

# Sustainability Report 2012

## Editorial Policy

The purpose of this report is to educate a broad audience of readers about initiatives the Sekisui House Group is engaging in to help build a sustainable society as well as encourage reader feedback as a means to improve these initiatives going forward. In selecting topics to be reported and drawing up an editing policy, we referred to the 2007 Environmental Reporting Guidelines of the Ministry of the Environment of Japan and the Sustainability Reporting Guidelines (Version 3.1) of the Global Reporting Initiative. The selected topics are reported in accordance with ISO 26000, an international standard on social responsibility.

## Features of the Sustainability Report 2012

- The content and materiality of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration social conditions and survey responses to the Sustainability Report 2011 received from approximately 3,000 internal and external stakeholders.
- In this report, emphasis is placed on how the Sekisui House Group carried out its social responsibility in the wake of the Great East Japan Earthquake, by adequately meeting the changing needs of Japanese society and at every stage of the rehabilitation and reconstruction work.
- In the section titled "Organizational management toward a sustainable society," the "4 values and 13 guidelines," the principles that guide us to our "Sustainable Vision," are examined in comparison with ISO 26000, an international standard which provides guidance on social responsibility, to verify that the ongoing CSR activities of the Sekisui House Group meet the expectations of international society.
- This brochure serves as an annual report for fiscal year 2011. Major activities during the period are reported in the section titled "Activity Report."
- Special focus is given to the expansion and progress of our "Green First" initiative, which is positioned as the driving force of our business under the medium-term management plan.
- The report also includes comments from stakeholders in various sectors including our customers and external experts to provide objective third-party views of our corporate activities.

## Scope of This Report

### ■ Areas of Business

The scope of this report covers a total of 113 companies, namely Sekisui House, Ltd., its 78 overseas subsidiaries, and 35 consolidated subsidiaries that are principal actors in CSR and environmental management including, Sekiwa Real Estate, Ltd. (6 companies); Sekisui House Remodeling, Co., Ltd.; Sekiwa Construction, Ltd. (20 companies); Landtech Sekiwa, Ltd.; Sekisui House Umeda Operation Co., Ltd.; and Sekiwa Wood Co., Ltd. (Refer to pp.3-4 for the profile of the Sekisui House Group.)

### ■ Areas of Business Activity

This report covers the business operations of the Sekisui House Group which include detached housing, rental housing, housing for sale, condominium development, urban redevelopment, remodeling, real estate management; and others (e.g. exterior construction work and overseas business).

### Period Covered

Fiscal year 2011 (February 1, 2011 to January 31, 2012)

\*Some activities undertaken in fiscal year 2012 are covered in this report.

### Date of Publication

This report is published annually in Japanese around April.

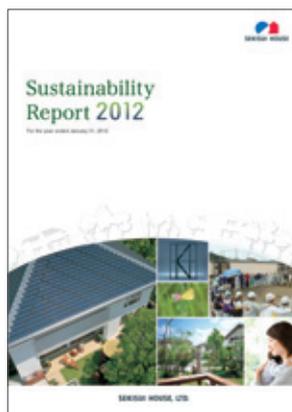
\*The Sustainability Report 2011 was published in June 2011.

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### About the Cover

The photographs on the cover page represent our commitment to contributing to creating a sustainable society. Against the backdrop of the steady progress in international project development, the Sekisui House Group is now ready to promote its CSR activities on a global scale.



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## Sekisui House Group Overview

Being pioneers of every era and contributing to the creation of a sustainable society by remaining committed to bringing new values.

### Detached housing business (contracting, design and construction of detached houses)



"IS ROY+E" two-story steel-frame detached house



"Slow Living" with a great sense of spaciousness



"BIENA" three-story steel-frame detached house



"Gravis Villa" wooden-frame detached house



"Active Floor" design for an attic space under a 31-degree pitched roof

#### Subsidiaries and Affiliates

- Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (housing construction, landscaping, and exterior construction work)
- Landtech Sekiwa, Ltd. (land surveys and ground surveys)
- Sekiwa Wood Co., Ltd. (manufacture and sale of housing components)

### Rental housing business (contracting, design and construction of rental housing and medical and nursing care facilities)



Sha-Maison, "PRO+NUBE" two-story low-rise apartment

#### Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies (purchase/sale, leasing and brokerage of real estate)
- Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (housing construction, landscaping, and exterior construction work)
- Landtech Sekiwa, Ltd. (land surveys and ground surveys)
- Sekiwa Wood Co., Ltd. (manufacture and sale of housing components)

### Sales of lots business (sale of houses and residential land; contracting, design and construction of houses on residential land for sale)



Residential land for sale "Kazusa no Mori: Chihara Dai"

#### Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies (purchase/sale, leasing and brokerage of real estate)
- Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (housing construction, landscaping, and exterior construction work)
- Landtech Sekiwa, Ltd. (land surveys and ground surveys)
- Sekiwa Wood Co., Ltd. (manufacture and sale of housing components)

#### Corporate Profile (as of January 31, 2012)

Corporation name: Sekisui House, Ltd.  
 Head Office: 1-1-88 Oyodonaka, Kita-ku, Osaka 531-0076, Japan  
 Date of establishment: August 1, 1960  
 Capital stock issued: ¥186,554,190,000  
 Number of shares outstanding: 676,885,078  
 Employees: 21,275 (consolidated); 13,108 (non-consolidated)

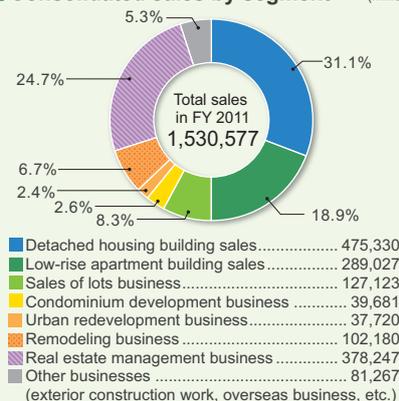
#### Sales and Service Offices (as of January 31, 2012)

Sales and business administration headquarters: 17  
 Branch and sales offices: 124  
 Customer Centers: 30  
 Factories: 5  
 R&D Institute: 1  
 Consolidated subsidiaries: 123  
 Companies accounted for under the equity method: 15

#### Business Performance Review

The Great East Japan Earthquake brought about a significant change in public awareness for safe, durable and comfortable housing environments, and highlighted the importance of saving electricity and securing energy in the event of a disaster. At Sekisui House, we have been committed to increasing the availability of disaster-resistant and environmentally friendly housing products, by promoting sales of houses incorporating "SHEQAS," our proprietary seismic vibration absorption system that reduces building deformation by about 50%, and "Green First" houses equipped with photovoltaic power generation and fuel cell systems. Also, we have launched the "Green First HYBRID," a new smart house of our own development, which is furnished with the world's first power supply system utilizing three different cells—solar, fuel and storage. In addition, we successfully increased our sales against the backdrop of the increasing demand for housing reconstruction in the areas stricken by the Great East Japan Earthquake and for rental housing in urban areas. As a result, we posted favorable results in fiscal year 2011, the second year of our medium-term management plan.

#### Consolidated sales by segment (million yen)



Since its inception, the Sekisui House Group has always put customer satisfaction (CS) at the core of its corporate activities, and through construction of custom-built detached houses and low-rise apartments; sale of ready-built detached houses and condominiums; and promotion of urban redevelopment projects, it has been contributing to the creation of comfortable living environments where both communities and homeowners thrive. As a leading housing manufacturer to first reach the 2-million-home milestone in Japan, we will continue our efforts to fulfill our mission to “protect the lives and possessions of our customers” with the highest quality products and state-of-the-art technology and continue to offer new values in response to demands of the times. In doing so, we hope to find solutions to various social problems and accelerate the process toward a sustainable society. (We built 45,300 houses during fiscal year 2011 and have built 2,090,339 houses in cumulative total.)

### Condominium development business



“Grande Maison Iseyama,” condominium project

#### Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies (purchase/sale, leasing and brokerage of real estate)
- Sekiwa Kanri Kansai Co., Ltd. (management of condominiums and buildings)

### Urban redevelopment business (development of office buildings and commercial facilities, management and operation of real estate in possession)



“Hommachi Garden City”

#### Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies (purchase/sale, leasing and brokerage of real estate)
- Sekiwa Kanri Kansai Co., Ltd. (management of condominiums and buildings)
- Sekisui House Umeda Operation Co., Ltd. (management and operation of Shin-Umeda City, support of tenants)

### Remodeling business (expansion and renovation of houses)



Before remodeling



After remodeling

#### Subsidiaries and Affiliates

- Sekisui House Remodeling, Co., Ltd. (contracting of housing remodeling, design and construction)
- Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (contracting of housing remodeling, design and construction)
- Sekiwa Real Estate, Ltd. and 5 other companies (contracting of housing remodeling, design and construction)

### Real estate management business (subleasing, management, operation and brokerage of real estate)



Sha-Maison, “Bereo” four-story apartment (for combined residential and commercial use)

#### Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies (purchase/sale, leasing and brokerage of real estate)

#### Subleasing Activities

Sekiwa Real Estate, Ltd., which consists of six group companies, engages in building sublease activities where fixed monthly lease payments are made to the building owner regardless of occupancy rate. As the building lessee, Sekiwa Real Estate acts as the direct lessor for individual tenants, reducing workload and improving operating efficiencies for the building owner. Sekiwa Real Estate has served many customers for over 30 years. Under this system, Sekiwa Real Estate has developed a strong reputation in the segment for reliable long-term property management.

### Other businesses (exterior construction work, overseas business, etc.)



Exterior construction work (conceptual image)



Overseas business (Wentworth Point in Australia)

#### Subsidiaries and Affiliates

- Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (landscaping, and exterior construction work)
- Sekisui House Australia Holdings Pty Ltd. and 77 other companies engaged in international projects

#### Consolidated net sales



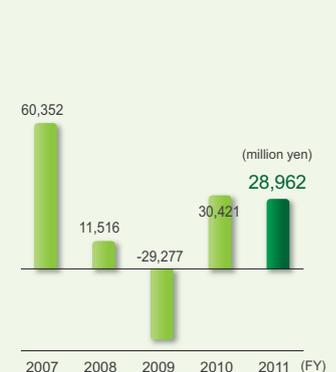
#### Consolidated operating income



#### Consolidated ordinary income



#### Consolidated net income



# Acting from a resident's viewpoint at all stages of homebuilding from first contact with customers to after-sales support.

## 1 Before embarking on a homebuilding project

### Maintaining contact points with customers nationwide

Attaching importance to "community-based company," we believe that homebuilding sites should be opened to society as much as possible. Accordingly, we strive for disclosure of housing information and make our homebuilding sites open to the public to the fullest possible extent. These activities are mainly undertaken at our housing construction sites across Japan as well as model homes and hands-on learning facilities including the Large-scale Experience-based Facilities, all of which are important venues that connect customers with us. Through these activities, we ensure that visitors to these sites will be convinced of the superior quality of Sekisui House homes built under our "customer-specific design flexibility" concept, as well as our ability to cater to customer needs with a wide range of attractive proposals and technical excellence before starting a homebuilding project.



All workers involved in a homebuilding project act from a customer's viewpoint.

#### Construction sites

### Under our accountability system, we remain fully responsible for the entire process of homebuilding until completion

We carry out a homebuilding project as a team in cooperation with our wholly owned group company, Sekiwa Construction, and other partner building contractors. By strengthening our on-site competencies, we ensure complete separation of waste materials, maximize the effectiveness of our safety measures and minimize impacts on neighborhoods. Our construction sites are the clear embodiment of our homebuilding policy. Subject to the consent of homeowners, we offer our construction sites and completed homes for public viewing as great contact points for new customers.



We have been organizing our nationwide "Sekisui House Visiting Day" event since 1989, with the cooperation of homeowners. In 2011, we held this event at 2,256 locations with participation of 144,605 groups of visitors.

#### Model homes

### Offering concrete images of lifestyles and ideal solutions while serving as venues for local events

Model homes embody the ideals of housing suited to individual regional characteristics and geographical conditions, while showcasing future lifestyles. We have a wide variety of model homes throughout Japan. They offer solutions to meet specific site conditions and other requirements, thus providing visitors with useful ideas for their homebuilding projects. We also use our model homes as venues for community events to deepen friendly ties with our customers and local residents.



A total of 425 model homes in various parts of Japan.



We organize seminars on handy everyday tips, such as gardening and storage.

#### Hands-on learning facilities

### The Large-scale Experience-based Facilities allow visitors to experience and check specifications that cannot be inspected at model homes

We have opened six Large-scale Experience-based Facilities throughout Japan for hands-on learning for better housing. These facilities are "housing theme parks" where visitors are offered opportunities for enjoyable experiences to learn first-hand about various housing features such as the strength of housing structures, environmental performance and usability of housing fixtures. We also run *Sumai-no-kagakukan*, which are other experience-based facilities, in various locations including Tokyo.



The Kanto Large-scale Experience-based Facilities with various theme pavilions (Koga City, Ibaraki Prefecture)



In the Earthquake Resistance Pavilion, the differences between earthquake-resistant and seismically-isolated structures are demonstrated using a full-sized housing structure.



The Housing Environment Pavilion makes visitors aware of the importance of energy.

## 2 Up to completion of a home

### Creating personalized homes supported by our people and technology

We have continued persistent research efforts to pursue perfection in both physical housing structure and comfort of living and to ensure higher quality at each step of our homebuilding process. We have developed proprietary construction methods and production and construction systems and brought them to a higher level of sophistication, thereby increasing the degree of freedom in design to better meet diversified customer requirements, while ensuring the safety of housing structure by leveraging the advantages of industrialized housing.



#### Customer-specific Design

### Catering to diversified customer needs with our "customer-specific design flexibility" concept

Our salespersons, serving as direct contacts with customers, first listen to customers' needs carefully, such as personal tastes and preferences, as well as lifestyle and life stage of respective family members when discussing housing plans with customers. When conducting site surveys, we make it a rule to closely inspect the environment in the vicinity as well. This is an important step for us, because by doing so we can offer meaningful proposals to customers to ensure they will continue to live pleasant lives into the future. In the process of developing housing plans, we use the latest systems we developed independently, such as an environmental simulation tool to determine which environmental technologies are best suited for the specific conditions of customers, and a structural planning system to ensure the safety of housing structures.



SHIC system used to discuss interior finish work with customers.

#### Production

### Supplying high-quality building components by producing diversified products under the policy of "customer-distinctive production" while maintaining high production efficiency

At our factories, high-precision original building components are produced. In line with our "customer-specific design flexibility" concept, the name of each customer is specified when an order is issued to a factory and production and shipment are undertaken. With automated production lines and advanced manufacturing equipment, our factories handle production of diversified products efficiently. Strict quality control measures are also taken by dedicated quality assurance personnel.

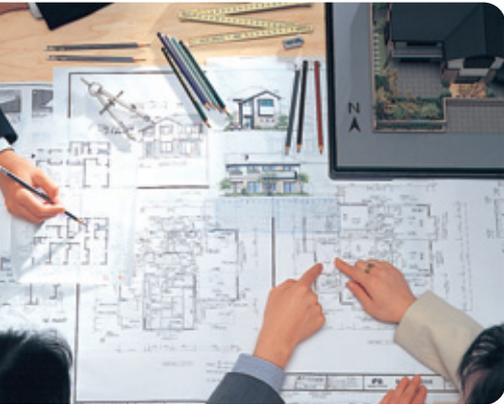


Automated production lines that can produce a wide range of housing frames entirely on a customer-distinctive basis (Shizuoka Factory)

Essentially, homes should be built one by one in a manner specifically tailored to local conditions such as climate, geographical features and site conditions, as well as family structure, lifestyle and life stage of customers. At Sekisui House, customers are never asked to choose from among a limited number of pre-designed housing plans. Through our "Housing Consultation,"\* we carry out our "customer-specific design flexibility" policy to ensure greater customer satisfaction across the entire homebuilding process from initial contact, design, production and construction to after-sales support.

\*The notion of "Housing Consultation" has remained at the heart of our homebuilding business since our inception. This concept refers to our commitment to maximizing customer satisfaction by catering to the individual needs of our customers with our proprietary construction method and production system and offering the best solutions in terms of both physical structure and comfort of living in a manner tailored precisely to the different conditions and needs of customers.

### 3 Ensuring permanent safety and comfort



Sekisui House adheres to the "customer-specific design flexibility" concept through the "Housing Consultation" approach.

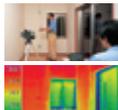
#### R&D

#### Conducting R&D on proprietary construction methods, new technologies and lifestyles at our Comprehensive Housing R&D Institute

Consistent R&D efforts have been underway in our Comprehensive Housing R&D Institute (Kizugawa City in Kyoto Prefecture) to enhance both the physical value and comfort of our housing products. Vibration tests of building structures and durability tests of building components are conducted to ensure high levels of earthquake resistance and a comfortable standard of living. Internal testing of housing performances conducted at the R&D Institute allows us to quickly identify problems and take corrective measures, which resulted in a number of our proprietary innovations, such as the "SHEQAS" seismic vibration absorption system. R&D efforts are also focused on universal design, new environmental technologies and lifestyles based on human engineering for a high-quality life.



The Home Amenities Experience Studio that offers hands-on learning experiences is located on the premises of the Comprehensive Housing R&D Institute.



Testing to validate heat insulation effect is conducted in an artificial weather control room.



Data of bodies and motions of children are collected for development of "Kids Design."

#### Construction

#### Achieving higher construction quality backed by our specialized teams and technical excellence

Under our project accountability system, we produced a Construction Technology Manual in which work procedures and rules are specified in detail to ensure the highest possible accuracy in construction. We are constantly striving to improve our construction quality, and we have developed our proprietary construction techniques and equipment. We train young construction workers at our own training education center (a vocational training school approved by the governor of Ibaraki Prefecture), while organizing various training sessions and implementing internal qualification programs for construction personnel to further develop their knowledge and skills, so that they can better carry out work at construction sites.



A total of 2,174 trainees completed the training school course, and a total of 14,096 construction workers passed the "Sekisui House Senior Technician Test," an internal test of Sekisui House which is accredited by the Ministry of Health, Labour and Welfare.

#### Supporting homeowners even after they have moved into their new homes

We have substantial warranty programs to ensure our homes last for generations, such as our proprietary 20-year manufacturer warranty program and "U-trus system," while offering reliable after-sales support to homeowners through our Customer Center personnel dedicated to this service. Also, we have implemented an efficient system to address the remodeling, rebuilding and relocation needs of homeowners. In this way, the entire Sekisui House Group is committed to ensuring our housing remains safe, durable and comfortable for as long as possible.



Customer Center personnel provide regular inspection and maintenance service.

#### Long-term warranty

#### Providing a manufacturer warranty for a longer period of time than the legally required term to ensure utmost longevity of our homes

At Sekisui House, a 20-year manufacturer warranty is applied to structural frames and rainwater-proofing components (rainwater-proofing components are covered by an initial 10-year warranty plus another 10-year warranty) on condition that free inspection be conducted and maintenance/repairs be made at the homeowner's expense upon expiration of the first 10-year period. After the expiration of the 20-year warranty period, the "U-trus system" provides extended warranty at 10-year intervals, subject to inspection and maintenance/repairs to be completed at the homeowner's expense.



Handing over the key with a 20-year manufacturer warranty to the homeowner.

#### Regular inspection and maintenance

#### Allocating about 10% of our employees to after-sales service at Customer Centers to provide prompt and reliable support service to homeowners

We provide after-sales support through our Customer Centers in 99 locations (30 offices) all over Japan. As much as 10% of our employees work as dedicated service personnel, who conduct regular basic inspections and offer advice to address the various housing needs of homeowners. In case of an earthquake or other natural disaster, we will work under our emergency response program to offer support to homeowners as needed and embark on restoration and reconstruction activities on a group-wide basis.



Supporting and consulting on the smallest issues that homeowners face in everyday life.

#### Remodeling

#### Achieving "comfortable living—now and always" by offering our proprietary remodeling solutions tailored to the needs of homeowners

Remodeling projects are undertaken by Sekisui House Remodeling Co., Ltd., our group company that has 42 sales offices throughout Japan and shares our consistent homebuilding principles. Changes in families and lifestyles give rise to remodeling needs. We serve these needs by offering various solutions, such as changing room layouts and improving heat insulation efficiency and other housing features. Based on a detailed house history record, we implement remodeling to exacting Sekisui House standards.



before



after

#### Housing revitalization

#### Revitalizing our customers' beloved homes as social assets under the Everloop home repurchase program

Under the Everloop program, we repurchase used Sekisui House homes at a fair price and completely renovate them to the latest standards for resale. Against the backdrop of increasing longevity of homes, we aim to accelerate the shift from disposal to recycling of homes as social assets.



before



after

#### Conducting research and tests on the future of safe, durable and comfortable living from a long-term perspective

The Sekisui House Sustainable Design Laboratory (Kunitachi City, Tokyo) explores ideal future living environments that incorporate traditional Japanese lifestyle elements. The most distinct characteristic of this laboratory is that it engages in research from a resident's perspective and conduct tests on comfort levels, as well as analysis of experimental data. At the Home Amenities Experience Studio located on the premises of the Comprehensive Housing R&D Institute, valuable data is collected from visitors to this facility. Questionnaire responses from visitors are used to develop new R&D plans and visions on future housing and lifestyles, and are also widely shared with society. These initiatives connect us to future customers and additional housing projects.



Sustainable Design Laboratory

Housing can help resolve changing social issues. We will fulfill our mission to transform the fabric of society by implementing a business model that plays to our unique strengths.



Isami Wada, Chairman & CEO

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**Social values have changed as a result of the earthquake. We have come to a fresh recognition of our weighty responsibility as a housing manufacturer.**

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More than a year has passed since the Great East Japan Earthquake, which caused damage at a level hitherto unprecedented in Japan. The Sekisui House Group is continuing to strive wholeheartedly to engage in efforts toward full-scale reconstruction. I would like to take this opportunity once again to express my sincere condolences to the victims of the disaster.

In 2011, the effect of the accident at the nuclear power plant has required a major shift in the manner in which our lifestyles are supported by electricity. In global terms, too, the effect on product supply by flood damage in Thailand and the economic uncertainty in the European Union that originated in Greece over the past year have aroused a new awareness of the fragility of the social foundations that affect our everyday lives.

Due to this situation, people's way of thinking has also changed. Housing is seen as the place where the family can relax, and there is a new recognition of the importance of bonds between family members and connections between people, with a clear shift toward valuing attempts to rebuild interpersonal relationships in local communities. I was also moved by the sight of people taking the initiative to participate as volunteers. I believe it is extremely significant that we have been reminded afresh of the importance of collaborating with each other, especially in times of difficulty.

I still cannot forget the scene following the Great Hanshin-Awaji Earthquake. At that time I was responsible for supervising measures for reconstruction on the ground, and the words of thanks I received from people whose homes had not collapsed and whose families were safe gave me a real sense of joy in my involvement in this work. When I think of the immense scale of damage from last year's disaster, however, I am intensely aware of our weighty responsibility in engaging in this work of protecting lives and property, and the thought of the mission that Sekisui House is pledged to fulfill through the housing business fills me with renewed determination.

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**Transforming the fabric of society through housing that protects life, property, and the "heart" of the family**

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At Sekisui House, based on the belief that housing provides shelter for families' lives and property, we are working to improve the basic

performance of housing, not only in terms of earthquake resistance but also by developing the “SHEQAS” system that absorbs earthquake energy by converting it into heat.

To offer organizational support, we have also introduced a Business Continuity Plan for emergencies, including the development of systems capable of communicating with and assisting our customers from the day a disaster occurs, and these enabled us to respond swiftly after last year’s earthquake.

One absolute prerequisite for ensuring that houses can provide safety, peace of mind, and a refuge for the “heart and soul” of families in an emergency is the capacity to offer support that includes the securing of energy provision in the event that lifelines have not withstood a disaster.

The “Green First HYBRID” system developed by Sekisui House in 2011 is the world’s first to combine three different cells—solar, fuel, and storage—operated by a proprietary control system, in a smart house in which energy availability is maintained even in an emergency. This transforms housing from the location of energy consumption to one of energy production, meaning that it also fulfills infrastructure functions. Housing is thus capable of playing a leading role in making major changes to the fabric of society, including the issue of residential energy. At Sekisui House, we will continue to provide an immediate response to the desires expressed by people who want to live with greater peace of mind in answer to the changing demands of society.

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### **From the expansion of “Green First” to the development of a smart grid**

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In expanding the sales of “Green First,” Sekisui House is engaged in the important mission of achieving a low-carbon society by reducing CO<sub>2</sub> emissions, which are increasing in the residential sector. This will also lead directly to the creation of social infrastructure with a view to the development of a smart grid (next-generation power transmission network), forming new electricity generation networks.

Houses are evolving into “smart houses” in which information, appliances, photovoltaic power generation systems, storage cells, and electric cars are centrally controlled. The time is near when individual smart houses will be linked together in neighborhoods, forming smart towns that optimize local electricity supply and demand. Given today’s hunger for conversion to renewable energy and sustainable next-generation social infrastructure, Sekisui House will contribute to the creation of a comfortable society with a low energy burden by leading the expansion of smart houses and smart towns.

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### **New impetus for the Japanese economy through the advanced business model of smart houses and smart towns**

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Through participation in nationally commissioned projects and demonstration experiments in collaboration with a range of other companies, Sekisui House has already been moving forward with the practical application of smart house technology and its concrete development into smart towns.

Although companies in the fields of IT and infrastructure are also entering this sector, it is houses themselves that are the locations of electricity generation, storage, and conservation, and from the perspective of the development of urban planning, by linking individual housing across a wide area, housing forms the focal point for a wide range of industries involved in smart grids.

This has clear advantages for Sekisui House, which has already generated results by prioritizing the construction of houses with zero CO<sub>2</sub> emissions and next-generation smart houses in addition to initiatives such as smart grid residential experiments, based on its “Green First” and

“Green First HYBRID” designs. In future, we intend to put together an innovative business model capable of outstripping international competition in the global market through highly regarded technological capabilities, providing a source of impetus for the Japanese economy.

As a leading company in the housing industry, Sekisui House is going beyond the confines of conventional housing and urban planning to focus on the construction of redistributive social infrastructure capable of taking in large quantities of clean energy and using it to the greatest possible extent as a key area. The company is also engaged in carrying out its new social mission to achieve the development of a low-carbon society.

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### **Helping achieve the development of a low-carbon society by adding solar panels to the industry’s most diverse housing stock**

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Installing photovoltaic power generation systems in existing homes should be actively pursued as a measure for advancing the shift to a recycling-oriented society and achieving a low-carbon society.

Sekisui House has already supplied more than two million houses. We are actively pressing ahead with remodeling on a nationwide scale with the aim of improving the performance of this housing stock, many of which incorporate photovoltaic power generation systems. If our entire stock could be remodeled, this would generate a massive amount of usable renewable energy, constituting one effective measure to help resolve social issues.

The home remodeling market is expanding every year, and the circulation of housing stock is also key to domestic economic growth. Sekisui House has more customers than any other company in the housing industry, and reflecting cutting-edge energy production, conservation, and storage technologies in existing homes is thus one of the company’s strengths.

We have also set out our medium- and long-term vision for all new detached houses to be Carbon Neutral Houses (zero net CO<sub>2</sub> emissions) as standard by 2030, and all existing housing stock by 2050. We will continue to focus on remodeling to ensure a comfortable lifestyle for our customers and to help resolve social issues.

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### **Housing and neighborhoods that rebuild bonds between people**

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Since 1977, Sekisui House has been engaged in urban planning with “common” as one of its keywords, and via 2005’s Sekisui House Urban Development Charter, this has now been sublimated into the concept of high-quality communities that nurture neighborhood bonds, contributing to the promotion of communication between local residents.

Last year’s earthquake and tsunami generated a renewed appreciation of the importance of connections and bonds between people. The vital importance of everyday relationships with close neighbors was evident in the range of ways in which people helped each other during and after the disaster, and we strongly hope to continue to be engaged in further strengthening community development.

Sekisui House has always propounded family life in multigenerational homes, and as a new initiative in 2011 we embarked on the construction of collective housing for elderly households and families with children within the same building, designed to enable multigenerational communication. These are not special facilities, but are rather designed to foster communication within a single building, enabling elderly people, with their rich life experience, to observe children’s growth whilst spending their lives in an environment which resembles an extended family. I believe that intergenerational communication may offer clues for resolving some of the issues facing contemporary society, such as education and long-term care.



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**We are extending Japanese environmental and energy-conservation technology worldwide, with the goal of contributing to improvements in local living environments.**

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There is no industry providing highly systematized, industrialized housing throughout the world that compares with Japan, yet frameworks for providing housing with consistently high levels of quality and function have yet to be established. However, Sekisui House intends to change this situation.

We have welcomed many visiting experts and government officials from overseas who are interested in creating environmentally friendly houses and neighborhoods, and who have taken note of our initiatives. We pride ourselves that our cutting-edge energy generation and conservation technologies, environmental technologies for resource recycling, and attitudes set the bar at an extremely high level in global terms.

Sekisui House believes this represents a good opportunity to globalize our business, and in our international projects we are actively involved not only in terms of physical aspects such as technology, but also in promoting the concept of fair wood purchasing in line with our in-house guidelines, and planting indigenous trees to preserve biodiversity networks. We are also continuing our involvement in creating sustainable societies and communities from a variety of angles, through the synergistic effect of mergers and acquisitions as well as collaboration with outstanding developers and home builders to develop our platform.

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**Our international projects are starting to show a profit, and we are also accelerating environmental initiatives.**

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Our international projects have expanded to include detached houses, collective housing, and commercial complexes incorporating our concepts of design and community development.

In Australia, known for its exceptionally strict environmental design standards, we are taking part in the Central Park Project, a large development in central Sydney. Sales of some areas have already begun, including a number of projects already underway on the east coast, and have made a good start. In Camden Hills, a suburb of Sydney, several display houses are already complete that offer carefully thought-out presentations of our philosophy of housing creation. In Ripley Valley, the “smart city” concept is currently under consideration, in cooperation with municipal authorities. If this comes to pass, it will attract attention as one step toward the realization of our “Sustainable Vision.”

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**In China, where we are involved in government projects, we are developing a production environment with a view to a recycling-oriented society.**

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Several simultaneous projects in China are also currently underway. In Shenyang and Suzhou, Sekisui House started building large condominiums in spring 2012. We are also scheduled to start construction in Taicang and Wuxi. In Shenyang in particular, we are establishing our presence as a core company on state projects through the development themes of “low carbon” and “sustainable development,” and have constructed and operated production plants to meet the demand for next-generation energy conservation and high-performance housing in China. Demand in China is rising, not only for housing volume but also in terms of lifestyle affluence and environmental technology, and the government has high expectations of our attitude toward design and manufacturing at Sekisui House, including training technicians.

Our aim for the future is to achieve yearly sales in Singapore (which is continuing to experience economic growth), the United States and elsewhere of around ¥200 billion. When undertaking urban development and manufacturing plant construction, we are striving not only to ensure that local cultures and atmospheres are not lost but also to spread the use of our zero emissions methods.

This expansion into the global market is imparting new energy to employees of the Sekisui House Group. Our company’s working environment emphasizes diversity through Human Resources Sustainability. I hope that members of the younger generation in particular will turn their eyes to the wide range of possibilities inherent in the world, not bound by past norms or existing concepts, and resolutely broaden the sphere of their activities.

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**Building a sustainable society with an awareness of ISO 26000**

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CSR activities by Sekisui House are based on our “Sustainable Vision,” with our main focus being to achieve customer satisfaction (CS), shareholder satisfaction (SS), and employee satisfaction (ES). The ISO 26000 standard was issued in 2010 as a guide for management incorporating CSR. At Sekisui House, we are aware of ISO 26000 as a standard for meeting our stakeholders’ expectations, and will continue to hold firm under all circumstances, striving for growth as a company with wide support and to working to help build a sustainable future.

**Isami Wada, Chairman & CEO**

Our goal is to achieve “SLOW & SMART” lifestyles through further development of “Green First” and by offering the ultimate energy-free design.



Toshinori Abe, President & COO

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**The power of people, which functioned effectively during crisis relief, and the organizational capacity to assist in recovery from a disaster**

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The Sekisui House Group has been making every effort to contribute to recovery after the Great East Japan Earthquake, and this process is still underway. I would like to take this opportunity once again to express my condolences to the victims of the disaster and everyone involved, and to pledge that the entire group will continue to do everything we can in future.

The Great East Japan Earthquake was followed by a tsunami that greatly exceeded all predictions, and as people who have been involved in building safe, reliable housing based on our experiences with many past earthquakes, it came as a great shock to us.

The question posed to us as house makers by this degree of devastation goes beyond the earthquake resistance of housing. The issue is how quickly we can help residents return to their normal lifestyles after a disaster occurs, and how swiftly we can devise and implement frameworks for action to assist people's activities in times of emergency. I believe our actual capacity as a company was put to the test.

In the Great East Japan Earthquake, the extent and severity of the devastation tested the speed of our initial response. On this point, the nationwide organizational strength of Sekisui House, with its business premises and construction subsidiaries located throughout the country, proved its worth. Our customer-first attitude, which is part of our corporate DNA, provided the driving force, and we were able to utilize systems that had been strengthened by experiences including the Great Hanshin-Awaji Earthquake to start confirming the safety of our customers in the stricken areas from the actual day of the earthquake, including dispatching staff and other personnel in a mass wave of direct visits.

We also began transporting emergency supplies we had stocked in plants outside the affected areas from three hours after the earthquake hit, sending large volumes of relief supplies from all around Japan to assist with reconstruction. We secured around 150,000 construction assistants from all around Japan, mainly from Customer Centers responsible for maintenance but also in cooperation with the Sekisui House Association, which comprises construction companies under contract with us, including Sekiwa Construction (one of our group companies), and this enabled us to carry out recovery and reconstruction work at an early stage.

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### **We will strengthen ties with related companies, continuing to be “a company needed by society” and “a group with a spirit of gratitude”**

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The mutual collaboration between Sekisui House, the various group companies, and the Sekisui House Association that came to the fore during this crisis relief gave me a new awareness of our deep bonds as a community linked by destiny. I felt strongly that we should be a company that is needed by society. As an organization we should embody the love of humanity that constitutes the core of our corporate philosophy of “desiring happiness for others and treating their joy as our own,” and as a group with a spirit of gratitude, we must strengthen this further.

Our nationwide organizational capacity, held together by this mindset, is the starting point for our development as a company. Many of our group employees and other personnel took the initiative to participate in volunteer activities in the regions affected by the Great East Japan Earthquake, and we are all aware that it is our individual ideas and actions that give shape to Sekisui House.

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### **“Green First HYBRID,” the world’s first housing design combining three different cells, launched in response to social demand**

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Issues of electric power supply came to the forefront after the Great East Japan Earthquake, and our customers’ attitudes also clearly began to change. In response to this social demand, we brought forward our initial plans and launched the “Green First HYBRID,” the world’s first housing design fitted with three different cells—solar, fuel, and storage—in August 2011.

The three cell types are controlled by Sekisui House’s proprietary Home Energy Management System (HEMS), which features residents’-viewpoint specifications that mean it switches automatically in a power blackout. This product was awarded the Minister of Economy, Trade and Industry Award, the highest of the New Energy Awards, in FY 2011. This illustrates the high value placed on its innovative nature by the government.

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### **“Green First” will drive growth: Aiming for a standard of zero net CO<sub>2</sub> emissions by newly constructed detached houses**

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The “Green First HYBRID” is a smart house that represents the evolutionary development of “Green First” high-performance eco-friendly housing, which is the key to the business strategy of Sekisui House’s medium-term management plan. Sekisui House has already described the “Green First” strategy as the driver of growth, and has focused on increasing understanding among its customers of its outstanding comfort, energy production, and energy conservation. As a result, in FY 2011 we exceeded our initial target, with 77.9% of new houses being “Green First” designs. We will continue to increase the proportion of “Green First” houses, thus contributing to the resolution of energy and environmental issues. Our goal is for all new detached houses to be carbon neutral (zero

net CO<sub>2</sub> emissions) as a standard by 2030.

Since the earthquake, the need for remodeling to provide energy production and conservation has also increased, and this market is expected to expand further in FY 2012. Those involved in such remodeling have put forward the joint slogan “Photovoltaic panels on every roof in Japan,” including our company’s existing homes, and are investing the management resources required to promote remodeling to install photovoltaic panels. Of course, we are actively extending the “Green First” strategy not only for detached houses, but also Sha-Maison rental homes, condominium projects, and medical and nursing home projects.

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### **Achieving the ultimate energy-free design: Sekisui House is at the forefront of R&D and market penetration in this area**

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Based on our “Green First” strategy, we are pressing ahead with several projects in the field of smart networks and smart houses. The “Kankan kyo” prototype house constructed in Yokohama offers central control of household appliances, residential equipment, electric cars, and other devices, as well as a range of other information, and an integrated in-house network system for supplying energy was demonstrated in 2010.

Since 2011, we have also been working together with Osaka Gas Co., Ltd. on “Smart Energy House” prototype housing, which was awarded the first Life Cycle Carbon Minus Housing Certification from the Institute for Building Environment and Energy Conservation.

We were the first housing manufacturer to exhibit at the Tokyo Motor Show 2011, demonstrating the coordination between an electric car and our “Green First HYBRID” smart house fitted with three different types of cell. In 2012, we will take a further step forward, launching sales of housing capable of interchanging and controlling electric power between houses and electric cars.

Sekisui House believes that its future house building is helping to improve social infrastructure and changing the energy structure of society and the way people live by offering the ultimate energy-free design that offers stress-free energy use in situations ranging from everyday living to times of disaster.

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### **From smart houses to “smart common cities”: Strategic promotion of options that utilize the advantage of scale**

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Based on our proven track record in the development of smart houses, we are taking practical steps toward community development based on the concept of sustainable smart towns that can achieve energy self-sufficiency. Starting with Smart Common City Akaishidai, in the suburbs of Sendai (Miyagi Prefecture), we are now expanding these nationwide to locations in Ibaraki, Chiba, Yokohama, and Fukuoka, among others. People have already begun to lead comfortable lifestyles through advanced technology.

One-stop solutions provided through collaboration between several different companies will be vital for the development and spread of such smart towns. Sekisui House’s “Green First” housing will be pivotal for this.

We are also taking part in Smart City projects, which bring together

complementary technology and expertise from some of the world's leading companies.

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**Pursuing comfort and lifestyles that support environmental conservation through advanced technology, with the slogan "SLOW & SMART"**

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Sekisui House is the leader in the housing industry, having built over two million homes since its inception. Our mission is to take the initiative in engaging in the development and spread of new technologies to support comfortable lifestyles and reduce the burden on the environment, and our slogan for the type of lifestyle we aim to achieve through this is "SLOW & SMART."

This slogan embodies the idea that advanced technology in environmentally friendly homes will enable residents to lead tranquil lives with peace of mind. We are also promoting our "SHEQAS" seismic vibration absorption system accredited by the Minister of Land, Infrastructure, Transport and Tourism, which is being widely adopted in areas affected by the disaster, as another important element for supporting "SLOW & SMART" lifestyles.

Sekisui House is also working to improve air quality within homes in consideration of the health of children, who are more vulnerable than adults. In July 2011 we made the "Airkis" air environment specification, which sets standards for the indoor concentrations of five chemical substances at less than half the standards specified in Ministry of Health, Labour and Welfare guidelines, the standard specification for our main steel-frame detached house products, and are encouraging its widespread adoption.

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**Involvement in collaboration between industry, government, and academia to build healthy home environments**

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The background to this collaboration is our record of involvement in industry-government-academia collaboration through the construction of a test home in our participation in the Chemi-less Town Project (from 2007) led by Chiba University. The "Airkis" is the fruit of dedicated research, from receiving Chemi-less Certification in October 2009 for our prototype detached house from the Association for Promotion of Chemi-less Town (NPO) after completing measures to prevent sick building syndrome, to the start of sales of houses with "Chemicare design" in November that year.

In November 2011, Sekisui House registered as a corporate supporter of the Japan Environment and Children's Study (JECS) being carried out by the Ministry of the Environment. In an effort to raise the level of awareness of this study, we are supporting its promotion. Chemical substances have been identified as potentially affecting the nervous and immune systems of unborn children.

We will continue to review living environments from the health perspective, and to engage in collaboration between industry, government, and academia to build healthy residential environments.




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**Compliance is basic to CSR. We will strive to raise awareness from an ethical viewpoint and with a sense of mission**

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We will continue to work to revitalize our organization through structural reform and to enhance group collaboration. While making efforts to promote communication between in-house divisions and group companies and to foster our corporate culture, we will further develop the potential of our young staff and continue to develop human resources capable of exercising their versatile abilities.

In terms of compliance, we will develop fair relationships with all our stakeholders, including customers, employees, and business partners, under our corporate philosophy, never forgetting that under no circumstances may corporations disregard social rules in the pursuit of profit. We will move into international markets in earnest, making every endeavor to engage in even more transparent, healthy management.

With regard to raising awareness and changing actions, in addition to having leaders on the ground act as key persons setting an example in order to raise awareness among directors and employees still further, we are also carrying out a Governance Awareness Survey in all our business premises and working to improve our system of checks.

This is also the eighth year of activities for the CSR Committee, and these have taken root not only among the management team but also among senior executives in group companies. Its members repeatedly speak of its significance, consistently maintaining the importance of constant efforts.

Based on the twin pillars of compliance and corporate governance, we will continue to fulfill our social responsibility as a company while maintaining both our economic and social focus.

Toshinori Abe, President & COO