


# Comments from External Members of the CSR Committee

At Sekisui House, a CSR Committee meeting is convened every three months to develop and promote important CSR policy issues and verify the relevancy and effectiveness of current CSR activities (refer to p.27). During the meeting, three external members are asked to present “third-party opinions,” which provide the basis for discussion among Committee members, including the board members. The following are comments given by the external members in the light of the discussions held during fiscal year 2010.



**Mr. Haruo Tsuji**  
Advisor, Sharp Corporation

 Excerpt of his comment given at a CSR meeting

Sekisui House is expected to set specific goals and reinforce management to further promote the Green First initiative. I hope Sekisui House will place the Green First initiative at the core of their management strategy and work to enhance their brand image centering on this initiative.


## Further evolving and deepening CSR efforts led by personnel acting at the forefront of the business scene

The Great East Japan Earthquake and the nuclear power plant accident that followed caused devastation on an unprecedented scale, instantly depriving people in the affected areas of their homes and means of making a living. These disasters have highlighted the importance of “energy conservation and production” and “electricity saving” anew, independent of environmental problems. Sekisui House was quick to achieve success in the eco-friendly home market with their Green First model that is equipped with energy saving and producing capabilities. With these state-of-the-art environmental technologies, Sekisui House is expected to accelerate the shift in the nature of homes from consumers of energy to suppliers of energy, and make significant contributions to the restoration process of the affected areas and also to Japan as a whole by developing and offering innovative housing solutions.

It has been already eight years since Japanese companies launched CSR efforts in earnest. Changes in social conditions over these years have affected our obligations to society, and Japanese companies are now required to reexamine the relevancy of their current CSR activities and set higher goals. With regard to compliance, it should be noted that laws and regulations are amended from time to time to adapt to changing social climates, requiring companies to update internal regulations and manuals consistent with new rules and ensure employee compliance in each workplace. I hope all Sekisui House people will share this recognition and further advance and deepen their CSR efforts, under the leadership of personnel acting at the forefront of the business scene.



**Dr. Tadao Kagono**  
Special Visiting Professor,  
Konan University

 Excerpt of his comment given at a CSR meeting

While no one can deny the importance of compliance and internal control, it makes no sense if a company puts so much emphasis on compliance and internal control that they become unnecessarily cautious about taking drastic measures in corporate activities. Of course, we must prevent wrong-doings at any cost, but it is also necessary for us to take bold steps sometimes for the sake of the good.


## Working for the creation of new business models

In the wake of the Great East Japan Earthquake, we were forced to take a step backwards in our environmental efforts but the long-term problems still remain, requiring us to continue to take active measures while coping with newly arising situations. The Tokyo Metropolitan Area will suffer shortages of electricity due to the failure of a major power plant. A new power plant should be constructed as quickly as possible, but it will take a long time. A more easily accessible alternative is photovoltaic power generation. If we are to secure huge amounts of electricity using a photovoltaic system, we should develop new and previously unknown business models.

For example, we can provide a connection between households that can afford to buy a photovoltaic system but have difficulty in installing the system because they live in a condominium or the shape of the roof is not suitable for power generation or for other reasons, with other households that can install the system physically but cannot invest in the system for financial reasons. This business model is suitable for financial institutions in essence, but housing manufacturers, too, are fully qualified to enter the business, because of the close association the housing industry has maintained with the financial industry. In fact, it can be said that the home rental business is a kind of financial business. There are many other possible business models and I look forward to hearing new ideas from Sekisui House.



**Mr. Shunsuke Kano**  
Lawyer

 Excerpt of his comment given at a CSR meeting

I think Sekisui House is implementing carefully designed strategies taking into full consideration global trends and political and economic situations. I expect them to pay closer attention to the difference between urban areas and suburbs and strengthen their area marketing efforts.

## Encouraging group-wide support for the restoration of the earthquake-stricken areas

The tragedy caused by the Great East Japan Earthquake was simply beyond human imagination and sent waves of shock throughout the world. The attitude of residents in the stricken areas who silently endure their unspeakable sorrow and anguish, and behave as responsible citizens with decency and integrity in consonance with a social order has been viewed with both astonishment and admiration by the international community. The momentum for international cooperation to offer warm support to the disaster victims is growing worldwide.

The earthquake gave rise to serious radiation leaks at the nuclear power plant. In the wake of this accident, many personnel from fire and police departments, the Self-Defense Forces, and Tokyo Electric Power Company and its affiliates have been devotedly carrying out dangerous missions to protect the safety of the nation and have risked their lives trying to prevent further spread of damage. Their dedication and immense hard work has impressed the whole world.

While Sekisui House was quick to send water and other aid supplies to the affected areas, they can make the most significant contribution in the process of housing reconstruction in these areas and that is likely to require a long period of time. It is a well known fact that in the wake of the 1995 Great Hanshin-Awaji Earthquake, Sekisui House homes proved their high earthquake resistance and served as shelters for residents. I am confident that Sekisui House can raise their profile as a leading housing manufacturer that focuses on CSR activities, by supplying homes with greater safety and comfort, built with their unparalleled expertise in earthquake-proof design and cutting-edge technologies to reduce energy consumption and CO<sub>2</sub> emissions, thereby offering intensive support for the restoration of the affected areas.

# Third Party Review

Each year, we, at Sekisui House, request a third party to review our sustainability report to enhance our accountability. An international NGO, the Natural Step Japan, again undertook the third party review of the Sustainability Report 2011.

Sekisui House, Ltd.

May 2011

## Third Party Review

Sachiko Takami

Representative  
The Natural Step Japan



The Natural Step Japan (TNS) was asked by Sekisui House, Ltd. to conduct a third party review of their Sustainability Report 2011. TNS analyzed the report independently of Sekisui House and on an equal footing with Sekisui House stakeholders. The responsibility of TNS is to conduct an analysis and evaluation of the report under the predefined scope of statements and information collected according to the analysis procedures shown below. This review is addressed to both the management and stakeholders of Sekisui House.

### Analysis procedures

- ◇ We reviewed the process flows that are important to the company and the impacts given by the company's products and services while in use. We also conducted an analysis using the TNS Sustainability Analysis Methods to assess whether or not Sekisui House has been able to flexibly respond to the need for reform and constantly develop their competencies, along with whether or not the company's strategy and vision have been consistent with their policy, and their targets have been successfully met. Detailed information about the TNS Sustainability Analysis Methods is given at: [www.tnsj.org](http://www.tnsj.org). (The full text of the report on the results of the Natural Step Sustainability Analysis is shown on this website.)
- ◇ We conducted a questionnaire survey on the principles and core subjects of the ISO26000 standard that provides guidelines for social responsibility and analyzed the initiatives undertaken by Sekisui House.
- ◇ We analyzed Sustainability Report 2010, the draft version of Sustainability Report 2011, and the report on the activities undertaken by Sekisui House in the wake of the Great East Japan Earthquake.

### Analysis in the light of the ISO26000 standard

The ISO26000 standard is the most comprehensive international standard developed by the International Organization for Standardization (ISO), completed through five years of discussion among 500 experts representing consumers, governmental agencies, companies, labor unions, NGOs, and academic and research institutions from 99 countries around the world. In Northern Europe, companies, NGOs, and unions show a high level of interest in the ISO26000 standard, as they did when the ISO14001 standard was introduced. Today, the ISO26000 standard has been used as a tool to identify the shortcomings of companies that have employed the ISO management system. It is also indicated that, with the introduction of the ISO26000 standard, many companies have begun to place special importance on social responsibility when considering new business and service development.

We analyzed the environmental and CSR initiatives undertaken by Sekisui House in light of the ISO26000 standard and concluded that Sekisui House has already launched measures to address the principles and core subjects of this standard. Considering that they have expanded business into overseas markets, Sekisui House will have to deepen their understanding of the principle of "respect for international norms of behavior" and apply this principle more extensively across their organization. At the same time, they have to improve the level of their "labor practices"—one of the core subjects of the ISO26000 standard and which Sekisui House recognizes as an important task that requires persistent effort. Especially, Sekisui House should put the utmost importance on the work-life balance of employees to ensure that female employees can make more meaningful contributions to the company.

The ISO26000 standard also emphasizes that companies, after fostering a good understanding of the standard's principles and after identifying the core subjects to be addressed, should introduce socially responsible practices to their organizations. Sekisui House has integrated social responsibility into their Corporate Philosophy and Code of Conduct as well as their strategies and corporate activities, and in this sense, it will be able to set an example for the world's companies to follow.

### Highlights of FY 2010

#### 1. Successful sales of the "Green First" eco-friendly model

All Sekisui House personnel, from top executives/managers to salespersons, joined in efforts to promote the sales of the "Green First" home, an eco-friendly model equipped with a photovoltaic system and fuel cells. As part of their sales promotion efforts, they offered information about various kinds of subsidies to eco-friendly homes and the surplus electricity buyback program, and shared the sales method with all their sales branches through various training sessions. As a result, the sales of the "Green First" home exceeded the original target, and Sekisui House was brought to the top position in the industry. The ratio of the "Green First" home to all of Sekisui House's newly built detached homes leapt from 7% in FY 2007 to 70.6% in FY 2010, which deserves special recognition.

Sekisui House achieved the most number of orders for *ENE FARM* fuel cells in the industry, and contributed to broadened use of fuel cells.

#### 2. FairWood procurement

The FairWood initiative began to show positive results in terms of the procurement of wood materials from overseas. It is worth noting that the proportion of the highest S-rank wood increased from 40% to 56%, while that of the lowest C-rank wood declined from 22% to 6%.

#### 3. Publicity

In the wake of COP10, Sekisui House attracted substantial public attention as an exemplary case of a company that contributes to the protection of biodiversity as part of its core business activities. Sekisui House's initiatives were reported in various media sources and lectures, which we believe, has been greatly effective in widely communicating the win-win approach of Sekisui House to the public.

#### 4. Strategic thinking

The Great East Japan Earthquake and the tsunami that followed caused devastating damage, which is said to be the worst in a thousand years. Now, we require a compass to guide our efforts toward the restoration and rehabilitation of the stricken areas.

In addition, the nuclear power plant accident has raised serious concerns over the safety of nuclear energy in Japan and throughout the world, and called into sharp question the conventional idea that nuclear power is the solution to global warming.

Against this backdrop, photovoltaic power generation is attracting greater attention worldwide, and in this light, we believe that Sekisui House deserves praise for their strategic efforts to create a sustainable society.

We hope that Sekisui House will continue dedicated efforts to further promote sales of the "Green First" home and accelerate their smart network and smart house initiatives. By doing so, Sekisui House will be able to provide us with a compass that can help us overcome the crises that Japan faces today.

### Tasks to be addressed

It is important for Sekisui House to accelerate measures to reduce CO<sub>2</sub> emissions from their production process. For example, it may be worth considering the installation of photovoltaic systems on the roofs of its factories.

We also propose that Sekisui House should develop a long-term strategy and action plan for the reduction of the use of oil-based plastic materials, and that it should pursue this goal as part of its environmental measures currently undertaken under the PDCA program. By doing so, problems can be identified "visually" and more effective measures can be taken.

### Conclusions

In Sustainability Report 2011, Sekisui House declares their commitment to fulfilling their responsibility toward sustainability and addresses the most important stakeholder concerns, while simply explaining and communicating the measures they have taken to respond to such concerns.

During FY 2010, Sekisui House posted a drastic increase in the sales of photovoltaic systems and fuel cells, and in so doing, actively performed their social responsibility to contribute to preventing global warming while increasing profitability at the same time. This is a noteworthy achievement.

Let us also make mention of the Everloop program. This program can make highly meaningful contribution to creating a recycling-oriented society, though it is not as well-known as the "Green First" initiative. We hope that Sekisui House will continue concerted efforts to expand this new market for used homes.

At the same time, we hope that Sekisui House will remain committed to providing safe and durable housing to facilitate the rehabilitation process in the stricken areas, as well as working toward the revitalization and preservation of the wealth of traditions and cultures of the Tohoku Region in accordance with the Urban Development Charter.

# Concluding Remarks by the Board Members in View of the Third-party Comments

## Social activities

First of all, I would like to extend my deepest sympathy to all the people affected by the Great East Japan Earthquake. At Sekisui House, we are determined to maximize our efforts to expedite the restoration process of the stricken areas and propose and encourage energy-saving lifestyles to reduce power consumption during summer peak hours. By doing so, we will resolutely fulfill our obligations to society as a housing manufacturer.

As a corporate citizen, we assume greater responsibility to meet the growing expectations of society. In implementing CSR activities, "staying unchanged" is equal to "moving backwards." With this in mind, we will work to enhance the quality of our CSR activities.

As the maxim goes, a company is only as good as its people. At the core of our CSR activities is our commitment to training personnel who can act consistently with our corporate philosophy centering on "love of humanity," and creating an open and motivating work environment for employees. During fiscal year 2010, we focused on implementing position-specific training for personnel in managerial and other positions, while increasing CSR awareness among employees by offering opportunities to read our sustainability report through our e-learning tool and implementing meaningful programs in conjunction with the corporate ethic month.

In the wake of our 50th anniversary celebration, we expanded our CSR efforts on a group-wide basis, and began working with our affiliates such as Sekiwa Real Estate and Sekiwa Construction.

In order to ensure employee compliance, we defined the responsibilities of the general affairs directors at respective sales administration headquarters who assume a key role in promoting compliance efforts. We also strengthened our corporate governance system by encouraging information sharing and discussions at regular meetings.

Awareness of the significance of social contribution activities has been steadily increasing among Sekisui House employees, as evidenced by the 16% increase from the previous year in the total number of employees participating in volunteer activities. We will continue our efforts to further raise employee awareness in this regard, thereby putting our corporate philosophy into practice.

During fiscal year 2010, we ranked No.1 for the second consecutive year in the list of the top 100 companies in Japan displaying global leadership for CSR. We were also awarded the Prize for Excellence at the Japan Internal Control Grand Prix 2011 (Integrity Award). We think these high appraisals reflect the rising expectations of society for our continued contribution. Without being complacent about the achievements we have made thus far, we will humbly and sincerely continue our CSR efforts while constantly returning to our CSR fundamentals.

## Environmental activities

I would like to express my heartfelt condolences to the victims of the Great East Japan Earthquake. With a renewed awareness of the important role of housing to protect people's lives, we will mobilize all the resources company-wide to extend support to homeowners and assist in the restoration process by offering temporary housing.

As a result of our efforts to promote PV systems under the Green First initiative, the rate of our new build homes equipped with PV systems exceeded 70% in fiscal year 2010. After the last earthquake, many homeowners voiced their confidence in our PV systems, which worked reliably as emergency power sources when electricity provision was interrupted. Our self-sustainable recyclable energy option has thus proven its outstanding efficiency as a means to mitigate impacts in the event of a disaster. Encouraged by this fact, we will strive to further spread our PV systems and fuel cells. We will also facilitate our Smart House and Smart Community initiatives, which have now entered the stage of demonstrative experiments, to develop next-generation energy systems that bring greater comfort to residents.

Under the Green First initiative, in fiscal year 2010, we launched concerted efforts to promote the Chemicare design that ensures healthy indoor air quality. With the introduction of this new design, we will focus more heavily on the health aspect of homebuilding in the next fiscal year, for example, by promoting our proprietary Smart Universal Design that ensures greater safety, durability and user friendliness, coupled with enhanced comfort.

In the fall of 2010, the tenth Conference of the Parties to the Convention on Biological Diversity (COP10) was held in Nagoya, Japan, which brought into spotlight our "Gohon no ki" landscaping concept under which we encourage planting of native tree species in home gardens and the Wood Procurement Guidelines we introduced to promote the sustainable use of wood. These cutting-edge approaches received positive appraisal for their successful results. In our efforts to contribute to creating a recycling-oriented society, we will also encourage efficient use of IC tag-based zero-emissions systems which we introduced nationwide during fiscal year 2010.

These environmental measures have helped us greatly in developing business both domestically and overseas. Against the backdrop of growing demand for a new social framework, we will further promote our environmental initiatives while exploring possibilities for the housing business.



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# Third Party Evaluation of the CSR Activities of Sekisui House During FY 2010

## ■ Inclusion in SRI indexes

For our exemplary business attitude and leadership regarding CSR and environmental activities, we have been named to the following major Socially Responsible Investment (SRI) indexes (as of January 2011). In addition, we were included in *Sustainability Yearbook 2001* published by Sustainable Asset Management (SAM), an international investment company with a specific focus on sustainability investments.

■ FTSE 4Good Global Index FTSE 4Good Japan Index

■ Morningstar Socially Responsible Investment Index



## Editors' Note

First of all, please allow us to offer our deepest and sincerest condolences to all the victims of the Great East Japan Earthquake that occurred on March 11, 2011.

After discussions, we reached a conclusion to delay the publication of this year's sustainability report to contain in the report how Sekisui House responded to the disaster and assisted in the restoration of the stricken areas as part of our obligations to society as a housing manufacturer. A summary of the actions taken by the Sekisui House Group from the initial response to the construction of temporary houses can be found on the first pages of this brochure. We hope you will be interested in the report.

In the Sustainability Report 2011, we provide information on the CSR activities undertaken during the one-year period according to the focus of these activities. We also report our homebuilding policy that attaches weight to customers' viewpoints centering on three stages of the work process in the section titled "Homebuilding by Sekisui House." The report covers our commitment to achieving greater customer satisfaction, a goal that Sekisui House has pursued for fifty years since its inception.

We, the editorial staff, will strive to share the contents of this report with employees and also with society at large. Finally, we would like to express our heartfelt gratitude to all the people who have cooperated with us in producing this report. Thank you very much.



Sustainability Report 2011 Editorial Team  
Members of the CSR Office of the Corporate Communications Department, the Environmental Improving Department, and the IT Operation Department