summit, as requested by the Ministry of Economy, Trade and Industry, to very positive feedback and strong praise from both Japanese and foreign observers. Furthermore, through communication and cooperation with our suppliers we are making steady progress toward a sustainable society.

As a leader in the development of activities focused on the *Gohon no ki* gardening concept and other biodiversity-friendly initiatives and a prominent member of the housing industry, the Company advances CO₂ reduction and resource recycling initiatives, and is moving forward with activities to protect biodiversity.



Yoshimoto Nakamura
Executive Officer and
Head of Environment
Improving Department

ECO FIRST Commitment 1. Actively promoting the reduction of CO₂ emissions in both the construction and occupancy of our buildings

Category	FY2008 target	Results	Comment	Evaluation	FY2009 target
Reduction of CO ₂ from occupancy of housing	Newly installed photovoltaic power generation systems output: 8,000kW	7,736kW (2,071 units)	The Company succeeded in approximately doubling its performance in this regard, versus fiscal 2007. In fiscal 2009, we will work to further the adoption of photovoltaic power generation systems by expanding sales of <i>Carbon Neutral Houses</i> .	B	Detached houses: 5,000 units Low-rise apartments: 300 units (Totaled equivalent detached houses: 6,000 units, or about 22,800kW)
	Adoption ratio of high-efficiency hot-water supply systems at all-electric houses: 70%	74.1%	Though <i>Eco-Cute</i> adoption rates in all-electric houses had varied by locale, increased adoption in areas where rates had been low making it possible to achieve the target.	A	90%
	Promotion of fuel cell system adoption in houses using gas and electricity	Fuel cell system installations: 45 houses (units)	In fiscal 2009, through <i>Green First</i> sales promotions we will advance the adoption of fuel cell system.	A	1,000 houses (units)
	Promotion of energy-conservation remodeling of existing houses	Window insulation improvement area: 33,480m ² High-efficiency hot-water supply system installations: 2,748 units Photovoltaic power generation system installations: 68 units	Upgrading window insulation alone was insufficient for achieving the target, but the combination of the measures noted above resulted in performance in excess of the prior year result.	A	Revision of highest priorities
Reduction in CO ₂ from business activities and production	Reduction of CO ₂ emissions from the factory production of housing 2% compared to the level for fiscal 2006 (Per m ² of shipments)	4.8% reduction	CO ₂ emissions per m ² of product shipments were reduced 4.8% compared to the benchmark fiscal 2006 figure of 10.25kg-CO ₂ /m ² , achieving the target.	A	CO ₂ emission reduction of 3.5% for factory production (including transportation) compared to fiscal 2006
	Reduction of CO ₂ emissions from the transport of housing components by 2% compared to the level for fiscal 2006 (Waste estimated per m ² of shipments)	2.1% increase	Lower loading efficiency resulted in a 2.1% increase, to 5.93kg-CO ₂ /m ² , in transport-related CO ₂ emissions per m ² of product shipments, compared to the benchmark fiscal 2006 figure of 5.81kg-CO ₂ /m ² . Loading efficiency will be examined to achieve an improvement in fiscal 2009.	C	

ECO FIRST Commitment 2. Actively promoting ecological networks and biodiversity revitalization

Category	FY2008 target	Results	Comment	Evaluation	FY2009 target
Low impact of eco-friendly when procuring materials	Revise floor plank material specifications to help raise the procurement level for wood products	Raised the procurement level by changing the substrate for flooring materials	Requested the principal flooring material suppliers to change the flooring substrate, which is acquired in large quantities. Gradual conversion to certified materials and different tree species for flooring substrates began in fall of 2008.	A	Eliminate low-procurement-rank wood materials
Eco-friendly through planting	1 million trees for a year	850,000 trees for a year	Planted 850,000 trees in the year. The prior-year result of 800,000 trees was surpassed. In fiscal 2008, an average of 55 trees were planted for each house, 7 more than in fiscal 2007.	B	1 million trees for a year

ECO FIRST Commitment 3. Actively promoting implementation of resource recycling

Category	FY2008 target	Results	Comment	Evaluation	FY2009 target
Resource recycling in production and construction	Reduction of factory waste and waste* from new house construction sites by 20% compared to the level for fiscal 2004 * Including valuable resources	4.8% reduction	Waste per m ² of product shipments was reduced 4.8%, to 18.36kg/m ² , compared to the benchmark fiscal 2004 figure of 19.29kg/m ² , achieving the target.	C	Strengthen ties between the production unit and offices to promote waste reduction
	Adoption and use of electronic manifests (New target set in fiscal 2008)	System construction and application preparations in progress	Adoption on a test basis is underway at sales offices, Sekiwa Construction, and factories, as system construction and application preparations proceed.	N/A	Achieve 100% adoption of electronic manifests during fiscal 2010
	Introduction of Material Flow Cost Accounting	Introduced	Implemented material flow cost accounting for exterior panel manufacturing at the Shiga factory.	A	Achieve implementation for all major processes
	Reduce waste at new house construction sites to 1,300kg/unit	1,463kg/unit	Reducing plasterboard, wood, and other waste at new construction sites, averaged less than 1,500kg/unit for the first time.	B	Establish reduction targets by type and achieve additional reductions

Other

Category	FY2008 target	Results	Comment	Evaluation	FY2009 target
Chemical substance management	Full-scale introduction of the Chemical Substances Guidelines	Conducted interviews to determine which among the highest priority substances should be addressed first	Focused on toluene, xylene, and hexavalent chrome among the highest priority chemical substances and, for major applications, asked suppliers about possibilities for reducing usage.	B	Reduce usage of toluene, xylene, and hexavalent chrome

Summary only. Details are available in the Japanese report.