

# 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 and Structure

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

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

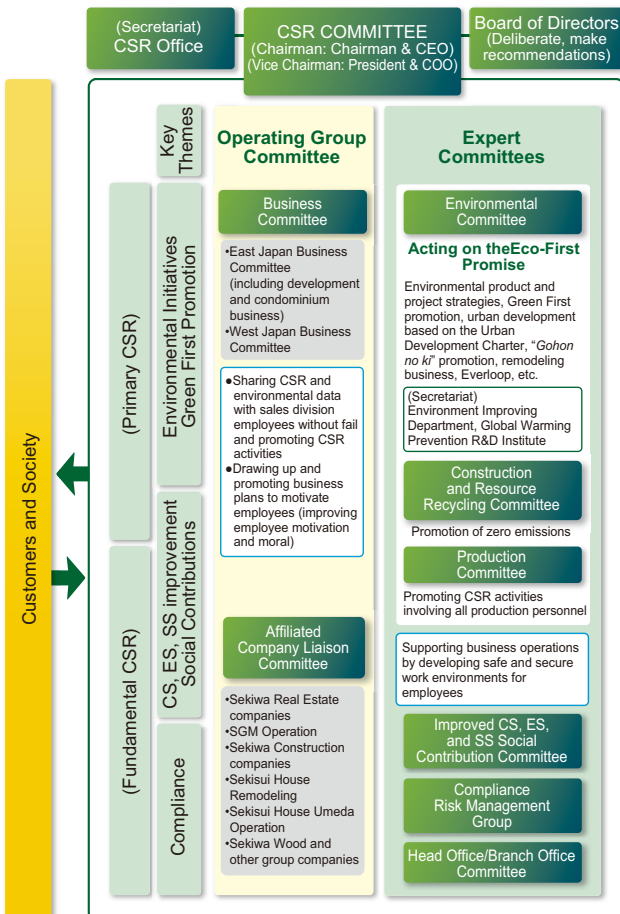
In fiscal year 2011, we will take a well-balanced approach to “Primary CSR” that focuses on the sales promotion of the “Green First” model and “fundamental CSR” that places emphasis on compliance.

## Corporate Governance and Internal Control System

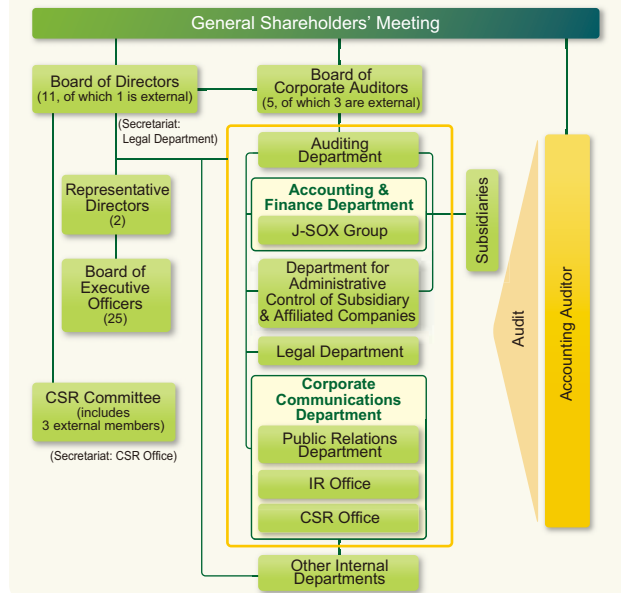
To ensure solid stakeholder support, Sekisui House has increased management transparency; provided for timely, appropriate checks on management decisions; and enabled thorough monitoring. External board members and corporate auditors are in place, and our corporate governance system assures management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

As part of our Internal Control System, in May 2006 our board of directors passed a resolution on the establishment of ten basic policies relating to the Basic Policy Concerning the Development of an Internal Control System, including one policy calling for systems to ensure that board members’ execution of business responsibilities is in compliance with laws, and our articles of incorporation. These basic policies have come to serve as a platform for our efforts to implement

### CSR Promotion Structure



### Corporate Governance Structure (as of April 2011)



and ensure our Internal Control System operates properly.

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

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

## Compliance Promotion

### ■ Vision of Compliance

Sekisui House believes compliance is an ongoing management concern that includes not only adhering to laws and regulations but also the promotion of CSR initiatives.

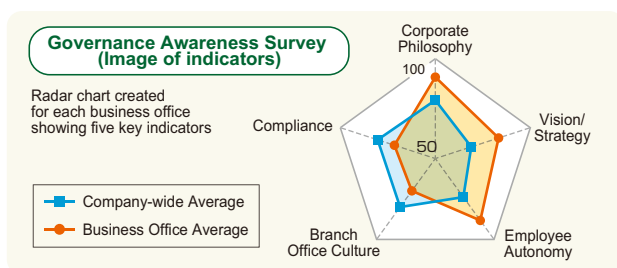
As a result, the Compliance Risk Management Group has been established under the CSR Committee to act as a platform for various ongoing compliance-related awareness initiatives and employee training programs.

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

### ■ Employee Compliance Awareness Survey

We developed CSR performance indicators based on the findings of our Compliance Awareness Survey and have been using these indicators as our CSR management tool to find out whether the operations of each of our business sites comply with our Sustainable Vision and to make visible the attitude toward CSR and problems on a site-to-site basis.

As the next phase of this process, we began a Governance Awareness Survey in fiscal year 2009 by means of a questionnaire involving all sales division employees, and analyzed the responses in terms of five indicators. The resulting data is now being put to practical use as a key tool in branch management training programs and as a topic for group discussions at each business site. The Governance Awareness Survey conducted in fiscal year 2010 also covered production division and head office employees.



### ■ Compliance Promotion Activities

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

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

At Sekisui House, all executive officers and employees are required to submit a Corporate Ethics Compliance Pledge annually in

October, a "corporate ethics month" designated by the Japan Business Federation. In fiscal year 2010, we conducted group discussions on case studies in compliance, and encouraged effective use of the Code of Conduct Card distributed to all employees.

### ■ 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.

We have developed an information management structure compliant with the Personal Information Protection Law by appointing the Director of CS Promoting Department to take charge of the protection of personal information and establishing the Customer Personal Information Management Office. We also conduct regular employee training programs to ensure strict controls are maintained over the management of customer information.

## 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 our internal compliance risk monitoring surveys.

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

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

#### **Notice: Response to soil contamination in the former site of Shiga Factory**

Following the closure of our Shiga Factory that was designated as a "Specified Facility Using Hazardous Substances," we inspected the soil condition at the site to determine the level of contamination and found that the amounts of some heavy metals (lead, fluorine and hexavalent chromium) detected in the surface soil in some sections of the site exceeded the permissible levels specified by law. We reported this finding to the local government and residents in the vicinity of the site (on February 16, 2011, these sections were designated as a "zone that requires corrective measures" and a "zone that requires notification upon improvement of soil quality.") However, this site is placed under control of Sekisui House and the pavement that covers the site prevents contaminated soil from escaping the site or flowing into underground water. We will take proper corrective measures through consultations with relevant parties and continue monitoring the quality of underground water in the site.

# Meeting our Commitments to Sustainability as an Eco-First Company with Surefootedness

We were certified as an Eco-First Company by the Ministry of the Environment of Japan in June 2008. To accelerate our efforts toward reducing CO<sub>2</sub> emissions, restoring ecosystem networks, and promoting resource recycling, we made an “Eco-First Promise” with the Ministry of the Environment. The following is the report on the activities we undertook during fiscal year 2010 to meet this commitment.

**ECO FIRST** As an MOE-certified Eco-First Company, Sekisui House is Committed to the Challenge 25 Campaign



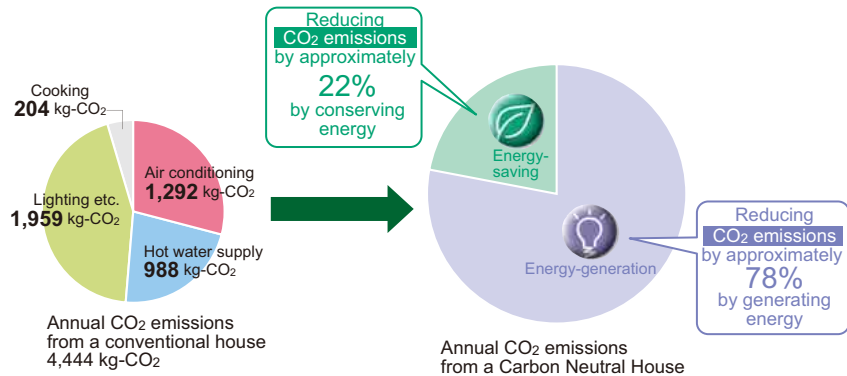
By setting a goal to achieve a 25% reduction of greenhouse gas emissions from the 1990 level by 2020, the Japanese government launched a nationwide movement for prevention of global warming called Challenge 25 Campaign in January 2010.

## Eco-First Promise

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

### I We will take positive measures to achieve reduction of CO<sub>2</sub> emissions from houses and production facilities.

- Spreading the use of photovoltaic power generation system and fuel cells
- Promoting Carbon Neutral Houses capable of reducing CO<sub>2</sub> emissions almost to zero
- Increasing orders for energy-saving remodeling
- Encouraging a shift to eco-friendly living through energy conservation seminars ( “Houseecology” ) and other means
- Reducing CO<sub>2</sub> emissions at production facilities to a level lower than the target value set by the industry



### Progress achieved during fiscal year 2010

- Promoting sales of the “Green First” line of eco-friendly houses
- Promoting sales of the “Sha-Maison Green First” eco-friendly low-rise apartments for leasing
- Promoting eco-friendly remodeling of Sekisui House detached homes by adding energy producing and saving solutions
- Organizing energy conservation seminars as part of our efforts to encourage eco-friendly lifestyles

Detached houses with photovoltaic power generation systems: **10,931**

Fuel cells: **2,974**

Orders: **890**

PV power generation systems installed: **1,634**

Window and door insulation provided: **6,908**

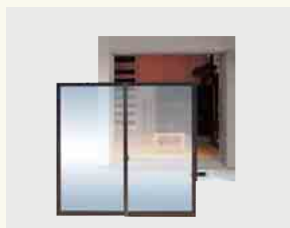
Number of children who attended: **505**



Green First model



Sha-Maison Green First model



Window and door insulation

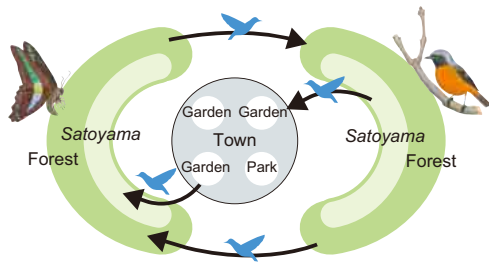


Energy conservation seminar (Houseecology)

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

- Striving to achieve the goal of planting 1,000,000 Japanese indigenous tree species a year under our "Gohon no ki" landscaping concept
- Spreading eco-friendly houses and creating green communities under our Urban Development Charter
- Evoking residents' interest in small creatures such as birds and butterflies for the protection of ecosystem networks and biodiversity
- Promoting forest protection activities
- Encouraging recycling of wood materials by preventing illegal logging and ecosystem damage in accordance with our Wood Procurement Guidelines

### ■ Network of Satoyama Landscapes



### Progress achieved during fiscal year 2010

- Promoting tree planting under the "Gohon no ki" landscaping concept
  - Increasing the sourcing of S-rank wood products
- The ratio of the highest level S-rank wood products grew to 56%.

Total number of trees planted: **910,000**



"Gohon no ki" garden (image)

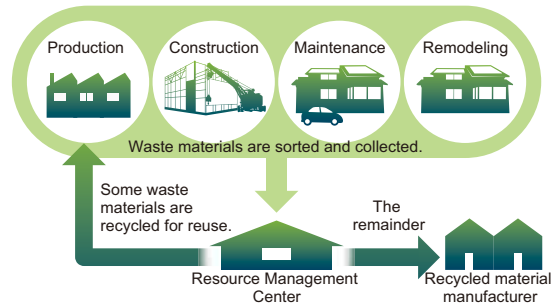


FairWood flooring

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

- Striving to continue to achieve the zero emission goal at all the stages of production, construction, maintenance and remodeling and increase the material recycling rate to 90%
- Achieving the zero emission goal when demolishing wooden houses
- Positively employing next-generation zero emission innovations such as the IC tag-based waste management system and the electronic manifest system, and setting the goal to introduce the electronic manifest system entirely, on a company-wide basis during fiscal 2010
- Promoting the home warranty extension program to ensure the prolonged lives of Sekisui House homes and the Everloop home revitalizing program

### ■ Zero emission at the four stages



### Progress achieved during fiscal year 2010

- Recycling rate achieved: **100%**
- Material recycling rate (percentage reused as materials): **84.4%**
- Nationwide installation of IC tag-based waste management system was **completed.**



Resource Management Center



Waste management using IC tag

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

The Eco-First Promotion Council is a voluntary organization founded and run by Eco-First Companies with a view to ensuring continued progress in our environmental preservation efforts and deepening cooperative ties with governmental agencies engaged in environmental issues and also among Eco-First Companies. As of May 1, 2011, the Council has a membership of thirty-one companies. In 2010, a year declared by the United Nations to be the International Year of Biodiversity, we focused our initiatives on biodiversity protection.

### Main activities undertaken by Sekisui House during fiscal year 2010

|               |  |
|---------------|--|
| February 22   | Presentation at the study seminar on biodiversity  |
| May 22        | Competition held for new "environmental proverbs" concerning living creatures in conjunction with COP10<br>Awarded the Sekisui House Prize to the winner |
| September 18  | Participated in the "Symposium on Biodiversity in Nagoya," an event held in conjunction with COP10, as an exhibitor and presenter                        |
| October 27-30 | Participated in Messe Nagoya 2010 as an exhibitor  |

As one of the managing companies of the Eco-First Promotion Council, we positively participated in the activities of the Council and were greatly inspired by the initiatives undertaken by other fellow Eco-First Companies. Through this experience, we have renewed our determination to reinforce and expand our efforts toward environmental protection in a way possible only for a housing manufacturer.



Environmental proverb that won the Sekisui House Prize  
"Forests that nurture raccoon dogs and snakes can cool down the earth with their ecological power."

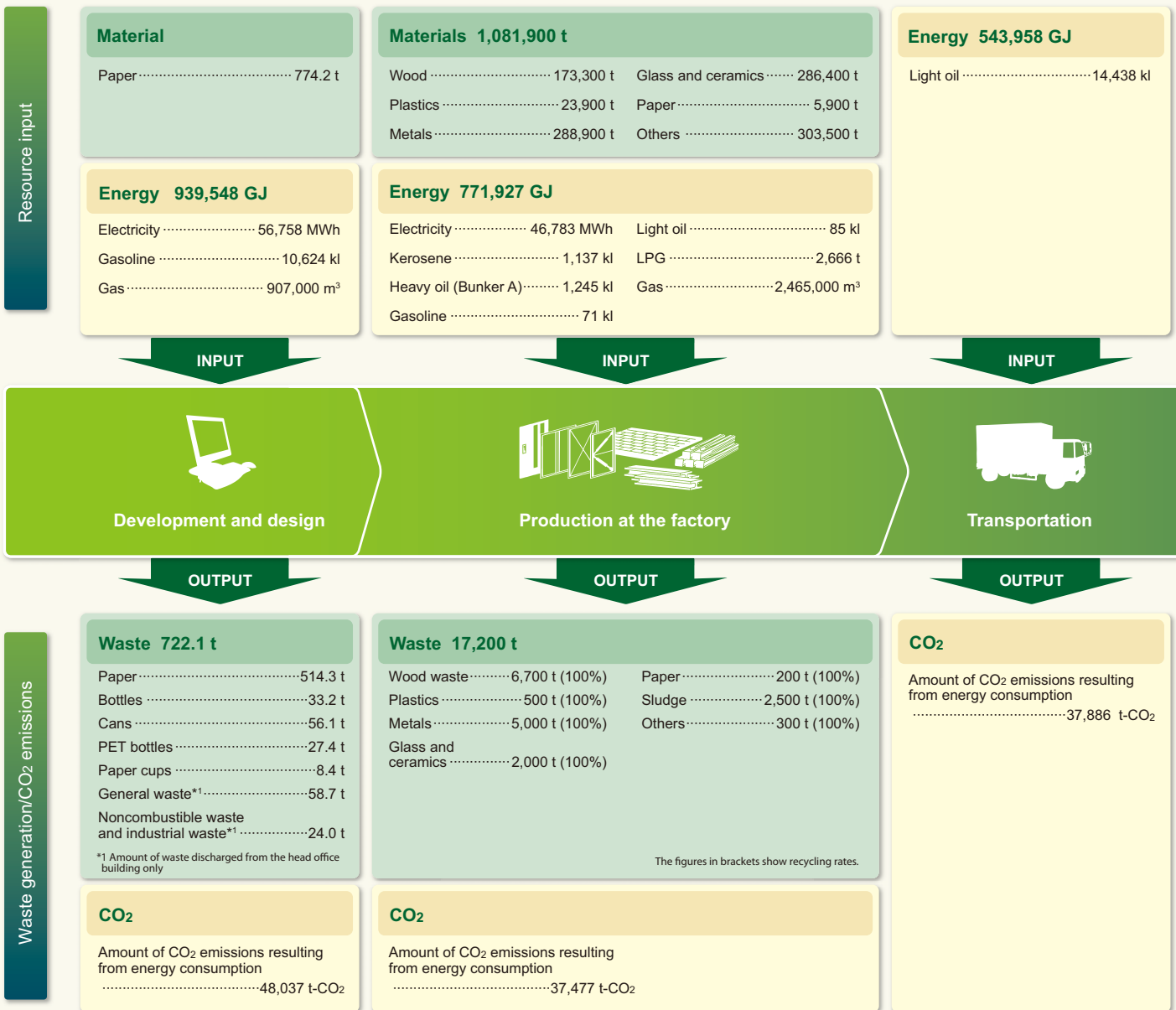
**Mr. Shohei Kaneko**  
Second-grade pupil at Kawasaki Municipal Kanahodo Elementary School

# Material Balance

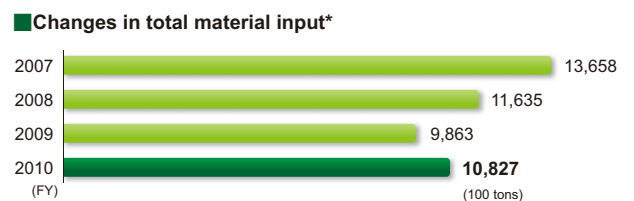
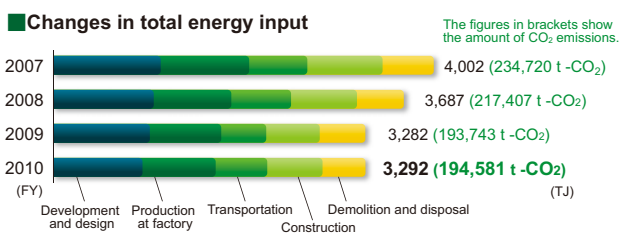
(Collecting accurate data on the environmental impact caused by our corporate activities)

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

## Environmental impact caused by our corporate activities during fiscal year 2010



## Changes in input and output over the years



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

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

**Materials**

Building materials are delivered from factories

**Energy 583,373 GJ**

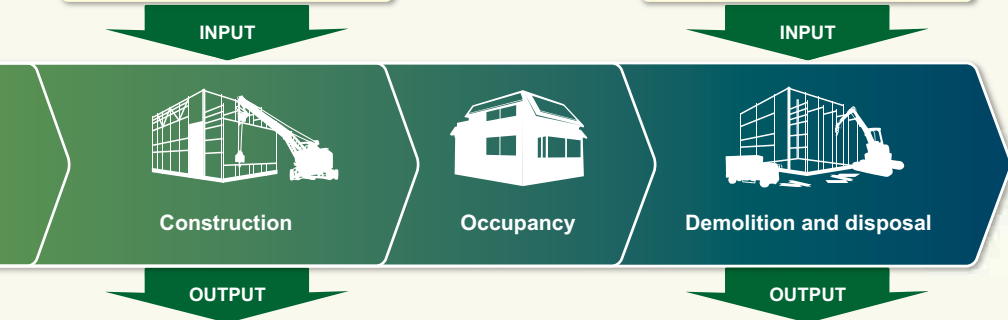
Electricity ..... 15,249 MWh  
 Light oil ..... 1,392 kl  
 Gasoline ..... 11,172 kl

**Energy 453,018 GJ**

Electricity ..... 12,644 MWh  
 Light oil ..... 4,601 kl  
 Heavy oil ..... 2,768 kl  
 Kerosene ..... 4,603 kl

**Notes on the data**

We considered the data from February 2010 to January 2011, the period covered by this report, in the calculation. To determine the amount of CO<sub>2</sub> emissions, we multiplied each energy consumption by the CO<sub>2</sub> emission intensity adopted by the Japan Prefabricated Construction Suppliers and Manufacturers Association. We also included the data for the period not covered by this report in calculating the energy consumed at the construction stage and the energy consumed and waste generated at the demolition stage.



**Waste 47,900 t**

Wood ..... 8,600 t (100%)  
 Plastics ..... 10,200 t (100%)  
 Metals ..... 3,400 t (100%)  
 Ceramic materials ..... 8,200 t (100%)  
 Paper ..... 4,500 t (100%)  
 Plasterboards ..... 10,200 t (100%)  
 Others ..... 2,800 t (100%)

The figures in brackets show recycling rates.

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

[Please refer to pp.37-39.]

**Waste 230,000 t**

Wood waste ..... 44,400 t (96%)  
 Metal waste ..... 4,800 t (100%)  
 Glass and ceramic waste, earth and sand ... 35,300 t (0%)  
 Plasterboards ..... 7,000 t (0%)  
 Concrete waste ..... 123,100 t (57%)  
 Mixed construction waste ..... 15,400 t (0%)

The figures in brackets show recycling rates.

**CO<sub>2</sub>**

Amount of CO<sub>2</sub> emissions resulting from energy consumption ..... 35,358 t-CO<sub>2</sub>

**CO<sub>2</sub>**

Amount of CO<sub>2</sub> emissions resulting from energy consumption ..... 35,823 t-CO<sub>2</sub>

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

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

- Materials: paper purchased for use with OA equipment
- Energy: the amount of electricity, gas and gasoline consumption was calculated based on the utility costs incurred in fiscal year 2010 at our business sites.
- Waste: the volume of company-wide waste generation was calculated based on the volume of waste collected at the head office building and the results of the sample surveys of our 32 model business sites around Japan.

**Production at the factory**

- Materials: Resource input = Amount of materials used in respective housing types per unit area\*2 x total area of respective housing types shipped during fiscal year 2010 + total volume of waste generated at factories
- \*2 The amount was calculated based on ten detached houses actually offered for sale. The data of Sekisui House factories and material manufacturers' factories are included in the calculation.
- Energy and waste: the data of the five Sekisui House factories in fiscal year 2010 are included in the calculation.

**Transportation**

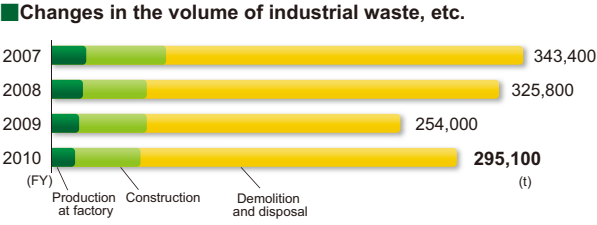
- The calculation method applied to specified consigners under the Act on the Rational Use of Energy was used. (Data used for the calculation is for fiscal year 2010.)

**Construction**

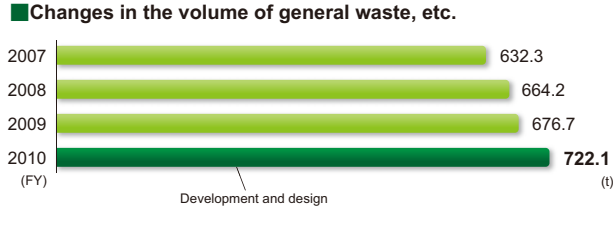
- Energy consumption: Amount of gasoline consumption = Total number of construction workers\*3 x average of annual actual working days per worker\*4 x daily energy consumption per worker  
 Electricity consumption = Amount of temporary electricity consumed per day x number of days required for completion of a house\*5 x number of houses shipped\*6  
 Light oil consumption = Amount of light oil consumed by heavy machinery per house x number of houses shipped\*6
- \*3 As of January 2010
- \*4 Data taken from survey conducted in fiscal year 2009
- \*5 Data taken from survey conducted from August 2010 to January 2011
- \*6 Data taken from survey conducted in fiscal year 2010
- Waste: the volume of waste collected at new build construction, maintenance, and remodeling sites

**Demolition and disposal**

- Energy: (Amount of fuel consumed by heavy machinery used for demolition + amount of fuel consumed by trucks that carried waste + amount of fuel and electricity consumed at waste treatment and disposal sites) x number of houses Sekisui House demolished during fiscal year 2010
- Waste: Volume of waste per demolished house x number of houses Sekisui House demolished during fiscal year 2010



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



# Summary of the Results of Fiscal Year 2010 and Targets for Fiscal Year 2011

Plan

|                                       |   | Major Focus  | Fiscal Year 2010 Target   |
|---------------------------------------|---|--|---|
| Social Targets and Actual Performance | CSR Policy and Structure                | CSR promotion structure and penetration                  | <ul style="list-style-type: none"> <li>Continue task- and position-specific group training to improve CSR awareness.</li> <li>Implement the PDCA cycle more effectively focusing on the targets and results of each business site. Raise the level of initiatives.</li> </ul>   |
|                                       |   | Compliance management                                    | <ul style="list-style-type: none"> <li>Ensure proper management is in place at each branch office. Further enhance compliance awareness among all employees by using various tools.</li> <li>Continue efforts to develop a work environment where human rights are respected and employees are free to exercise their skills and abilities, under the lead of business site managers.</li> <li>Focus on proper implementation of work rules by adopting construction progress standards.</li> </ul>   |
|                                       |   | Communication with society                               | <ul style="list-style-type: none"> <li>Provide opportunities for dialogue with stakeholders, such as a venue to exchange opinions concerning the sustainability report.</li> </ul>  |
|                                       | For Our Customers                       | Customer satisfaction                                    | <ul style="list-style-type: none"> <li>Strengthen communications with customers and further enhance customer satisfaction, with a renewed sense of gratitude on the occasion of our 50th anniversary.</li> </ul>  |
|                                       |   | Sustainable society and long-life housing                | <ul style="list-style-type: none"> <li>Educate customers and cultivate the market for the Everloop homes to promote more effective use of resources, prolong the lifespan of houses and develop a larger existing-home market.</li> <li>Actively promote eco-friendly remodeling solutions to add to the capability to conserve and produce energy for existing homes and expand our remodeling business for both Sekisui House and non-Sekisui House homes.</li> </ul>   |
|                                       |   | Reliable, safe and comfortable homes                     | <ul style="list-style-type: none"> <li>Offer housing components and living spaces that bring "comfortable living—now and always" to all generations.</li> <li>Support safe, reliable and comfortable homebuilding by effective use of our innovative hands-on learning facilities such as the Home Amenities Experience Studio and Large-scale Experience-based Facilities.</li> <li>Promote sales of the "Sha-Maison Green First" eco-friendly model to achieve the goal of receiving 1,000 orders (20% of all orders received for low-rise apartments) a year.</li> </ul>   |
|                                       |   | Community development and local culture                  | <ul style="list-style-type: none"> <li>Organize the "Community Visiting Day" and "Community Fair" events in an increasing number of locations to encourage community building led by residents and the continuation of local culture.</li> </ul>  |
|                                       | For Our Employees and Business Partners | Commitment to employees                                  | <ul style="list-style-type: none"> <li>Implement specific measures to create a corporate environment where employees feel happy and motivated in their work in line with our Declaration for Human Resources Sustainability.</li> <li>Create a work environment where female employees are fully motivated in their work and can make meaningful contributions to the company. Promote career development options for female employees by increasing the awareness of the principle of equal opportunities.</li> <li>Leverage our pool of diverse human resources by promoting the use of various internal work programs and systems.</li> <li>Ensure the best practices in labor management compliance to support work style diversity and work-life balance.</li> <li>Encourage the health and safety committees in respective business sites to take positive measures to further enhance occupational health and safety.</li> </ul> |
|                                       |   | Commitment to building contractors and business partners | <ul style="list-style-type: none"> <li>Ensure full compliance with our corporate ethics guidelines and other rules across all Sekisui House and group company employees and maintain good relationships with our business partners.</li> </ul>  |
|                                       | For Our Shareholders and the Community  | Commitment to shareholders                               | <ul style="list-style-type: none"> <li>Ensure an average dividend payout ratio of at least 40% over the medium term so that we will be able to offer a high dividend yield to our shareholders on a medium- and long-term basis and maintain sound management.</li> </ul>   |
|                                       |   | Housing culture improvement and education support        | <ul style="list-style-type: none"> <li>Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community.</li> <li>Further enhance educational initiatives through our hands-on learning and other facilities and expand workplace visits and teacher dispatch programs.</li> </ul>   |
|                                       |   | Contribution to society                                  | <ul style="list-style-type: none"> <li>Increase the activity level of social contribution programs through improved information sharing and dissemination.</li> <li>Disburse ¥17.83 million to 30 organizations for the fifth round of grant aid under the Sekisui House Matching Program. Strengthen public relations, both internally and externally.</li> </ul>  |



| Do  | Check                     | Action  |
|---|---------------------------|---|
| Results of Fiscal Year 2010   | Reference Page Rating     | Fiscal Year 2011 Target   |
| <ul style="list-style-type: none"> <li>● We revised our corporate code of conduct and corporate ethics guidelines. We also worked with each of our employees to engage in CSR activities with the use of our e-learning tool.</li> <li>● We reexamined the targets and results of CSR initiatives in respective areas and took improvement measures, thereby eliminating discrepancies in performance among business sites.</li> </ul>  | P.27<br>○ ○               | <ul style="list-style-type: none"> <li>● Continue group training to raise CSR awareness.</li> <li>● Continue to raise the level of activities undertaken by each business site.</li> </ul>  |
| <ul style="list-style-type: none"> <li>● All employees were made to submit a pledge to comply with our corporate ethics guidelines. We conducted a governance awareness survey and used the survey results as a tool to review our management style.</li> <li>● Business site managers conducted human relations training sessions involving all employees. We assigned personnel tasked with addressing sexual and power harassment problems to all business sites and conducted training to improve their skills.</li> <li>● We implemented new work rules correctly. No serious compliance problem arose during fiscal year 2010.</li> </ul>   | P.28<br>○ ○ ○             | <ul style="list-style-type: none"> <li>● Further increase compliance awareness among all employees using various tools.</li> <li>● Continue our focused efforts to develop an open and motivating work environment under the lead of business site managers.</li> <li>● Continue to implement the Internal Control System to the fullest and reinforce our risk management ability.</li> </ul>  |
| <ul style="list-style-type: none"> <li>● We implemented various programs to encourage a shift to sustainable living at our Zero Emission Center and Sustainable Design Laboratory.</li> </ul>   | P.58<br>○                 | <ul style="list-style-type: none"> <li>● Continue to organize home visit events and forums and provide opportunities for dialogue with stakeholders using the sustainability report.</li> </ul>   |
| <ul style="list-style-type: none"> <li>● We updated the contents of our website "Net Owners Club <i>Kizuna</i>" twice a month to bring the latest information to customers, while publishing a regular magazine for them. We also conducted questionnaires, analyzed the results and took improvement measures.</li> </ul>  | P.58<br>○                 | <ul style="list-style-type: none"> <li>● Encourage communications with customers and achieve greater customer satisfaction.</li> </ul>  |
| <ul style="list-style-type: none"> <li>● We held "Everloop open house" events at 73 locations to publicize this new program. Through enhanced group-wide cooperation, we bought 147 homes for the Everloop program, an increase of 12 homes from the previous year.</li> <li>● We received an increasing number of remodeling orders for Sekisui House built homes, achieving sales of 54.3 billion yen, up 14.3% from the previous year. Remodeling orders we received totaled 91.4 billion yen in value (if we include the remodeling of non-Sekisui House traditionally built wooden detached houses.)</li> </ul>  | P.39, 45, 46<br>△ ○       | <ul style="list-style-type: none"> <li>● Educate customers and cultivate the market for the Everloop homes and develop a larger existing-home market.</li> <li>● Further expand the scope of our remodeling business and actively promote eco-friendly remodeling solutions to add to our capability to conserve and produce energy.</li> </ul>   |
| <ul style="list-style-type: none"> <li>● In recognition of our efforts in a wide array of fields, we were commended in 11 categories in the fourth Kids Design Award, including the Excellent Prize awarded to our Sustainable Design Laboratory.</li> <li>● The number of visitors to our facilities increased greatly from the previous year: Home Amenities Experience Studio was visited by 44,414 people, Large-scale Experience-based Facilities by 116,990 people, and <i>Sumai-no-kagakukan</i> (medium-sized experiment-based facilities) by 41,450 people.</li> <li>● We received 890 orders for our "Sha-Maison Green First" eco-friendly low-rise apartment for leasing, achieving the best sales figures in the industry. We handled the subleasing and management of a total of 472,570 residential units and the occupancy rate reached 95%. The MAST Club service for tenants gained a membership of approximately 446,000 individuals.</li> </ul>  | P.37, 38, 54, 67<br>○ ○ ○ | <ul style="list-style-type: none"> <li>● Promote "Smart UD" housing that brings maximum convenience and comfort for all generations.</li> <li>● Support safe, reliable and comfortable homebuilding by effective use of our innovative hands-on learning facilities.</li> <li>● Increase sales of the "Sha-Maison Green First" model to 25% of all orders received for low-rise apartments.</li> </ul>  |
| <ul style="list-style-type: none"> <li>● We held the "Community Visiting Day" event twice, involving a total of 567 detached houses at 109 locations and 464 condominium residential units at 25 locations. We also held 96 "Community Fair" events.</li> </ul>   | P.49-52<br>○              | <ul style="list-style-type: none"> <li>● Organize the "Community Visiting Day" and "Community Fair" events in an increasing number of locations to encourage local community building efforts and the continuation of local culture.</li> </ul>   |
| <ul style="list-style-type: none"> <li>● We revised our personnel assessment system in part in a manner to enhance employees' motivation and satisfaction. Our vigorous corporate culture is being further reinforced in line with our corporate philosophy.</li> <li>● We saw a steady increase in the number of high-caliber married female sales personnel who successfully balanced work and family life/motherhood. The number of female managers increased to 28 within the Sekisui House Group.</li> <li>● Five employees were assigned to a different work category under the Work Category Transfer Program, and 2 employees returned to work under the Retiree Reinstatement Registration Program. 239 employees applied on 4 recruitment occasions under the Internal Open Recruitment Program, and 23 were transferred. The employment rate of persons with disabilities fell to 1.66% because of the change made to the exception rate.</li> <li>● The number of female employees taking parental leave increased from 81 to 87, while the number of employees using the Shortened Work Hour Program increased from 105 to 164. Productivity was increased through training programs that encouraged improvement in working styles and work processes.</li> <li>● Forty-two occupational accidents (an increase of 3 cases from the previous year) and 12 commuting accidents (a decrease of 6 cases from the previous year) took place. Human relations training was held focusing on mental health.</li> </ul> | P.61-62<br>○ ○ △ △ ○      | <ul style="list-style-type: none"> <li>● Improve employee interview and personnel assessment systems and take other appropriate measures to create a corporate environment where employees feel happy and motivated in their work.</li> <li>● Create a work environment where female employees are fully motivated in their work and can make meaningful contributions to the company and increase the awareness of the principle of equal opportunities.</li> <li>● Encourage employees to use various internal work programs and systems and leverage our pool of diverse human resources. Take immediate measures to increase the employment of persons with disabilities.</li> <li>● Ensure the best practices in labor management compliance to support work style diversity and work-life balance.</li> <li>● Encourage the health and safety committees in respective business sites to take positive measures to further enhance occupational health and safety.</li> </ul> |
| <ul style="list-style-type: none"> <li>● We held training on the Subcontract Act involving all employees and continued improvement measures focusing on reinforcing interactive communications with our suppliers.</li> </ul>   | P.59-60<br>△              | <ul style="list-style-type: none"> <li>● Ensure full compliance with our corporate ethics guidelines and other rules to maintain good relationships with our business partners.</li> </ul>  |
| <ul style="list-style-type: none"> <li>● We distributed a special dividend in commemoration of our 50th anniversary. Consequently, the annual year-end dividend increased to ¥21 per share. We continued to implement the shareholder loyalty point program and shareholder rewards program.</li> </ul>   | WEB<br>○                  | <ul style="list-style-type: none"> <li>● Ensure an average dividend payout ratio of at least 40% over the medium term. The target dividend for fiscal year 2011 is ¥20 per share, namely, ¥10 midterm dividend and ¥10 year-end dividend.</li> </ul>  |
| <ul style="list-style-type: none"> <li>● Our housing seminars attracted 1,525 participants, while 466 applications were received for our Internet housing webinar. The Earth-friendly Lifestyle Design Competition, held to encourage industrial-academic collaboration and interactions among universities, received 267 entries from 63 universities around Japan.</li> <li>● Student visitors totaled 6,539 at our Home Amenities Experience Studio, Large-scale Experience-based Facilities and <i>Sumai-no-kagakukan</i> (medium-sized experiment-based facilities). A hands-on agricultural program was implemented for elementary school and kindergarten children on the <i>Shin-satoyama</i> grounds. We also implemented three other programs including an energy conservation seminar (Houseology).</li> </ul>   | P.63-64<br>○ ○ ○          | <ul style="list-style-type: none"> <li>● Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community.</li> <li>● Further enhance educational initiatives and expand workplace visits and teacher dispatch programs.</li> </ul>  |
| <ul style="list-style-type: none"> <li>● We conducted 5,539 volunteer projects with 18,502 participants in total. Employees donated ¥5.51 million for various disaster relief programs, while donations received at charity and other events totaled ¥4.74 million. We purchased 29,414 "SELP product" pieces made by persons with disabilities which we used as promotional merchandise, and organized Disabled Persons Week events in cooperation with governmental agencies, economic bodies, NPOs and other companies.</li> <li>● Sekisui House Children's Fund won a prize in the fourth Kids Design Award. The fifth round grant aid totaled ¥17.83 million, which was disbursed to 30 organizations, while 141 programs applied for the sixth round grant aid.</li> </ul>  | P.63-64<br>○ ○ ○          | <ul style="list-style-type: none"> <li>● Increase the activity level of social contribution programs through improved information sharing and dissemination.</li> <li>● Disburse ¥15.66 million to 29 organizations for the sixth round of grant aid. Deepen understanding of the significance of the initiative among employees and encourage their participation.</li> </ul>  |

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



Plan

**ECO FIRST** Commitment 1.  
We will take positive measures to achieve reduction of CO<sub>2</sub> emissions from houses and production facilities.

Major Focus

Fiscal Year 2010 Target

|  |  |   |
|--|--|---|
| <b>Reducing CO<sub>2</sub> Emissions</b> | Reducing CO <sub>2</sub> Emissions   | <ul style="list-style-type: none"> <li>● Orders for 10,000 PV systems for detached houses.</li> <li>● Sales of 2,400 <i>ENE FARM</i> fuel cell systems.</li> <li>● Increase window and door insulation updates to 80,618 m<sup>2</sup>./Install high-efficiency water heaters in 4,500 homes./Install PV systems in 2,000 homes./Sell 4,000 sets of energy efficient bath fixtures.</li> <li>● Achieve certification for 800 environmentally symbiotic houses.</li> <li>● Organize 50 energy conservation seminars (Houseecology) and other events to encourage the public to save energy.</li> </ul> |
|  | Reducing CO <sub>2</sub> emissions from business activities and production process | <ul style="list-style-type: none"> <li>● Achieve a 4.5% reduction in CO<sub>2</sub> emissions per square meter of floor area shipments at the production stage (including transportation) at factories from the fiscal year 2006 level.</li> <li>● Develop and launch energy conservation plans for business sites.</li> <li>● Increase the rate of fuel-efficient vehicles to all company-owned vehicles to 85%.</li> </ul>  |

**ECO FIRST** Commitment 2.  
We will continue concerted efforts toward restoration of ecosystem networks.

|                             |  |   |
|-----------------------------|--|---|
| <b>Ecosystem Protection</b> | Reduce impact on ecosystems during procurement | <ul style="list-style-type: none"> <li>● Increase procurement of S rank and further reduce sourcing of C rank wood products to encourage the FairWood initiative.</li> </ul>  |
|                             | Preservation of ecosystems through landscaping | <ul style="list-style-type: none"> <li>● Plant one million trees a year.</li> <li>● Continue to implement the "Letters from Dr. Forest" environmental education program focusing on the importance of biodiversity.</li> <li>● Plant trees under our "<i>Gohon no ki</i>" landscaping concept in all the houses offered for sale on the "Community Visiting Day" events.</li> </ul> |
|                             | Educational and awareness-enhancing activities | <ul style="list-style-type: none"> <li>● Continue to carry out forest preservation initiatives under the Company Forest system as well as educational programs in other locations.</li> </ul>   |

**ECO FIRST** Commitment 3.  
We will promote resource recycling to the fullest extent.

|                           |   |   |
|---------------------------|---|---|
| <b>Resource Recycling</b> | Recycling at factories and construction sites | <ul style="list-style-type: none"> <li>● Reduce manufacturing related waste by 3% of 2009 levels.</li> <li>● Increase the material recycling rate of waste to 88% at production and construction sites.</li> <li>● Achieve 100% operations under the electronic manifest system.</li> </ul>   |
|                           |   | <ul style="list-style-type: none"> <li>● Reduce construction waste at new build construction sites to 1,200 kg/house. (Targets for housing types shown below.)</li> <li>● Waste at the construction site of new build light-gauge steel (LGS) detached houses (Type B): 1,200 kg/house (the target set for each housing type should be achieved by each business site.)</li> <li>● Waste at the construction site of new build wooden detached houses (SW): 1,500 kg/house (the target set for each housing type should be achieved by each business site.)</li> <li>● Waste at the construction site of new build heavy steel houses (β system): 1,200 kg/house (the target set for each housing type should be achieved by each business site.)</li> <li>● Waste at the construction site of new build LGS low-rise apartment houses for leasing (SHM): 1,000 kg/house (the target set for each housing type should be achieved by each business site.)</li> <li>● Launch the IC tag-based construction waste collection and management system nationwide.</li> <li>● Develop a proprietary system to assess the performance of intermediate disposal partners to achieve zero emission at demolition sites.</li> </ul> |
| <b>Others</b>             | Promoting green purchasing                    | <ul style="list-style-type: none"> <li>● Increase the green purchasing rate to 90% at offices.</li> </ul>   |
|                           | Control over chemical substances              | <ul style="list-style-type: none"> <li>● Promote the use of the "Chemicare design."</li> </ul>  |
|                           | Environmental activities by employees         | <ul style="list-style-type: none"> <li>● Revise the goals at each business site including reduction of CO<sub>2</sub> emissions from offices.</li> </ul>  |

Environmental Targets and Actual Performance

Do

Check

Action

## Results of Fiscal Year 2010

Reference Page

Rating

## Fiscal Year 2011 Target

|   |         |  |   |
|---|---------|--|---|
| <p>We positioned reductions in home CO<sub>2</sub> emissions as one of the priority goals of our management strategy and made concerted efforts involving all Sekisui House personnel, from top management to front-line employees. For example, we used various subsidy programs, developed and introduced a wide range of sales promotion tools, and organized training to increase employee awareness. As a result, we received orders for PV systems for 10,931 detached houses and 890 low-rise apartments for leasing and orders for 2,974 fuel cells.</p> <ul style="list-style-type: none"> <li>● Making effective use of the housing eco-point system and other preferential measures, we promoted energy-saving remodeling and installed 74,344 m<sup>2</sup> of window and door insulation; installed high-efficiency water heaters in 3,691 homes; PV systems in 1,634 homes; and sold 3,217 sets of energy efficient bath fixtures.</li> <li>● Through our efforts at the "Community Visiting Day," a housing fair held twice a year, 687 houses were certified to be environmentally symbiotic.</li> <li>● We organized 73 extension classes/seminars, including energy conservation seminars (Houseecology) to encourage a shift to energy-saving lifestyles.</li> <li>● We could successfully reduce CO<sub>2</sub> emissions from the production process by enhancing the heat retaining efficiency of dry kilns, ensuring more efficient use of lighting, and replacing energy-consuming equipment with higher-efficiency models. However, we failed to make any significant achievements at the transportation stage. As a result, we could achieve only a 2.4% reduction from the fiscal year 2006 level.</li> <li>● We collected more detailed energy consumption data at all our business sites and strived to increase employee awareness.</li> <li>● We reduced the number of company-owned vehicles by promoting car sharing, and encouraged replacement of conventional vehicles with fuel-efficient models. As a result, the rate of fuel-efficient vehicles for all the company-owned vehicles increased to 90.4%.</li> </ul> | P.37-40 | <ul style="list-style-type: none"> <li>○</li> <li>○</li> <li>△</li> <li>×</li> <li>○</li> <li>△</li> <li>○</li> <li>○</li> </ul>   | <ul style="list-style-type: none"> <li>● Receive orders for 12,000 detached houses with PV systems.</li> <li>● Receive orders for 3,500 fuel cells.</li> <li>● Install 104,400 m<sup>2</sup> of window and door insulation, install high-efficiency water heaters in 4,800 homes and PV systems in 2,900 homes, and sell 4,850 sets of energy efficient bath fixtures.</li> <li>● Achieve certification for 700 environmentally symbiotic houses.</li> <li>● Organize 80 events to educate the public on energy saving.</li> <li>● Achieve a 3% reduction in CO<sub>2</sub> emissions per square meter of floor area shipment at both the production and transportation stages from the fiscal year 2010 level.</li> <li>● Cut power consumption by 15% during summer peak hours.</li> <li>● Choose fuel-efficient models when replacing company-owned vehicles.</li> </ul>   |
| <ul style="list-style-type: none"> <li>● We increased the percentage of S rank wood products from 40% to 56% and reduced that of C rank wood products from 22% to 6% by encouraging sourcing from forests with less risk of illegal logging and promoting the recycling of waste wood products.</li> <li>● We planted 910,000 trees a year as compared to 710,000 in fiscal year 2009, backed by successful promotion of exterior construction works under the "Gohon no ki" landscaping concept.</li> <li>● We organized extension classes in 15 schools with approximately 920 participants, as well as four training sessions for teachers and educational events for house owners and the general public.</li> <li>● We planted trees under our "Gohon no ki" landscaping concept in all the houses offered for sale on the "Community Visiting Day" events held in spring and autumn.</li> <li>● We implemented forest protection activities under the Company Forest system in Wakayama Prefecture twice a year, in March and October.</li> </ul>   | P.41-44 | <ul style="list-style-type: none"> <li>○</li> <li>△</li> <li>○</li> <li>○</li> </ul>   | <ul style="list-style-type: none"> <li>● Revise the Wood Procurement Guidelines.</li> <li>● Obtain the Chain-of-Custody (CoC) Certification that verifies wood products come from certified forests.</li> <li>● Plant one million trees a year.</li> <li>● Continue to implement the "Letters from Dr. Forest" program by strengthening cooperation with local business sites.</li> <li>● Continue to plant trees in all the houses offered for sale on the "Community Visiting Day" events.</li> <li>● Continue activities to plant trees in forest land subdivided into small patches by nets to prevent feeding damage.</li> </ul>   |
| <ul style="list-style-type: none"> <li>● While we could reduce wood waste, metal waste and sludge, which together constituted about 78% of all waste, the volume of concrete waste increased due to the increased production of our original concrete exterior walls. As a result, we achieved only a 2.6% reduction from the fiscal year 2009 level.</li> <li>● The material recycling rate increased to 84.4% from 82.8% in fiscal year 2009.</li> <li>● The rate of electronic manifest system introduction increased to 71.7% from 9.6% in fiscal year 2009.</li> </ul> <p>We worked to reduce waste by improving the yield of plaster boards but failed to achieve drastic reductions for all the housing types. We will develop and implement measures to reduce waste more effectively, for example, by using an IC tag-based waste management system to collect more detailed data for waste volumes.</p> <p>Light-gauge steel (LGS) detached houses (Type B): 1,281 kg/house<br/> Wooden detached houses (SW): 1,717 kg/house<br/> Heavy steel houses (β system): 1,366 kg/house<br/> LGS low-rise apartment houses for leasing (SHM): 1,134 kg/house</p> <ul style="list-style-type: none"> <li>● We introduced an IC tag-based next-generation zero waste system nationwide.</li> <li>● We inspected the facilities and management of some intermediate disposal partners to assess their performance.</li> <li>● The green purchasing rate increased to 88.7% from 72% in fiscal year 2009.</li> <li>● The Chemicare design was incorporated into 135 houses in fiscal year 2010, supported by the successful implementation of the lead model project for long-term quality housing.</li> <li>● We attempted to revise the goals at our business sites but failed to develop specific goals.</li> </ul>  | P.47-48 | <ul style="list-style-type: none"> <li>△</li> <li>△</li> <li>△</li> <li>△</li> <li>×</li> <li>×</li> <li>△</li> <li>○</li> <li>○</li> <li>△</li> <li>○</li> <li>△</li> </ul> | <ul style="list-style-type: none"> <li>● Achieve a 3% reduction of waste per square meter of floor area shipment at the production stage at factories from the fiscal year 2010 level.</li> <li>● Increase the material recycling rate of waste to 90% at production and construction sites.</li> <li>● Maintain the current level of use of electronic manifest system while continuing to take proper measures to achieve the target.</li> <li>● Light-gauge steel (LGS) detached houses (Type B): 1,200 kg/house</li> <li>● Wooden detached houses (SW): 1,500 kg/house</li> <li>● Heavy steel houses (β system): 1,200 kg/house</li> <li>● LGS low-rise apartment houses for leasing (SHM): 1,000 kg/house</li> <li>● Determine the effect of our waste reduction measures by collecting more detailed data and accelerate our zero waste efforts.</li> <li>● Upgrade the assessment system to increase efficiency.</li> <li>● Promote measures to increase the green purchasing rate, such as having study meetings with purchase personnel at each business site.</li> <li>● Continue efforts to spread the use of the Chemicare design, for example, by making it a standard design of our housing products.</li> <li>● Continue striving for this target along with our efforts to reduce CO<sub>2</sub> emissions from our corporate activities and production processes.</li> </ul> |

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