



Sustainability Report 2011

For the year ended January 31, 2011

Sustainability Report 2011



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 3.0) of the Global Reporting Initiative. The selected topics are reported in accordance with ISO26000, an international standard on social responsibility.

Features of the Sustainability Report 2011

- The content and materiality of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration survey responses to the Sustainability Report 2010 and social conditions received from 1,300 internal and external stakeholders.
- In the section titled "Initiatives for the Future: toward a Sustainable Society," we report the three most important CSR activities that are either underway or planned.
- This brochure serves as an annual report for fiscal year 2010. Major activities during the period are reported in the section titled "Activity Report."
- Special focus is given to 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 outside stakeholders including our customers and external experts to provide objective third-party views of our corporate activities.

Scope of This Report

■ Businesses

The scope of this report covers a total of 98 companies, namely: Sekisui House, Ltd., its 51 overseas subsidiaries, and the following 46 consolidated subsidiaries that are principal actors in CSR and environmental management: Sekiwa Real Estate, Ltd. (6 companies); Sekisui House Remodeling, Ltd.; Sekiwa Construction, Ltd. (31 companies); Landtech Sekiwa, Ltd. (2 companies); Greentechno Sekiwa, Ltd. (3 companies); SGM Operation Co., Ltd.; Sekisui House Umeda Operation Co., Ltd.; and Sekiwa Wood Co., Ltd. (Refer to pp.7-8 for the profile of the Sekisui House Group.)

■ Business Activities

This report covers the business operations of the Sekisui House Group which include: built to order housing (detached houses and low-rise apartments for leasing); real estate for sale (sale of detached houses and condominiums, and urban redevelopment); real estate for leasing; and others (exterior works and landscaping, remodeling and overseas business).

■ Period Covered

Fiscal year 2010 (February 1, 2010 to January 31, 2011)

*This report includes some matters that do not fall within this period.

■ Date of Publication

This report is published annually in Japanese around April, but for fiscal year 2010, it has been published in June to cover topics concerning the Great East Japan Earthquake.

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About the Cover



The photographs on the cover page represent our activities reported in the sections, "Initiatives for the Future: toward a Sustainable Society" and "Activity Report." With our "Green First" concept for greater comfort, cost performance and environmental friendliness at our core, we will continue working towards the creation of a sustainable society through our housing development, while adhering to the values that have been instilled in us since our inception.

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[Report on the Response of Sekisui House Group to the Great East Japan Earthquake]

We express our heartfelt sympathy and condolences to all the victims of the Great East Japan Earthquake.

The massive earthquake that occurred on March 11, 2011 caused devastation of an unprecedented scale in the Tohoku and the Kanto regions.

To fulfill our social responsibility as a leading housing company, we, the Sekisui House Group, mobilized our corporate resources to the fullest extent to ensure business continuity, thereby promptly catering to the needs of our customers and launching the restoration of damaged houses. We are determined to continue our concerted efforts to achieve post-earthquake rehabilitation and reconstruction of the stricken areas as quickly as possible.

Immediately after the disaster, in order to fulfill our social mission to protect the lives and possessions of our customers, we began visiting our customers to inquire about their condition and launched relief activities to support the stricken areas.

Following the earthquake, we promptly opened a Disaster Response Headquarters at our head office and local disaster response stations in the stricken areas, thus establishing an internal system to effectively take initial response actions and confirm safety.

On the day of the earthquake, we opened Disaster Response Headquarters at the head office, for which our President doubled as Disaster Response Director. The new organizational arrangements allowed us to better cope with emergency situations based on lessons learned from past disasters, and to provide centralized management of disaster-related information and instructions. We also opened local disaster response stations in nine locations in the stricken areas. We confirmed the safety of all employees of the Sekisui House Group on March 15, and promptly took initial action to contact customers to inquire about their condition and address their needs.

Impact of the earthquake on Sekisui houses

| | |
|---|--|
| No. of Sekisui houses in the stricken areas | 177,458 houses in the areas that registered a seismic intensity of 5 upper or more |
| No. of Sekisui houses that required repair | about 2% of the above houses |
| No. of Sekisui houses partially or entirely destroyed | none destroyed by the shaking. *Some houses were affected by ground movement and the tsunami. |

We had already begun contacting our customers to inquire about their safety and damage to their homes on the day the earthquake hit.

First of all, we took action to confirm the safety of our customers in the stricken areas at the earliest time possible. We began confirming the condition of our customers and giving necessary information to them on the day of the earthquake. We contacted customers by telephone to inquire about their safety, the degree of damage to their homes, and their urgent needs. Then we visited customers in a well-planned manner to inspect the damage to their homes first-hand.

No. of Sekisui houses in the stricken areas

| | Total | Detached houses | Apartments for leasing | Others |
|---|---------|-----------------|------------------------|--------|
| Area registering a seismic intensity of 5 upper or more | 177,458 | 127,737 | 45,408 | 4,313 |
| Area registering a seismic intensity of 6 lower or more | 67,436 | 50,142 | 16,352 | 942 |

Total number of Sekisui houses located in municipalities affected by the earthquake in six prefectures in the Tohoku region, Tokyo, six prefectures in the Kanto region, Yamanashi and Shizuoka Prefectures

Within approximately three weeks of the disaster, we had completed confirming the safety of our customers in the stricken areas by contacting them by telephone or by visiting them.

The earthquake and tsunami of an unprecedented scale caused massive damage to electricity, gas and other utilities services. To relieve our customers from anxiety as soon as possible, we mobilized our manpower to visit customers who could not be contacted by telephone. In this way, we had completed confirming the safety of our customers and damage to their homes within approximately three weeks and started restoration work.

We started sending aid supplies after three hours of the earthquake despite extensive damage to transportation networks.

Immediately after the earthquake, we began sending aid supplies to our customers and local offices in the stricken areas which had become extremely difficult to access due to the damage to major transportation networks. After only three hours since the earthquake occurred, the first truck laden with aid supplies left our Shizuoka Factory, which was soon followed by others bound for the stricken areas (Kitakami City in Iwate Prefecture, Sendai, Fukushima, Koriyama, Gunma and Mito). The aid supplies were delivered to hospitals, shelters and local residents, as well as our customers and employees.

■ Main aid supplies sent by Sekisui House (carried by a total of fifty-two 10-ton trucks)

| | |
|---|--|
| Drinking water: 348,000 liters | Gas cartridges for daily use: 14,800 units |
| Staple food: 284,000 dishes | Disposable warmers: 205,000 |
| Non-staple food: 117,000 dishes | Diapers: 45,700 |
| Clothing and blankets: 9,600 items | Sandbags: 17,000 |
| Plastic sheets: 12,800 sheets | Motorbikes: 150 vehicles |
| Portable gas burners for daily use: 3,800 units | (As of April 1, 2011) |

We offered housing and installed temporary lavatories out of our desire to serve “for the benefit of customers and communities.”

Based on the lessons learned from past disasters, we considered what we could do as the Sekisui House Group “for the benefit of customers and communities.” We were among the first companies to launch relief activities such as offering tents for outdoor kitchens to prepare and supply meals to affected people and for reception desks to accept aid supplies; installing temporary lavatories; and offering some of our rental houses to those who lost their homes in the disaster.

We quickly made good our procurement and production systems that are necessary for restoration and reconstruction work.

The blackouts resulting from the earthquake forced our Kanto and Tohoku factories to temporarily suspend production. After only a one-week period, however, production and shipping operations were resumed at both factories. We also took positive action to arrange negotiations with our suppliers to ensure a stable supply of construction materials needed for restoration and reconstruction work as early as possible.



Employees of Sekisui House's Customer Centers from various parts of Japan join the relief activities.



Restoration measures being discussed with partner building contractors



A temporary lavatory is installed in an open space in the residential estate we developed.



A parking space fully occupied by vehicles of support teams

Mar. 11

The earthquake occurs. Initial response action

Earthquake response measures taken by Sekisui House Group

- Disaster Response Headquarters is opened at the head office.
- Local disaster response stations are opened in respective sales administration headquarters.
- Sekisui House begins to confirm the safety of customers, employees and their family members.
- Aid supplies in stock are sent from our Shizuoka Factory to the local disaster response station in the Tohoku Sales Administration Headquarters three hours after the earthquake.

Occurrences in the stricken areas

- Great East Japan Earthquake (magnitude 9.0) occurs.
- Blackouts occur in many parts of the Tohoku region.
- Sendai Airport is closed.
- Main roads and railroads in the Tohoku region are cut off.

Mar. 12

Relief activities launched/business continuity maintained.

- Sekisui House begins to contact customers to inquire about their condition and visit them, starting from accessible areas.
- Sekisui House begins to inspect the damage to buildings and launches restoration work.

- An earthquake occurs in the Shinetsu region.

Doing what we can do for customers and disaster victims promptly and resolutely—the Sekisui House Group and affiliated parties join efforts to work wholeheartedly for the restoration of the stricken areas.

Backed by outstanding organizational strength, we have sent many support personnel to the stricken areas to ensure the earliest possible restoration.

We have sent many support personnel to the stricken areas in cooperation with our affiliated parties; namely, our Customer Centers responsible for housing maintenance, and the Sekisui House Association which is comprised of construction companies under contract with us, including Sekiwa Construction, (one of our group companies). Taking advantage of our nationwide organizational network, we have been working for the earliest possible restoration and reconstruction of the stricken areas.

To fulfill our social responsibility as a housing manufacturer, we have undertaken the construction of about 4,000 temporary houses.

In response to the request of the national and local governments, we have undertaken the construction of temporary houses in Miyagi, Iwate and Fukushima Prefectures, where construction personnel from around Japan are engaged in building high-insulation temporary houses equipped with baths and toilets at an accelerated pace.

With our high-performance, high-quality housing products, we respond to the rapidly growing needs for housing reconstruction.

We are doing our utmost to cater to the requests for housing construction from those who lost homes in the disaster and also building collective housing to accommodate disaster victims, by maximizing our sales, design and construction efforts.

During the disaster, none of the Sekisui houses in the stricken areas were destroyed by the shaking itself, which has proven the outstanding seismic performance of our housing products, especially our SHEQAS seismic vibration absorption system. With our ability to construct high-performance, high-quality houses, we will continue our concerted efforts to cater to the needs for housing reconstruction.



Temporary houses are built at an accelerated pace.



With our ability to promptly manufacture high-quality products, we contribute to achieving the earliest possible restoration. (Tohoku Factory)



Many construction personnel are mobilized from all over Japan to work in the stricken areas.

Mar. 13 Mar. 14 Mar. 15 Mar. 18 Mar. 19 Mar. 24 Mar. 25

Launch restoration and reconstruction work framework.

- Collection of monetary donations begins.
- Disaster response center is opened to address inquiries from customers.
- Toll-free telephone service is introduced to all the Customer Centers in the stricken areas.
- Internal arrangements are made to support restoration and reconstruction work.
- The head office begins to send its technical personnel to the stricken areas.
- Tokyo Electric Power Company carries out planned blackouts.
- An earthquake occurs in the eastern part of Shizuoka Prefecture.
- The Kanto Factory resumes shipping operations.
- The Tohoku Factory resumes shipping operations.
- Traffic restrictions on the expressway are entirely lifted, allowing access by private vehicles.
- The national government requests residents living within a 20 km to 30 km radius of the Fukushima Daiichi Nuclear Power Plant to evacuate voluntarily.
- Approx. 340,000 people are evacuated to 2,500 shelters in eleven prefectures.
- In the wake of the Fukushima Daiichi Nuclear Power Plant accident, the national government issues an evacuation order to residents living within a 20 km radius of the power plant.

We have launched new specially designed housing products to help people affected by the disaster resume their normal lives as early as possible.

In our efforts to bring a safe, secure and comfortable place to live to the people affected by the disaster as quickly as possible, we have launched new low-cost packaged housing products, which are shipped with high-performance housing features that characterize all Sekisui houses, including SHEQAS, our original seismic vibration absorption system that is accredited by the Minister of Land, Infrastructure, Transport and Tourism for its superior quality. Due to the availability of limited plans and specifications, these products allow us to start construction earlier than other Sekisui housing products, and thus require a much shorter construction time.

We are determined to continue group-wide efforts towards the restoration and reconstruction of the stricken areas, thereby fulfilling our social responsibility.



The SHEQAS seismic vibration absorption system is designed to withstand a huge earthquake with a seismic intensity of 7, and demonstrates superior resistance to repeated shakings.

積水ハウスオリジナル 大臣認定「制震構造」

SHEQAS

地震動エネルギー吸収システム(シーカス)
www.sekisuihouse.com/sheqas

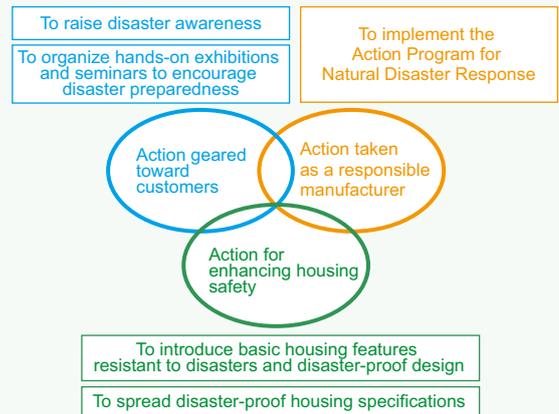
Three features of SHEQAS

- 1 Converting seismic wave energy into heat energy and absorbing building movement.
- 2 Reducing building deformation by about 50%.
*The effect may vary depending on the intensity of the earthquake.
- 3 Making housing highly durable and resistant to repeated shakings.

We are promoting disaster-proof housing development in a comprehensive manner.

Since our inception, we have placed special emphasis on developing disaster-proof housing and offering prompt support to our customers. In 2004, we started an initiative to enhance the safety and durability of our housing products centering on three actions as part of our efforts for "disaster-proof housing" development, and established an internal system to support the initiative. We have since been implementing the Action Program for Natural Disaster Response to effectively offer support to the restoration of stricken areas on a group-wide basis in case a disaster occurs, while promoting our "disaster-proof housing" specifications to minimize damage to homes.

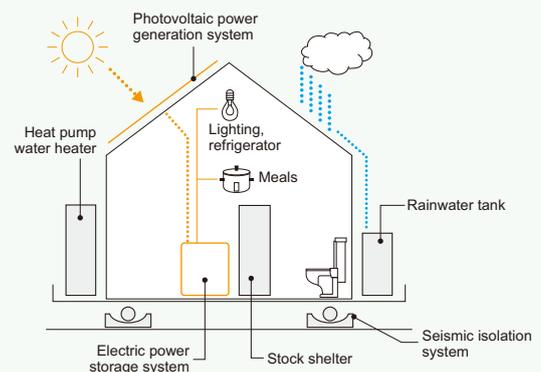
Three actions in our efforts for "disaster-proof housing" development



Disaster-proof housing specifications

- Housing features that allow a self-sustained life even after a disaster occurs
 - Emergency devices that can be of service even at ordinary times
- Providing measures to secure living space, water and food, and energy

Disaster-resistant home



For more information about our disaster-proof housing development initiative, please visit the following website.

<http://www.sekisuihouse.com/technology/safety/earthquake/index.html>

Apr. 1 Apr. 4 Apr. 5 Apr. 7 Apr. 13 Apr. 27 Apr. 29

Full-scale restoration work begins/package housing products offered for sale

- Meeting is convened to discuss post-disaster measures involving the entire Sekisui House Group.
- Sekisui House begins to accept orders for packaged housing products in the stricken areas.

● Construction of temporary houses begins.

● Construction of temporary houses is completed in Ishinomaki City in Miyagi Prefecture.

We, the Sekisui House Group, will continue our concerted efforts to achieve restoration and reconstruction of the stricken areas as early as possible.

● Restoration of 80% of the Tohoku Line and other conventional railway lines completed.

● No. of evacuees totals 157,600.

● Sendai Airport resumes passenger flight services.

● The Tohoku Shinkansen Line resumes full service.

Sekisui House Group Overview

Meeting our obligations to society by building sustainable communities.

The Sekisui House Group, through construction of custom-built detached houses and low-rise apartments, sale of ready-built detached houses and condominiums, and promoting urban redevelopment projects, has contributed to creating comfortable living environments where both communities and homeowners thrive. As a leading housing manufacturer that has become the first to reach the 2-million-home milestone in Japan, we will continue our efforts to fulfill our social responsibility and accelerate the process toward a sustainable society.

(We built 43,317 houses during fiscal year 2010 and have built 2,045,039 houses in total.)

Built to Order Housing Business

Our built to order housing business includes the contracting, design, and construction of steel-frame detached houses, the SHAWOOD brand of wooden-frame detached houses and the Sha-Maison brand of low-rise apartments.



BeSai+e steel-frame detached house



The Gravis wooden-frame detached house



Biena three-story steel-frame house



Sha-Maison, PRO+NUBE low-rise apartment



Sha-Maison, Bereo three/four-story apartment

Subsidiaries and Affiliates

- Sekiwa Construction Higashi-Tokyo, Ltd. and 30 other companies
Housing construction, landscaping, and exterior construction works
- Sekiwa Wood Co., Ltd.
Trading of housing-related construction materials

Corporate Profile (as of January 31, 2011)

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 million
Number of shares outstanding: 676,885,078
Employees: 21,421 (consolidated); 13,486 (non-consolidated)

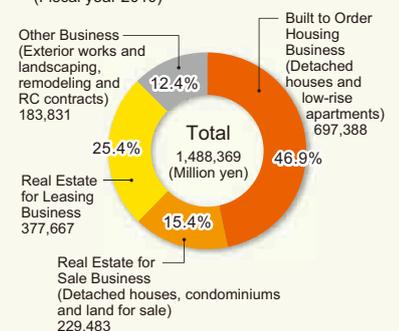
Sales and Services Offices (as of January 31, 2011)

Sales Administration Headquarters: 15
Sales offices: 123
Factories: 5
R&D Institute: 1
Customer Service Centers: 32
Subsidiaries and affiliates: 106

Business Performance Review

In fiscal year 2010, the housing industry benefited from various governmental measures such as tax deductions for housing loans, the expansion of the gift tax exemption for lifetime gifts, continued provision of housing subsidies, and the introduction of the housing eco-point system. Against this backdrop, we have taken positive business promotion measures under our medium-term management plan, such as strengthening our core business focusing on the "Green First" line of eco-friendly homes, reinforcing our housing stock business through group-wide cooperation, and expanding our business portfolio. In August 2010, we celebrated our 50th anniversary. For this occasion, we adopted a slogan: "Sekisui House—Your only home," and widely communicated our 2-million-home milestone and conveyed our gratitude to customers by visiting them and through various media events. As a result of these efforts, we returned to the black in fiscal year 2010 due to an increase in consolidated net sales, which grew approximately 10% from the previous year when we posted a loss on valuation of inventory assets.

Consolidated net sales by segment (Fiscal year 2010)



offering high-quality housing products and

Real Estate for Sale Business

Our real estate for sale business includes the sales of detached houses and condominiums, as well as urban redevelopment projects and the sale and purchase of commercial buildings.



"Common Stage Tenjin no mori," detached houses project



"Grande Maison Nishikujo BIO," condominium project

Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies
Real estate brokering and leasing

Real Estate for Leasing Business

Our real estate for leasing business includes the block leasing/subleasing of Sha-Maison residential properties and condominiums, as well as the leasing and management of other real estate.



"Sha-Maison," low-rise apartment for leasing

Subsidiaries and Affiliates

- Sekiwa Real Estate, Ltd. and 5 other companies
Master leasing and property management of rental housing, etc.
- SGM Operation Co., Ltd.
Management of condominiums, commercial buildings and other building types
- Sekisui House Umeda Operation Co., Ltd.
Property management for Shin Umeda City and the provision of tenant services, etc.

Subleasing Activities

Sekiwa Real Estate, Ltd., which consists of six group companies, also 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. Under this system, Sekiwa Real Estate has developed a strong reputation in the segment for reliable long-term property management.

Sekiwa Real Estate Sublease System

Set rent/Solicit residents/Collect lease payments/Move-out settlement/Regular cleaning/Response to inquiries, etc.

Other Businesses

Housing remodeling, landscaping, exterior construction work, the contracting, designing and construction of RC-framed and other condominiums, and overseas business



Exterior construction work

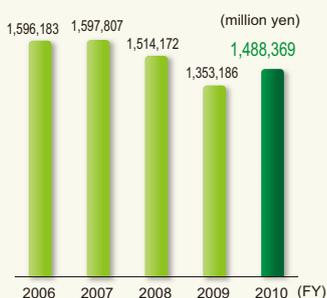


Condominium development planned for China

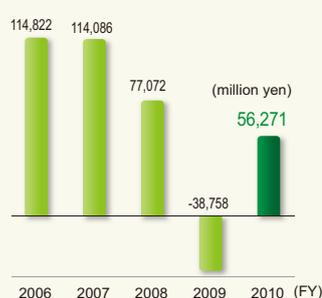
Subsidiaries and Affiliates

- Sekisui House Remodeling, Ltd.
Remodeling contracting
- Sekiwa Construction Higashi-Tokyo, Ltd. and 30 other companies
Remodeling contracting
- Sekiwa Real Estate, Ltd. and 5 other companies
Remodeling contracting
- Greentechno Sekiwa, Ltd. and 2 other companies
Landscaping, exterior construction work
- SEA, Ltd.
Publisher of housing-related materials, advertising agency

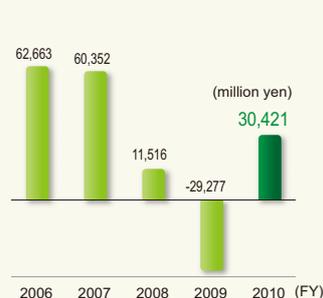
Consolidated net sales



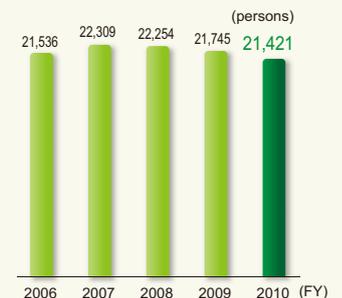
Consolidated ordinary income



Consolidated net income



Consolidated employees



Working towards a sustainable future by overcoming difficulties resulting from the recent earthquake and other social problems.



Isami Wada Chairman & CEO

The recent earthquake renewed our awareness of our roles and responsibilities in three key areas, which we will always keep in mind when conducting business.

The earthquake that occurred on March 11, 2011 caused unprecedented devastation beyond our wildest imagination. We express our deepest sympathy and condolences to all the victims of the disaster and extend our sincerest wish for the earliest possible recovery of all the affected areas.

This disaster has reminded us of three important things.

First, our customer-first policy. Our policy of visiting customers as soon as possible upon occurrence of a disaster has been at the heart of our business since our inception, and is deeply rooted in our DNA itself. Fortunately, our production facilities and sales offices suffered only limited damage in the disaster, and we could promptly and efficiently address the needs of our customers in the stricken areas.

Second, the importance of ensuring housing safety and durability. We take it for granted that a house is a shelter that protects our lives and possessions. The recent disaster taught us that a house can also be a shelter to protect our mental wellbeing. In the recent disaster, many people lost things that are of irreplaceable value to them—their homes and even their hometowns. While no Sekisui houses in the stricken areas were

destroyed, whether partially or completely in the earthquake, we will always keep this lesson in mind when constructing temporary houses for the victims. As a member of the Japan Prefabricated Construction Suppliers & Manufacturers Association, we have fully cooperated with both the national government and also the local governments of the stricken areas by undertaking the construction of about 4,000 temporary houses.

Third, the issue of energy scarcity. We seriously felt the weight of this issue in the face of the disruption of critical lifeline services in the stricken areas. We will do our utmost to reduce energy use and cut power consumption by 15% during peak hours. There will be a greater demand for homes capable of generating energy and reducing energy consumption. Therefore, in light of this, we are convinced that we are doing the right thing by promoting sales of the “Green First” line of eco-friendly homes as the driving force of our business.

As a leading company, we will serve as an engine to boost the housing industry.

While Japan has been in deflation for about twenty years since the collapse of the bubble economy, the Japanese housing industry, finally, has begun to show signs of recovery as the main driver of domestic demand growth.

As a leading company in the housing industry, we have taken positive action to propose to the national government how the housing industry could assist in improving and stimulating the national economy with its power to influence society and economy. We take pride in inspiring the government to continue the housing eco-point system and the subsidies for residential photovoltaic power generation systems, thus playing a large role in expanding domestic demand and creating job opportunities. The Ministry of Land, Infrastructure, Transport and Tourism also considers the housing industry to be key to the future growth of the Japanese economy and promotes the development of high-quality housing stock by encouraging supply of newly built houses of superior quality, as well as distribution and remodeling of houses.

What matters to us is the quality of housing. It does not make any sense if we become trapped in a “diminishing equilibrium” as a result of putting too much emphasis on cost reduction and downsizing to the extent that it affects the quality of our housing products. Since our inception, we have offered a total of 2,000,000 high-quality houses, which is equivalent to about 50% of all the households in the twenty-three wards in the Tokyo Metropolitan Area. We remain fully committed to providing high-quality future-oriented houses capable of generating energy and reducing energy consumption, thereby driving the growth and further development of the Japanese housing industry.

We will fulfill our social responsibility with the awareness that housing holds the key to the solution of social problems.

A house is not only a personal asset but also an important part of social capital. Housing is also at the core of various social problems. Housing can exert far greater influence on our lives, the economy and the environment than we can imagine throughout its lifecycle from construction through to occupancy and the final stage of demolition. For example, in light of the prevention of global warming, urgent action is required to reduce CO₂ emissions from houses. Housing is closely related to many

social problems that require serious attention, such as the reduction of opportunities for intergenerational exchange due to the declining birth rate and aging of the population, and the collapse of local communities resulting from a growing reluctance of residents to associate with their neighbors.

Against this backdrop, we are required to take on a huge responsibility as a housing manufacturer that has offered about 2,000,000 homes during the last half a century: it is our responsibility to help society by improving the social environment for better and safer lives through our business activities, adhering to our belief that “Housing, as an important part of social capital, is capable of solving all the problems that have occurred in this world.”

As a company that was among the first to announce the “Environmental Future Plan,” we have been working towards the creation of a sustainable society.

Fifty years ago when Sekisui was founded, the housing industry itself had not been established yet. The period of rapid economic growth that followed was characterized by industrial mass production and mass consumption, which resulted in excessive energy consumption, continued environmental pollution, and ecosystem destruction.

To improve such a situation, we unveiled our “Environmental Future Plan” in 1999, earlier than most other companies. We seriously considered how we, as a housing manufacturer, could contribute to the wellbeing of society, especially in terms of environmental sustainability, and developed next-generation energy-saving standards for our detached housing products, while launching the “*Gohon no ki*” gardening concept in 2001. In this way, we have been playing a leading role in the housing industry in terms of environmental measures.

In 2005 when the Kyoto Protocol came into force, we announced the Declaration on Sustainability and introduced the specifications designed to reduce CO₂ emissions from Sekisui houses to a level at least 6% lower than the 1990 level. In 2008, we launched a line of Carbon Neutral Houses equipped with photovoltaic power generation and fuel cell systems, which together work to reduce CO₂ emissions from the house to zero. Through these initiatives, we presented a clear image of ideal housing for a sustainable society, which allows comfortable living while drastically reducing CO₂ emissions. In the G8 Hokkaido Toyako Summit held in 2008, the Japanese government announced that Japan would strive to reduce its CO₂ emissions by 60%-80% by 2050, and accordingly, we developed the 2050 vision to reduce CO₂ emissions from housing to zero by 2050.

We also built our Zero Emission House designed under this vision in front of the International Media Center at the venue for the Summit, and demonstrated to the world that the technologies currently available in Japan allow us to live zero emission lives in an ordinary housing setting, thus communicating our technical excellence widely to the public. After the Summit, the Zero Emission House was relocated to our Kanto Factory. The house has since been visited by a total of more than 50,000 people, and educates visitors on the advantages of eco-friendly housing.

In promoting environmental preservation measures looking ten and twenty years ahead from now, we, as a front runner leading the industry, have gone through a trial-and-error process and we have had to overcome many difficulties that inevitably face any pioneering projects. If someone has to assume the role of a pioneer, we will take up the role and lead the way in creating a path toward the future—this mindset has remained unchanged since our inception and helped us take a step toward innovation at all times.

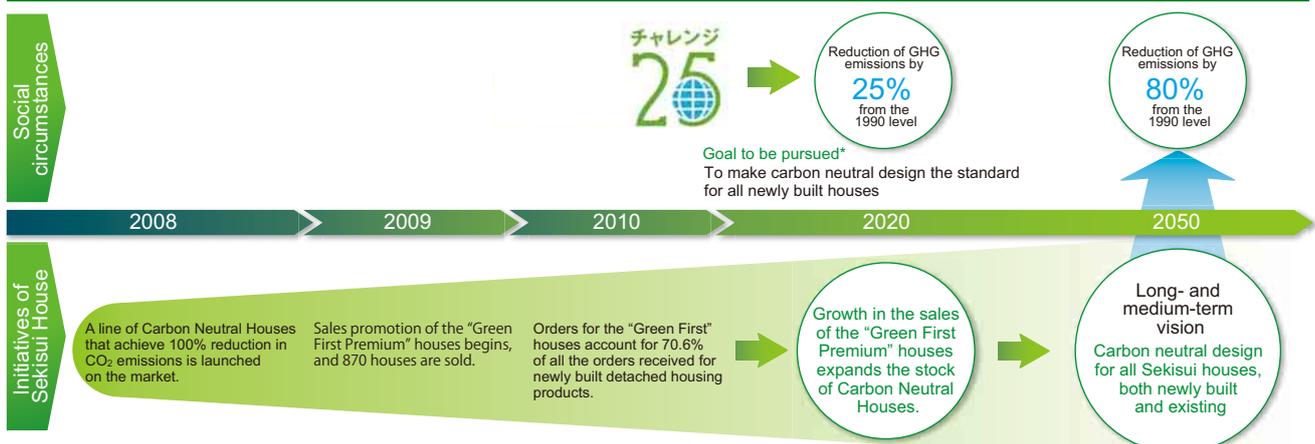
Our “Green First” initiative helps us take a huge stride towards a low-carbon society.

A house that allows people to enjoy a comfortable life and reduce CO₂ emissions at the same time, without the need to endure or give up something in order to reduce energy consumption is the basic concept that underlies the “Green First” line of eco-friendly homes we launched in 2009. Incorporating advanced environmental technologies such as photovoltaic power generation systems, high efficiency hot water supply systems, and fuel cell systems for residential use, combined with thermal insulation and other sophisticated basic functions, the “Green First” housing product brings to our customers three advantages—comfort, cost performance and environmental friendliness, while simultaneously reducing homeowners’ CO₂ emissions by more than 50%. Currently, the orders for “Green First” houses account for more than 70% of all the orders we have received for newly built detached housing products.

Especially notable is the growth in sales of the “Green First Premium” housing product. This product is equipped with photovoltaic power generation and fuel cell systems, which together work to drastically reduce CO₂ emissions. We hope to increase public recognition of this product as synonymous with a Carbon Neutral House in the market, while working to achieve the long- and medium-term targets we have set for 2050.

Firmly convinced of the arrival of a low-carbon society, we will continue concerted efforts to further enhance and augment our initiatives on a long- and medium-term basis.

Steps to make carbon neutral houses the standard for Japanese housing



*Basic Energy Plan (draft) of the Ministry of Economy, Trade and Industry issued in April 2010 and other materials

We will also continue working for ecosystem preservation and resource recycling.

In 2008, we were certified as an Eco-First Company by the Ministry of the Environment. We also announced our Eco-First Promise, in which we promised to reduce CO₂ emissions, encourage the restoration of ecosystem networks, and promote resource recycling.

As part of our efforts to restore ecosystem networks, we have been promoting tree planting since 2001 under our *Gohon no ki* landscaping concept. We plant native and indigenous tree species that are best suited to the local climate in home gardens in a manner that imitates the traditional Japanese *safoyama* landscape. The green space created in the garden is visited by birds and butterflies, giving a sense of oneness with the nature.

While the tenth Conference of the Parties to the Convention on Biological Diversity (COP10) held in Japan in 2010 caused a recent surge in interest in biodiversity preservation among Japanese companies, we have been engaged in biodiversity initiatives for the last ten years, and the number of trees we have planted over these years totals 7,160,000. The biodiversity survey we have been conducting since 2008 reveals an increase in fauna and flora populations. We will continue our greening efforts under the *Gohon no ki* landscaping concept.

We have also launched the "FairWood" initiative to conserve ecosystems of forests and local communities in logging sites, thereby ensuring sustainable wood use. We have devised our own Wood Procurement Guidelines for wood used in housing construction and have been successfully increasing the amount of FairWood procurement thanks to the cooperation of our suppliers.

We are firmly committed to resource recycling and have already achieved zero emissions in new build construction and remodeling sites. By minimizing waste materials and recycling them, we could reduce the amount of waste materials generated

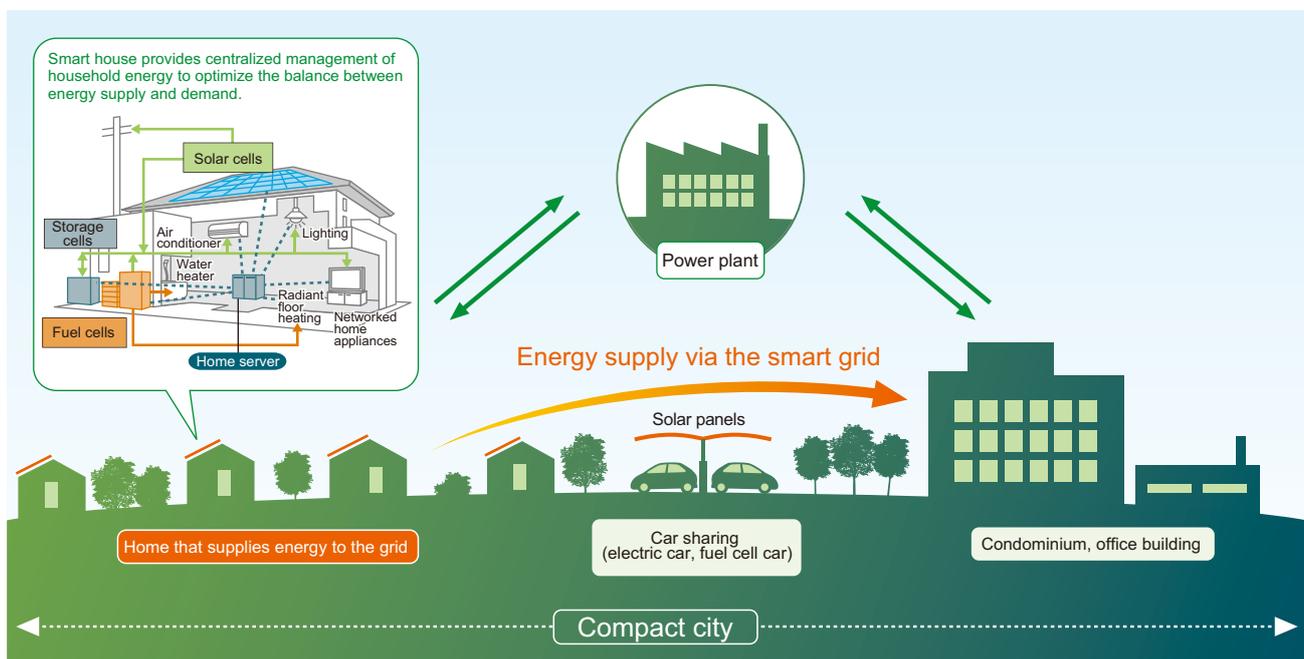
by construction by approximately 50% from previous levels. Aware of the need to enhance the quality of waste management, we have developed and introduced Japan's first IC tag-based next-generation zero emissions system, which enables us to collect accurate data of individual houses and thus increase efficiency in resource use and waste traceability.

We will accelerate efforts to launch future-oriented housing products incorporating "smart house" technology.

The power supply problems resulting from the recent Fukushima nuclear power plant accident triggered by the earthquake and tsunami has emphasized the importance of dispersed power generation by use of photovoltaic power generation system and fuel cells that we have been developing under our "Green First" initiative. Smart grid technology allows the sharing of electricity produced from dispersed generators. To put this system into practical use at the earliest stage possible, we are carrying out various projects in cooperation with the national government and companies outside of the housing industry.

Specifically, we have joined the Smart Network Project commissioned by the Ministry of Internal Affairs and Communications, which aims to develop and examine communication standard to expedite the creation of low-carbon society, and as a member of the project, have been engaged in demonstrative experiments using an experimental house constructed in Yokohama since November 2010. In 2009, we teamed up with Osaka Gas to conduct the "Smart Energy House" pilot project, in which we constructed a prototype house, which, together with an electric car, is designed to emit no CO₂, using three types of cells: solar, fuel and storage. We have already begun a three-year residential experiment using this prototype house and aim to bring the smart energy house concept to practical use in 2015 and expedite its introduction into the market. In addition, we have started sales of next-generation smart housing products while conducting community-wide smart

Smart house and smart grid concept Shift from a consumer of energy to a supplier of energy



Smart grid optimizes the balance between energy supply and demand on a community-wide basis.

grid experiments involving residents. All of these initiatives, conducted with our “Green First” and “Green First Premium” housing products, are unprecedented attempts in the industry.

In the future, centralized management of information, home electronic appliances, and housing equipment will be the norm, and a home will assume the role of a supplier of energy, instead of a consumer. At the same time, we believe that homes will become an essential part of an advanced energy and communication network, capable of supplying energy, optimizing the supply-demand balance on a community-wide basis, and thus make a meaningful contribution to the creation of a low-carbon society. We will continue demonstrative experiments to introduce our state-of-the-art innovations into the market at the earliest stage possible, which will lead us to greater business opportunities.

The excellence of our environmental technologies is recognized internationally. Backed by our technical excellence, we are carrying out various projects overseas.

In fiscal year 2010, we focused on developing our business overseas. We started projects in Australia, the U.S., and China thanks to the backing of local governmental agencies and major developers who appreciate our attitude toward housing development and environmental problems. We expect that our overseas business will generate sales of around 200 billion yen a year in the future.

Our environmental and energy conservation technologies are highly evaluated internationally. At the G8 Hokkaido Toyako Summit, the “Zero Emission House,” an embodiment of our technical excellence and future vision, garnered immense praise from foreign visitors for its housing quality, making us confident in what we have been doing.

As a leading company in the housing industry, we are responsible for making Japanese high-quality housing products and cutting-edge environmental technology available to the

world. We will continue our initiatives towards the creation of a sustainable society, not in Japan only, but internationally.

With enthusiastic commitment to the wellbeing of people and society, we will take bold steps into the next fifty years.

These days, few people feel optimistic about the economic future of Japan. However, I believe, despite all the difficulties we face today, we should look for opportunities for potential economic growth. When speaking with young people who have grown up in a deflationary society, I always feel like showing our vision of overseas business development and giving them an encouraging push, saying, “You have so many chances ahead of you. Have more confidence in yourself,” and, “You can play an active role in an international setting only if you have courage.”

For fifty years since our founding, we have served our customers with utmost sincerity and brought them more than 2,000,000 high-quality housing products. Creation of “comfortable housing and ecologically sound communities” requires an enthusiastic commitment to the wellbeing of people and society. With this in mind, all of us at Sekisui House will continue our concerted efforts for another fifty years.

Isami Wada
Chairman & CEO

Expanding business overseas



A condominium and hotel complex in China

*Artist's renderings



A large, eco-friendly condominium complex, provided with abundant green space, in China



Camden Hills in Australia, a community developed in harmony with the local climate and culture

At the Sekisui House Group, we are determined to continue concerted efforts to expedite the restoration and reconstruction process in the stricken areas, thereby fulfilling our obligations to society.



The recent earthquake has renewed our awareness of our mission and reminded us of the importance of our social responsibility.

The huge earthquake that took place on March 11, 2011 claimed many precious lives and in an instant caused massive damage to social infrastructure. We would like to extend our deepest sympathy to all the victims and people who were affected. In the wake of the earthquake, we promptly set up our Disaster Response Headquarters and began contacting our customers to confirm their safety and began sending aid supplies to the stricken areas. Currently, our post-disaster measures have entered the next stage and we are concentrating our efforts on the restoration of buildings and construction of temporary houses.

After the earthquake, many of our customers expressed their confidence in us, saying: "We were right in choosing Sekisui House as our homebuilder." This has made us acutely aware of our responsibility to offer safe and high-quality housing products. During the last earthquake, our SHEQAS seismic vibration absorption system proved its outstanding value. Also we have become increasingly confident that we can contribute to reducing energy consumption by promoting sales of our "Green First" line of eco-friendly homes. We, at the Sekisui House Group, are

determined to continue concerted efforts for the restoration of the stricken areas and eventually all of Japan.

We will look back to our origins to clarify what should be preserved and take steps into the next fifty years.

The number of houses we have built since our inception reached 2,000,000 in total in January 2010, right before we celebrated our 50th anniversary. This important milestone has prompted us to look back to our origins and define what should be preserved and what should be innovated, so that we will be able to formulate a next-stage growth strategy for the Sekisui House Group and remain on a path of continued growth.

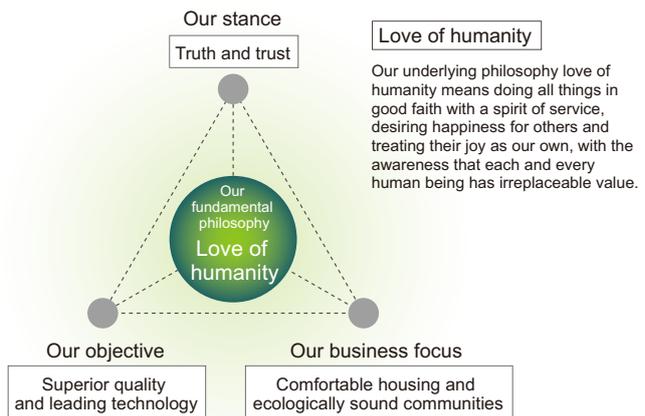
By "what should be preserved," we mean our love of humanity which constitutes the core of our corporate philosophy and emphasizes the mindset of "desiring happiness for others and treating their joy as our own." Since our inception, we have been deeply grateful for our customers and business partners. Also, all the Sekisui House personnel have been working in unison for a common purpose with a sense of mutual gratitude. This mindset is deeply rooted in our DNA, and prompted us to hasten our visits to our customers immediately after the earthquake.

Our ability to internally assume responsibility for the entire process of our business activities, from sales, design, production, and construction to after-sales service and housing remodeling gives us an unparalleled advantage. By allocating 1,400 employees, or 10% of all our employees, to after-sales service, we can ensure more substantial support is given to our customers.

In addition, we will work to enhance customer satisfaction by reinforcing the cooperative ties among the Sekisui House Group companies, and encouraging information exchange within the Group, including Sekiwa Construction and Sekiwa Real Estate, Ltd. We will also instill the customer-oriented attitude in all our employees as a means to further develop our housing stock business.

"Sekisui House—Your only home." Our commitment to this motto has never changed and will remain unchanged in the future.

Corporate philosophy (adopted in January 1989)



We will continue promoting the sales of the “Green First” homes to offer living environments that feature comfortable spaces, yet require less energy consumption.

We have seen a steady growth in the sales of our “Green First” line of eco-friendly homes that feature comfortable and enriching spaces yet are economical, and are given strategic importance in our medium-term management plan. During fiscal year 2010, orders for the Green First homes accounted for 70.6% of all the orders we have received for newly built detached housing products, and 19% of the orders for the “Sha-Maison” low-rise apartments for leasing. Out of our newly built detached houses, 10,931 are equipped with a photovoltaic power generation system and the number of fuel cells totals 2,974, while 890 Sha-Maison apartments are equipped with a photovoltaic power generation system. As a result, we have reached the top position in the industry in terms of the number of photovoltaic power generation systems and fuel cells sold. The rate of reduction in CO₂ emissions from all our detached houses is 49.4% compared to the 1990 level. In fiscal year 2011, we will work to achieve a reduction rate of 52%.

The Green First home is an eco-friendly product, equipped with the latest basic housing features such as a highly efficient heat insulation system and universal design, combined with a photovoltaic power generation system and fuel cells, which together offer comfortable spaces at lower cost, while drastically reducing CO₂ emissions. Prior to launching the Green First line on to the market, we considered how we could promote the sales of this product from a strategic point of view and examined its PDCA cycle in depth at the CSR Committee and the Business Committee. We believe this process, along with the support from our customers, has led us to the success of the Green First home on this scale.

We participated in demonstrative experiments of fuel cells before the effect of these cells was known to the general public. We have since continued dedicated efforts to promote the use of fuel cells. We think the time is finally catching up with Sekisui House—an Eco-First Company that takes the lead in addressing a number of environmental issues.

Today, serious concern is growing over shortages of electricity during daytime peak hours in the coming summer due to the suspension of operations at some nuclear power plants in Japan. Equipped with photovoltaic power generation and fuel cell systems, our Green First homes allow us to reduce power consumption during peak hours without compromising the comfort of customers. Since the last earthquake, we have received encouraging words from many of our customers, saying that our photovoltaic power generation system helped them greatly when power supplies were cut off. In fiscal year 2011, we will further promote the sales of the Green First homes along with other lines of products, so that the share of the Green First homes in all our housing sales will increase

to 75% on average on a company-wide basis. Specifically, we will work to achieve sales of 12,000 newly built detached houses with photovoltaic power generation systems, and sales of 3,500 fuel cells.

“What should be innovated” includes our on-site competencies and area marketing strategy.

We, the Sekisui House Group, are urged to pursue innovation by improving our on-site competencies and implementing our area marketing strategy to a fuller extent through structural reform. As a means to improve our on-site competencies, we will transfer more employees from our head office to local sales offices and devote greater energy to the training of personnel—our most important resource.

Additionally, we will promote area marketing efforts focusing on the potential demand in each locality, while improving our organizational efficiency and agility and allocating high-caliber personnel to the areas of special importance, thereby improving profitability. As part of our efforts to optimize the production process under our company-wide structural reform initiative, we have started new production lines for the BeSai+e home, a product launched in commemoration of our 50th anniversary. The introduction of the new lines has enabled us to increase the automation rate at our factories, produce higher-quality products more efficiently at lower cost, and manufacture each housing product entirely on a customer-specific basis.

We will promote compliance best practices going forward.

We are fully aware of the critical importance of compliance for corporate activities. Corporations must not seek profits without regard to social rules. We will continue developing fair relationships with all our stakeholders (including our customers, employees and business partners) responsibly, determinedly and ethically under our corporate philosophy.

I make it a rule to attend meetings convened by the General Affairs Director who is responsible for compliance issues, whenever possible. We ensure employee compliance by conducting employee awareness surveys to gauge attitudes toward governance in each of our business sites. Leaders of our business sites are responsible for maintaining the open corporate culture that allows each employee to remain enthusiastic and motivated about their work, increase their compliance awareness, and ensure and further promote good compliance practices.

We will continue efforts to instill responsible and sound management practices in the entire Sekisui House Group, placing emphasis on interpersonal relationships.

Toshinori Abe
President & COO

■ In 2010, Sekisui House was ranked No. 1 for the second consecutive year in the list of the top 100 companies in Japan displaying global leadership for CSR released by the Nippon Foundation. In February 2011, Sekisui House was awarded the Prize for Excellence at the Japan Internal Control Grand Prix 2011 (Integrity Award) organized by Integrex Inc. This award recognizes and commends companies committed to compliance and sincere and transparent management.

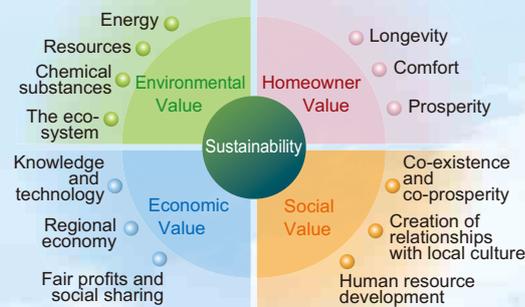
Our Promises for FY 2011

- Make group-wide efforts to offer support to homeowners in the areas stricken by the Great East Japan Earthquake and facilitate the restoration process, temporary housing construction and housing reconstruction.
- Reduce residential CO₂ emissions through our Green First strategy to encourage energy conservation in homes. Install PV systems in 12,000 homes and fuel cell systems in 3,500 homes.
- Promote activities to reduce environmental impacts under the Challenge 25 Campaign and take positive measures to cut power consumption by 15% during peak hours in the coming summer as an Eco-First Company.
- Create a base of high-quality housing stock by developing safe, durable and comfortable housing products based on seismic resistance design, universal design principles, and “Chemicare design” that protect human health and the environment.
- Support the long-term and successive use of housing in contributing to a vital secondary market for used homes, through our original home warranty program and the Everloop program under which we repurchase and remodel homes for subsequent sale.
- Focus on conserving ecosystems based on a “Gohon no ki” gardening concept, with the continuing goal of planting one million trees annually.
- Based on the Sekisui House Urban Development Charter, we will contribute to an abundance of nature, build communities, and support the development of towns that successive generations will call home to.
- Continue achieving zero emissions in the processes of manufacturing, construction, home maintenance and home remodeling, and reduce the volume of waste produced and actively engage in recycling by use of the IC-tag based system.
- Share common objectives with our group companies and partner building contractors, and collaborate on construction quality management and personnel training to achieve co-prosperity.
- Promote the use of our Wood Procurement Guidelines for sustainable wood use and work with our suppliers to expand FairWood procurement.
- Actively support diversity in human resources and development of the next generation of employees, including support for women in the workplace.
- Achieve strict compliance in all our business processes, and seek to raise employee awareness and have systems in place to encourage fair business practices.

The “Green First” home is an embodiment of our “Sustainable Vision.”

For fifty years since our inception, all Sekisui House employees have been working in unison toward common goals, earned the trust of our customers and developed strong relationships with them. Over this long period of time, we have maintained our solid commitment to offering quality housing products to satisfy our customers. In the Sustainable Vision we announced in 2005, we provide a summary of our past initiatives and present our vision for the future. We will continue our determined pursuit of homebuilding focusing on “comfortable living—now and always” in order to accelerate the process toward a sustainable society.

13 guidelines based on our 4 values (enacted in 2006)



Sekisui House prioritizes an approach to homebuilding that balances the four key values of the environment, economy, society and residential homeowner needs. Through our thirteen guidelines, we hope to realize this aim as we move to improve the sustainable nature of our corporate activities going forward.

Sustainable Vision

Sekisui House firmly believes that a sustainable society is a society based on a balanced, global eco-system where all people can live in comfort in the future. In addition to contributing to the development of a sustainable society through the provision of high quality housing solutions, Sekisui House aims to become a positive generator of comfortable living environments for homeowners, the community, and the environment.



1960
Sekisui House founded

Exhibiting model houses to convince customers of the quality and reliability of our housing products

1966: Showing our model house in Japan's first general housing exhibition site

The model house exhibition gave us an innovative marketing tool, as a model house allows prospective customers to see exactly how their home would look like, and check the interior and housing equipment in advance.



Enhancing the quality of production of components for prefabricated houses

1973: Winning the excellent plant certification

Our Shiga and Kanto factories became the first in the industry to be certified as excellent plants for quality control of prefabricated homes by the Minister of International Trade and Industry. This certification was introduced in response to the urgent need to improve the quality of prefabricated houses and protect consumers' interests.



1960

Introducing prefabricated housing products with enhanced design flexibility and comfort

1961: Launching the “Type B” home in market

We introduced new high-quality prefabricated housing products, which are built with factory-produced standardized components and thus can effectively shorten onsite construction time. The “Type B” prefabricated home was the first in the industry to use a meter module and aluminum sash windows. The construction method which we developed also enabled us to drastically augment the level of design flexibility and comfort.



1970

Ensuring high construction quality through internal quality control system

1973: Establishing Sekiwa Koji Group companies

To reinforce our project accountability system, we established Sekiwa Koji Group companies in Kobe, Hanna, Shiga and South Osaka (Sekiwa Koji was later renamed Sekiwa Construction). Today, the group's network extends nationwide, and supports the high construction quality of Sekisui houses as a member of the Sekisui House Group.



1961 Shiga Factory begins its operations.

1964 Sekisui House becomes the first prefabricated housing manufacturer in Japan to be certified as a “Contractor of Houses Eligible for the Housing Loan Corporation loans.”

1964 Direct sales system is introduced to replace the conventional distributorship system.

1970 Kanto Factory begins its operations.
1973 Yamaguchi Factory begins its operations.

1962 The permanent population of Tokyo exceeds ten million.

1963 Japan Prefabricated Construction Suppliers & Manufacturers Association is established.
1964 Housing Loan Corporation's prefabricated house certification program begins.

1966 Housing Construction Planning Act comes into force.
1970 Housing Loan Corporation begins to offer loans to purchase condominiums.

We have been working to protect the lives and possessions of homeowners, while successfully meeting the challenges of the times.

We have continued to provide safe, durable and comfortable living environments under our customer-specific design flexibility concept.

Sekisui House was established in 1960 against a backdrop of strong growth in demand for housing. We were the first in the Japanese housing industry to introduce meter modules, aluminum sash windows, and the “universal frame system” that allows flexible arrangement of bearing walls. With our prefabricated housing products that provide comfortable living spaces and allow a considerable degree of design flexibility, we have continued to play a leading role in the housing industry while preparing for mass production.

With a view to implementing our “customer first” policy to the fullest, in 1964, we switched to a direct sales system from the conventional distributorship system and have since assumed full responsibility over the entire process of our business, from contracting to housing construction and after-sales service.

In this way, we have continued our efforts to offer safe, durable and comfortable housing environments.

We are striving for greater customer satisfaction with the awareness that we and our customers are in the same boat.

A company is a gathering of people and all corporate activities require cooperative work. Specifically, homebuilding undergoes many processes before a completed house is delivered to its owner, which means that we have to ensure that all the parties involved act in close cooperation if we are to gain customer satisfaction.

At Sekisui House, all employees work together in a collaborative and cooperative manner as “crews sharing the same boat,” under our underlying corporate philosophy of “love of humanity.” The Sekisui House Association is comprised of group companies and partner building contractors and also shares the basic principle of our philosophy and joins our efforts to deliver high-quality housing products to customers. Some of our initiatives have been made possible only through group-wide involvement in the entire lifecycle of housing products, such as the “zero emissions” initiative that requires cooperation between production and construction personnel; and the “Everloop” program to repurchase and remodel homes for subsequent sale, which we are promoting in cooperation with Sekiwa Real Estate and Sekisui House Remodeling.

We have continued offering housing products as social assets with everlasting value.

During the period of high economic growth, mass-produced products flooded the marketplace, which brought about material affluence, but at the same time, gave rise to various consumer problems due to inferior quality. In the 1970s, problems also emerged in the housing industry, such as defects of prefabricated houses.

Against this backdrop, we promoted various measures to offer safe, durable and high-quality housing products to our customers and increase the reliability of prefabricated houses. For example, in 1973 our factories were certified as “An excellent plant for quality control of prefabricated homes” by the Minister of International Trade and Industry, and we established Sekiwa Koji Group companies—the core of our project accountability system, and in 1979 we began earthquake-resistance testing using an actual sized home.

Japan saw an increase in energy consumption and experienced two oil crises during the 1970s, which highlighted the need to reduce energy use to conserve finite resources. During this period, the Japanese housing industry shifted its focus from solving housing shortages to improving housing quality, through amenities, design, and environmental friendliness. Sekisui House catered to the newly arising needs of society and created new values by developing new products, including the PSH-21 passive solar house and homes suitable for people with disabilities.

Addressing the energy problem by promoting the use of natural energy

1982: Launching the new model “PSH-21”

We began marketing the PSH-21 passive solar house model that uses natural sunlight and wind power for air-conditioning purposes and thus requires less energy, while providing a comfortable living environment. This product was the first in the industry to be certified as an excellent home for energy saving by the Minister of Construction in 1985.



1980

Anticipating the needs of an aging society

1981: Building Japan's first model house for people with disabilities

We undertook the construction of a model house for people with disabilities to cooperate with the “Project of the Prefectural Residents’ Council to Promote Kanagawa Tomoshibi Movement,” an initiative launched to help people with disabilities live independent lives.



- 1985 Hyogo Factory begins operations.
- 1986 The first “Lifelong” Model Home opens.
- 1987 “IS STAGE” model launched.
- 1987 Customer Center opens.
- 1988 The Rokko Island City opens for occupancy.
- 1989 The first “Sekisui House Visiting Day” held.

Building a friendly community

1977: Beginning the sale of subdivision lots in the “Common Life Osayuki” town

The rapid economic growth accelerated the inflow of population to urban areas, increased the number of nuclear family households, and resulted in a loss of community. In an effort to solve this social problem, we began selling subdivision lots in a new town, which we named “Common Life,” out of our desire to create a community where residents enjoy interactions with their neighbors.



Enhancing seismic performance to protect lives and possessions

1979: Conducting the industry's first earthquake-resistance testing using an actual sized home

We were the first in the Japanese housing industry to conduct earthquake-resistant testing using an actual sized home, in which we simulated the motions of the Miyagi earthquake that occurred in 1978.



- 1974 Sekisui House B is certified for its superior quality by the Minister of Construction under the performance certification program for Industrialized houses.
- 1976 Sekiwa Real Estate established.
- 1973 Performance certification program for Industrialized houses established.
- 1973 The first oil crisis occurs.

- 1980 Shizuoka Factory begins its operation.
- 1982 Ten-year manufacturer’s warranty program introduced.

- 1979 The second oil crisis occurs.
- 1979 Act on the Rational Use of Energy (Energy Saving Act) comes into force.

- 1980 New Housing Development Project begins at the initiative of the Ministry of International Trade and Industry.
- 1981 New seismic design standards introduced.
- 1985 Vienna Convention for the Protection of the Ozone Layer adopted.



The “Green First” home is an embodiment of our “Sustainable Vision.”

Our commitment to sustainability has led us to the “Green First” model.

We will contribute to the creation of a sustainable society by offering homes that last for generations.

As our society has changed from quantity-oriented to quality-oriented, people’s needs for housing products have become more specific and diversified. Today, customers see greater value in individuality than in uniformity and universality. In the 1990s, environmental problems, which had been discussed mainly in the context of resource depletion and environmental pollution, began to take on a more multifaceted and global nature, against the backdrop of the growing threats of global warming, biodiversity loss and ozone layer destruction.

It was under these circumstances that we announced our Environmental Future Plan for eco-friendly management in 1999—a first in the industry. Following this plan, we announced our Sustainable Vision in 2005, in which we declared our determination to prioritize sustainability in conducting corporate activities and promote homebuilding in a manner that balances four key values: the environment, society, economy and residential homeowner needs. In this way, we have been working for environmental conservation by way of meeting our obligations to society, while striving for greater customer satisfaction by

offering a more comfortable living environment and enhancing basic housing features such as seismic resistance, durability and thermal insulation capacity.

It is our responsibility as an Eco-First Company to promote eco-friendly housing.

To put our Sustainable Vision into practice, we have taken various measures, for example, drawing up an Urban Development Charter, developing SHEQAS, our proprietary seismic vibration absorption system, and launching the Everloop program to repurchase and remodel homes for subsequent sale. These efforts earned us the prestigious Eco-First Company designation in 2008. In fact, we were the first housing manufacturer in Japan to be awarded this title. As a leader of the housing industry, we are obligated to meet the high expectations of society. In 2009, we began marketing our “Green First” line of eco-friendly homes, a culmination of years of our homebuilding efforts which bring comfort, economic efficiency and environmental friendliness to homeowners. We have since been making company-wide efforts to promote sales of the Green First model.

Creating better housing through cooperation between research personnel and residents

1990: Establishing the Comprehensive Housing R&D Institute

This institute was established as part of the commemoration of the 30th anniversary of Sekisui House. Here, participatory style research is underway to explore new lifestyles.



1993 Cumulative total of houses we have built since our inception

Combining future-oriented environmental technologies with our housing products

1997: Launching the Solar Σ.A model onto the market

It was when environmental awareness was not as acute as today in society that we began selling our Solar Σ.A model equipped with photovoltaic power generation system as standard. Our proprietary roof-integrated photovoltaic power generation system won high praise which helped us greatly in sales of this system.



Committed to ensuring a healthy air environment to address the “sick house syndrome” problem

2001: Applying the strict Fc0 and E0 standards for formaldehyde emissions to all our interior finishing materials

In our efforts to ensure healthy living for all, we introduced the strictest emissions standards to conserve air quality even before we were required to take measures for the protection of air quality under the Building Standards Act.

The 1-million-home milestone is achieved.

2000

Incorporating cutting-edge technologies to reduce environmental impacts, whilst creating a comfortable living environment

1996: Launching the Centrage Σ model onto the market

Providing a high-performance heat insulation system and insulating multi-layered glass as standard, Centrage Σ is characterized by its spacious open design and energy saving efficiency. Multi-layered glass and insulated aluminum sash windows were made standard on all our new build detached houses in 2000, and so were the next-generation energy saving features in 2003. In this way, we have expanded the scope of our efforts to ensure a balanced approach to comfortable living, economic efficiency and environmental friendliness.



Creating a pleasant housing environment that is also attractive to other living creatures and conserving biodiversity at the same time

2001: Beginning activities under our “Gohon no ki” landscaping concept

We offer a green living environment that allows residents to enjoy interactions with birds and butterflies by planting native and indigenous tree species in home gardens. By creating green space that imitates the traditional Japanese *satoyama* landscape, we also aim to conserve local biodiversity.



Promoting resource recycling to the fullest, by leveraging the Sekisui House Group’s ability to exercise control over the entire lifecycle of our housing products

2002: Achieving zero emissions at all our factories

Zero emissions were achieved at all of our factories in Japan. We also extended our resource recycling efforts to new build construction sites in 2005, After-sales Service Division in 2006 and remodeling project sites in 2007.



1995 SHAWOOD housing business begins.
1997 The Housing Dream Factory (a large-scale experience-based facility) opens.
1997 Tohoku Factory begins its operations.

1999 U-trus system launched.
1999 Next-generation energy saving features are made standard on the GRENIER-DYNE model.
1999 Environmental Future Plan announced.
1999 Environment Promotion Department established.

2002 Universal design standard established as a first in the industry.
2003 Next-generation energy saving features are made standard on all new build detached houses.
2003 Roof tile photovoltaic power generation system launched onto the market.
2003 Seismically-isolated home launched onto the market.

1990 Action plan for global warming prevention established.
1992 Earth Summit held in Brazil.
1992 New Energy Saving Standards announced.

1993 Environmental Basic Act comes into force.
1994 Project for Development of Housing that Brings Greater Value to Life, launched by the Ministry of International Trade and Industry.
1995 The Great Hanshin-Awaji Earthquake occurs.
1997 The Kyoto Protocol adopted.

2000 Recycling-oriented housing technology development project, started by the Ministry of International Trade and Industry.
2000 Housing Quality Assurance Act comes into force.
2001 Law on Promoting Green Purchasing comes into full force.
2002 Construction Materials Recycling Act comes into full force.



Introducing the latest environmental technology to our housing products

2005: Adopting fuel cells for the first time in the Japanese industry in our subdivision lots for sale in Tokyo



Placing sustainability at the core of our corporate activities
2005: Announcing the Declaration of Sustainability

We declared our determination to carry out corporate activities in a manner that balances four key values: the environment, society, economy and residential homeowner needs, thus contributing to the creation of a sustainable society.

Building communities that last for generations as assets of society

2005: Formulating the Urban Development Charter

We are committed to building communities that grow increasingly attractive over time.

Contributing to the preservation of the global environment while offering comfortable standard of living

2009: Launching the "Green First" line of eco-friendly homes

The "Green First" home brings to customers a high level of comfort, economic efficiency and environmental friendliness in a manner that best suits individual site conditions and lifestyles. We will promote the sales of this product as the standard home of a sustainable society.



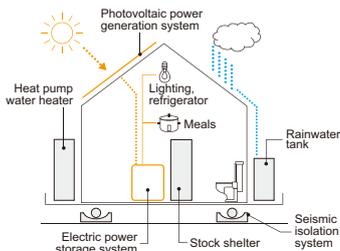
2010
Cumulative total of houses we have built since our inception

The 2-million-home milestone is achieved.

2010

Ensuring self-sustained lives during ordinary times and in times of emergency
2004: Launching energy-saving and disaster-resistant homes onto the market

We introduced a new disaster-resistant home that is equipped with advanced features to secure living space, water and food, and energy and thus allows a self-sustained life even after a disaster occurs. A photovoltaic power generation system and rainwater tank help residents live a pleasant eco-life during ordinary times.



Creating a new market of revitalized homes by shifting the focus from flow to stock
2007: Launching the Everloop home repurchase program

As part of our efforts to reuse valuable resources, we buy back from Sekisui House owners their homes, and completely renovate them for resale. Renovated homes are covered by our warranty that is equal in substance to that applied to our new builds. Therefore, new owners can move in to the renovated home without anxiety.

Launching the FairWood procurement initiative to ensure sustainable wood use

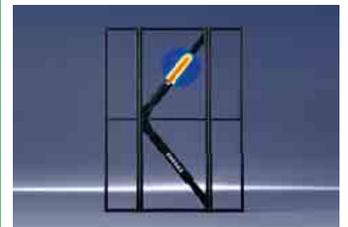
2007: Establishing internal Wood Procurement Guidelines

In cooperation with our business partners and environmental NGOs, we are promoting eco-friendly wood procurement for multiple purposes: discouraging illegal logging, conserving the biodiversity and local communities of logging sites, and preventing global warming.

Improving housing safety with our government-accredited seismic resistant structure

2007: Introducing the SHEQAS seismic vibration absorption system

The SHEQAS system is based on a technology of our own development that converts seismic energy into heat energy and absorbs building movement. Also, the system largely reduces building deformation, and thus can prolong the life of housing products.



- 2004 Sekisui House Remodeling Co., Ltd. established.
- 2004 Sekisui House is authorized to dispose of construction site waste across multiple prefectures by the Ministry of the Environment.
- 2005 CSR Committee established.
- 2005 CSR Office established.
- 2005 Action Plan 20 initiative launched to achieve the commitments of the Kyoto Protocol.

- 2006 Sustainable Design Laboratory opens.
- 2006 Action Plan 20 initiative commended by the Minister of the Environment for its contribution to the prevention of global warming.
- 2006 Global Warming Prevention R&D Institute established.
- 2006 Human Resources Sustainability initiative begins.
- 2006 Diversity Development Team formed.
- 2007 Zero emissions goal achieved in four areas: factories, new build construction sites, after-sales service sites and remodeling project sites.
- 2008 Carbon Neutral House equipped with fuel cells for residential use launched onto the market.
- 2008 Sekisui House becomes the first government-certified Eco-First Company in the construction and housing industries.
- 2008 Sekisui House cooperates in building the Zero Emissions House for the G8 Hokkaido Toyako Summit.

- 2010 "Smart house" demonstrative experiment begins.
- 2010 IC tag-based next-generation zero emissions system introduced nationwide.
- 2010 "New B60 System" structural frame developed and announced.
- 2010 "Gururin Dannetsu" high-efficiency heat insulation system developed and announced.
- 2010 "Slow Living" design concept for a more comfortable lifestyle announced.
- 2011 Sekisui House begins to implement modal shift for transport of iron frames.

- 2005 The Kyoto Protocol takes effect.
- 2006 Basic Act for Housing comes into force.

- 2008 The Ministry of the Environment launches the Eco-First program.
- 2008 High-quality Stock Housing (SumStock) Promotion Council established.
- 2009 The national government launches the Long-term Quality Housing Certification Program.

- 2010 Challenge 25 Campaign begins.
- 2010 The tenth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10) convened.
- 2011 The Great East Japan Earthquake occurs.



The “Green First” home is an embodiment of our “Sustainable Vision.”

We will continue concerted efforts toward the creation of a sustainable society by focusing on our “Green First” concept.

Our “Green First” model is constantly evolving. With this product, we will continue to cater to the demand of the times.

During 2010, we successfully reduced CO₂ emissions from houses, which is mainly attributable to our “Green First” eco-friendly home characterized by outstanding comfort, economic efficiency and environmental friendliness. To be specific, we achieved a 49.4% reduction in CO₂ emissions from the 1990 level. The Green First home is not only energy-efficient, but also capable of producing energy with its photovoltaic power generation and fuel cell systems. Orders for the Green First houses account for 70.6% of all the orders received for new build detached houses. As well, 19% of the orders for low-rise apartments for leasing are for the “Sha-Maison Green First” model that is also equipped with photovoltaic power generation system.

We will remain committed to working towards the creation of a sustainable society while addressing the needs of customers and society by promoting eco-friendly homebuilding. We believe that by doing so, we will be able to meet our obligations to society to create a better tomorrow.

- Safety, peace of mind
- Homeowner health

Comfort

Comfortable living
—now and always

3 Homeowner Benefits

Economy
Economical lifestyle

Eco-friendly
Living in harmony with nature

- Long-term Quality Housing

- Utility cost reduction

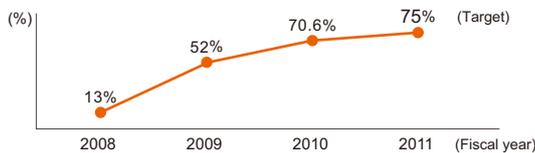
- Reduction in CO₂ emissions
Zero emissions

- “Gohon no ki” landscaping concept

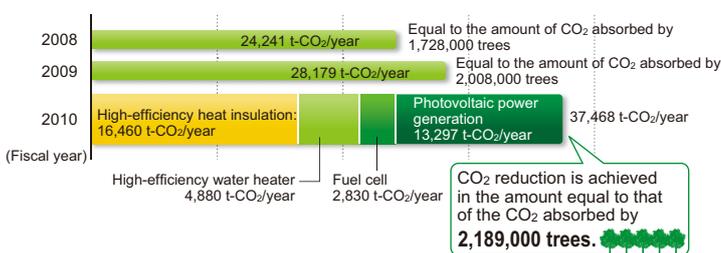


2011

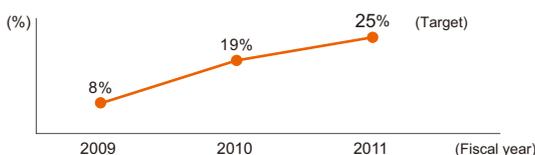
■ Ratio of the “Green First” model to all the new build detached houses



■ Amount of reduction in CO₂ emissions from new build detached houses



■ Ratio of the “Sha-Maison Green First” model to all the low-rise apartments for leasing



Social issues to be addressed

Response to the needs of the aging society and falling birth rate

Use of energy without depending on fossil fuels

Use of sustainable forest resources

Preventing global warming



Spreading the use of photovoltaic power generation and fuel cell systems
We are promoting the use of the "Green First" features in our new build detached houses, the "Sha-Maison" low-rise apartments for leasing, and condominiums for sale. We are also striving for reduction in CO₂ emissions through our eco-friendly housing remodeling program.



Promoting the use of "Gururin Dannetsu" heat insulation system
This system allows us to achieve greater comfort and energy saving efficiency by installing heat insulation materials in ceilings, walls and floors in our original way so that heat insulation effect extends to the entire home smoothly and efficiently.



Joining demonstrative experiments of smart houses
In our effort to facilitate the development of housing products capable of producing energy instead of consuming it and launch such products in the market as quickly as possible, we have been engaged in various "Japan's first" and "world's first" projects, which are geared towards a low-carbon society.

Leading the Challenge 25 Campaign

As a leading housing manufacturer in the industry, we have joined a new nationwide movement to prevent global warming. We will continue our group-wide efforts to spread our "Green First" concept and promote remodeling in a manner to enhance the ability of houses to save and produce energy.

Making the Carbon Neutral House features our standard

We take positive measures to promote the sales of the Carbon Neutral House model that is equipped with photovoltaic power generation and fuel cell systems as standard and thus emits no CO₂. (This goal is expected to be achieved in fiscal year 2050.)

Ensuring healthy and comfortable living



Promoting the Chemicare design
We have continued to participate in the Chemi-less Town project (demonstrative experiments using prototype houses), an initiative launched to reduce the use of chemical substances in houses. We will promote the use of our Chemicare design to protect children (who usually spend longer hours at home than adults) from being affected by chemical substances.



Encouraging the "Slow Living" design concept
In our "Slow Living" housing design, we provide an open space between the outer and interior areas out of our desire to slow the pace of life. We propose ways to enjoy a pleasant life based on our research on factors that contribute to comfortable living.



Focusing on the "Smart Universal Design" concept
We are positively promoting our "Smart Universal Design," which combines the advantages of universal design that provides safety, reliability and ease of use without compromising outer appearance, with sophisticated space design and a sense of pleasantness. (Our "Smart Universal Design" won the Good Design Award 2010.)

Developing "in-home health management support system" for the elderly

We are engaged in R&D* of an "in-home health management support system" that assists elderly people in maintaining their health at home with ease by use of a communicative robot technology (RT) system.

*The R&D project is commissioned by the New Energy and Industrial Technology Development Organization (NEDO), and Sekisui House works with the Chiba Institute of Technology in conducting the project.

Protecting biodiversity



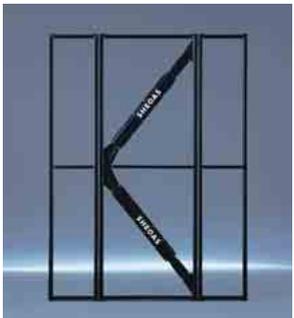
Carrying out a beautification project under the "Gohon no ki" landscaping concept
We are striving to promote environmentally conscious living and help expand ecosystem network through our *Gohon no ki* landscaping concept, which aims to enable harmonious coexistence with surrounding nature.

Planting 1,000,000 trees a year
We are aiming to plant 1,000,000 trees a year to create a green living environment where people can enjoy a comfortable, satisfying life.



Promoting FairWood procurement
We continue our efforts to enhance the level of FairWood procurement in cooperation with our domestic and overseas suppliers and environmental NGOs. By FairWood, we refer to eco-friendly and socially-fair wood products, such as wood products from certified forests and Japanese wood products.

Prolonging the life of housing products



Extending the life of houses by our earthquake-resistant, seismic-dampening and seismically isolated structures
We will further improve our earthquake-resistant structure that adds to the durability of a building and prevents it from collapsing; the seismic-dampening structure that reduces shakings of buildings by dampening earthquake ground motion energy; and seismically isolated structure that separates the building from earthquake ground motion.



Promoting the Everloop program to repurchase and remodel homes for subsequent sale
We are implementing the "Everloop" program, making the best use of the durable structure of our housing products that age with almost no loss of quality.

Enhancing the level of resource recycling through our zero emissions initiative

We are expanding our R&D efforts to develop new recyclable materials and continue to play a leading role in the zero emissions initiative of the housing industry.

Building towns that successive generations can call their home by offering pleasant living environment and communities

We will continue working to build towns where greenery grows year on year and helps protect biodiversity in step with the maturing of the towns.



Promotion of efforts toward biodiversity protection



Creation of high-quality housing stock by increasing the lifespan of houses



Revitalization of communities



Accelerating the process toward the practical use of the smart house concept in anticipation of housing and lifestyles of the near future

With an aim to “make home a venue to produce energy,” we are promoting several advanced projects toward the creation of a low-carbon society.

In order to accelerate the shift to natural energy and enjoy the benefits of state-of-the-art energy producing/saving systems, and communication/information networks that continue to evolve, we have been conducting R&D on housing that can accommodate these advanced features and have been collaborating with different industries. To fulfill our responsibility as a housing manufacturer, we are engaged in several projects in areas of new environmental technologies such as smart networks and smart houses under partnership with the national government and other industries. In doing so, we are striving to create a living environment suited to a sustainable future.



“Kankan kyo” prototype wooden house is built in the Yokohama Minato Mirai 21 district (SHAWOOD model). Total floor area: 266.28 m²



We measure the degree of comfort and determine how the home's life can be prolonged.

We conduct testing of the communication standards for exchanging data between the home and the electric car.

Participating in the Smart Network Project, an initiative commissioned by the Ministry of Internal Affairs and Communications

Communicating the excellence of the Japanese smart house technology to the world and offering the comfort of new future-oriented housing based on the “Kankan kyo” prototype house which integrates our “Green First” concept and cutting-edge network technology



The Smart Network Project was adopted by the Ministry of Internal Affairs and Communications in June 2010 to conduct demonstrative experiments for the development of communication standards, thereby accelerating the process toward the creation of a low-carbon society, supported by electric vehicles and the smart grid

(next-generation power distribution grid) to be deployed in the future. This project was joined by four managing companies—NTT DOCOMO, NEC, Sekisui House, and NAMCO BANDAI Games—and eight other companies, which together conducted demonstrative experiments. Sekisui House undertook the building of the Kankan kyo all-electric Green First prototype house in the Yokohama Minato Mirai 21 district and examined how much CO₂ emissions could be reduced by the “centralized home maintenance log system,” (a device that can prolong the life of a home), and by a sensor system designed to ensure effective use of natural energy.

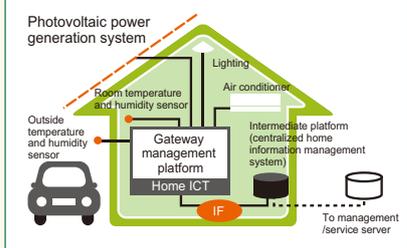
The project site was opened to the public in conjunction with the APEC Summit held in November 2010 in Yokohama, to publicly communicate the ideal future lifestyle and the comfort of next-generation housing.

(Experiment period: from November 2010 to March 2011)

*The project site will be open to the public until March 2012. If you wish to visit the site, please apply at the following website. <http://www.sekisuihouse.co.jp/snpj-kankankyo/>

“Home/EV Network” Group’s demonstrative experiment

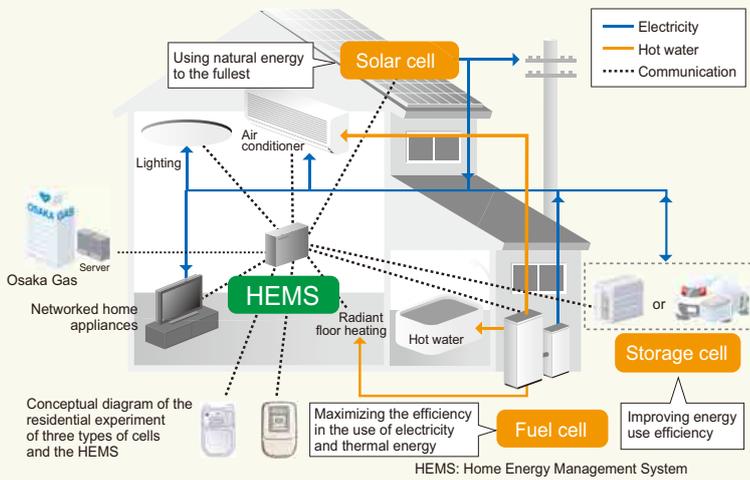
Sekisui House undertook the testing of the integrated in-house network system from the viewpoint of a resident.



The sensor allows residents to check and optimize power consumption within the house. Residents can control the room environment using a cellular phone.



The home controller makes energy information visible and controls housing equipment.



◀ HEMS display (example)
The display shows the energy information of the household such as the amounts of electricity generated, stored and purchased; amount of hot water in storage;

as well as the eco-energy ratio that measures the efficiency of energy use. In this way, the HEMS encourages the household to save energy and verifies the result of its energy-saving efforts.

Launching the next-generation smart house model as a first in the Japanese detached housing market

Building houses equipped with three types of cells in the “Low-carbon Town”

We built the “Green First” eco-friendly, next-generation smart houses in “Eco Life Square Mishima Kiyozumi” in Mishima City in Shizuoka Prefecture in cooperation with Shizuoka Gas. Eco Life Square Mishima Kiyozumi is a low-carbon town where all the twenty-two houses are provided with smart house features, namely the *ENE FARM* fuel cells for residential use, solar cells, and HEMS (ECO management system). Some of the houses we built in this town are also equipped with lithium storage cells for residential use and serve as a model for “local energy production for local consumption.” We are the first company in Japan to sell detached houses equipped with the three types of cells (fuel, solar and storage cells for residential use) and introduce CO₂ emissions trading in the residential sector.

We built and sold seven houses out of the twenty-two houses in the Eco Life Square Mishima Kiyozumi. (Experiment venue: Mishima City in Shizuoka Prefecture/Construction completed in March 2011)



Energy saving efficiency is tested on the “Green First” houses designed to withstand a cold climate.



The closed grid is powered by natural energy (wind and photovoltaic power generation).

Engaged in the world’s first community-wide residential experiment of smart grids powered by natural energy

We have started participating in an experiment of wind power generation with storage cells on a wider scale

Currently, the world’s first demonstrative experiment of smart grids powered by a wind power generation plant and equipped with large-capacity storage cells is underway in Rokkasho-mura, Kamikita-gun in Aomori Prefecture, led by Japan Wind Development. As a partner of Panasonic Electric Works, we have participated in this experiment to determine the efficiency of the smart grid system powered mostly by natural energy, and built the “Green First” houses designed to withstand a cold climate. We are examining to what extent these highly airtight and insulated houses, assisted by the HEMS, can reduce energy consumption and respond to energy needs, while conducting surveys and taking necessary measures to achieve an optimal balance between the “needs on the side of the electricity supplier” and the “comfort on the side of the electricity consumer (residents).”

(Experiment venue: Rokkasho-mura, Kamikita-gun in Aomori Prefecture/Experiment period: from September 2010 to July 2012)

Implementing Japan’s first community-wide “Smart Energy House” experiment

We are engaged in Japan’s first three-year residential experiment of carbon neutral living to put smart energy technology into practical use by 2015.

We are implementing Japan’s first residential experiment of the Smart Energy House jointly with Osaka Gas. This house employs the latest technologies, such as a photovoltaic power generation system, solid oxide fuel cells (SOFCs), lithium cells for residential use, and HEMS/information technology, and is based on our “Green First Premium” model that uses both gas and electricity. The Smart Energy House brings greater comfort to residents while reducing energy consumption by achieving high efficiency in electricity and heat management (production, storage and use). In conducting this experiment, we aim to establish state-of-the-art energy management and control technology that enables the house, along with an electric car, to achieve zero net CO₂ emissions.

(Experiment venue: Oji-cho in Nara Prefecture/Experiment period: from February 2011 to March 2014)



New challenges for homebuilders and expectations toward the spread of eco-friendly homes



Dr. Takashi Akimoto
Professor, Architecture and Building Engineering Department
College of Engineering
Shibaura Institute of Technology

[Dr. Akimoto specializes in construction equipment, especially air-conditioning devices, as well as thermal and air environments. As an expert in environmental-impact-reducing technologies and next-generation construction equipment, he serves as a member of many important committees and is a lecturer and writer.]

The Great East Japan Earthquake inflicted devastating damage. Especially, the subsequent nuclear power plant incident gave rise to serious consequences that affected the whole of Japan. The electricity shortages caused by the earthquake have highlighted the importance of introducing distributed energy source systems, especially the smart grid system, and developing technologies to use renewable energy under the national energy policy. Sekisui House has continued to play a leading role in the development of next-generation housing. For example, they have achieved great success in their attempts to combine Japanese traditional culture with a variety of technologies that bring greater comfort to daily lives in their demonstrative experiments conducted in the Sustainable Design Laboratory in Kunitachi City in Tokyo and in the “Kankan kyo” prototype house in the Yokohama Minato Mirai 21 district. The technical excellence they have fostered over the years enables them to steadily launch new eco-friendly housing products equipped with photovoltaic power generation and fuel cell systems that are widely accepted in today’s society. I hope Sekisui House will promote a well-balanced approach to meet the new challenges with these innovations and continue persistent efforts to make eco-friendly homes more widely available in society.



Chemi-less Town Project

Conducting joint research to offer healthy housing to future generations and improving indoor air quality through industrial-academic collaboration

Though the Japanese Building Standards Act was amended in 2003 to reinforce control over formaldehyde emissions, sick building syndrome still remains a serious threat to human health, especially for people with allergies. We recognized the importance of improving indoor air quality and started taking measures to reduce formaldehyde emissions prior to the amendment of the Building Standards Act. In 2007, we established our own chemical substances guidelines, and have since been leading the industry in efforts to reduce volatile organic compound (VOC) emissions from building materials.

In 2007, we participated in the Chemi-less Town Project led by Chiba University to develop homes free from sick building syndrome and promote the spread of such homes.

Chemi-less House test home built for the demonstrative experiment (Outer appearance and interior)



Promoting research efforts with the belief that by reducing chemical substance emissions, we can directly contribute to protecting people against diseases.

Our aim in participating in the Chemi-less Town Project is to conduct R&D from the perspective of preventive medicine and develop a model town that minimizes the use of chemical substances, thereby preventing the development of sick building syndrome that can be controlled only by symptomatic treatment. In this project, we built the “Chemi-less House” test home on the premises of the Kashiwa-no-ha Campus of Chiba University where we are engaged in joint research with the university.



Testing and selection of building materials

*Chemi-less, Chemi-less House, Chemi-less Town are registered trademarks of the Center of Environmental Health Science for Future Generations (NPO).

Cooperating with a wide range of stakeholders to protect the health of children

Our “Chemi-less House” test home minimizes the use of chemical substances in consideration of the health of unborn babies and children who are more vulnerable to environmental impacts than adults. In this project, manufacturers of houses and building materials as well as medical personnel are jointly engaged in research. In building the test home, we examined chemical substance emissions from interior finishing materials as well as more than 200 types of building materials, including branderings, adhesives and heat insulation materials, and selected materials that met strict standards. We also regularly measure airborne chemical concentrations in the home.

Operational flow from demonstrative experiment to establishment of the “Chemi-less Certification” system



In developing a standard for harmful chemical substance emissions, we should focus on unborn babies who are the most susceptible to their impacts.



Dr. Chisato Mori, M.D.

Professor, Graduate School of Medicine Chiba University

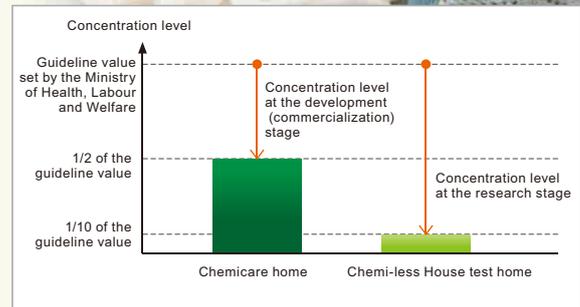
[Dr. Mori is specialized in preventive medicine by means of environmental improvement. He studies the impact of environmental pollution on unborn babies, and explores improvement measures to prevent potential diseases.]

While the current law only regulates emissions of formaldehyde and chlorpyrifos as a means to prevent sick house syndrome, a great many other VOCs are present in indoor air. We see great difficulties in taking effective measures against these chemical substances because of the individual variations in the kind of chemical substances that cause allergic reactions and also in the level of susceptibility to chemical substances. For this reason, I propose regulating chemical substance emissions focusing on unborn babies who, at that stage of development, are more susceptible to the impacts of such substances than the rest of the life stages. By doing so, I believe most adults, including those with high susceptibility to certain chemical substances, can avoid the risk of developing sick building syndrome. Purchasing a house may be one of major goals of life for many people. However, we must not be satisfied with having our own house; instead, we should be more cautious of the house's potential impact on human health. Sick building syndrome, once developed, is very difficult to treat. So it is of critical importance to take preventive measures.

Reducing the VOC amount to the level far below the guideline value during the experiment, which made our test home the first detached house that was awarded the “Chemi-less (Prototype) Certification”

During the demonstrative experiment, we measured the levels of 116 chemical substances quarterly to check seasonal changes in the concentration of interior airborne volatile chemical substances. As a result, it was found that airborne total volatile organic compounds (TVOCs) in the bedroom, living room and kitchen of the test home remained at the constant year-round low level, less than one tenth of the guideline value (400 µg/m³) set by the Ministry of Health, Labour and Welfare. Consequently, our test home was awarded the “Chemi-less Certification” by the Association for Promotion of Chemi-less Town (NPO) in October 2009, becoming the first prototype detached house with sick building syndrome preventive measures to be given this award.

■ Sekisui House's guidelines for concentration of chemical substances



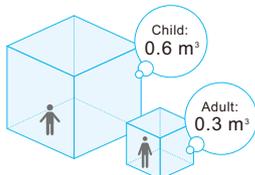
Developing the “Chemicare design” based on the results of the demonstrative experiment

■ Developing the “Chemicare design” focusing on children who are more vulnerable to chemical substances than adults

In November 2009, we began sales of the Chemicare line of homes, a housing product designed to maintain a healthy indoor air environment based on the results of the Chemi-less Town Project.

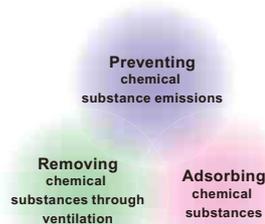
Everyday, we take in more air than any other substance: an average adult takes in about 15 m³ of air a day, while a child takes in about 9 m³, which corresponds to 0.3 m³ and 0.6 m³ per 1 kg of body weight respectively. This means that a child takes in about twice as much air as an adult. Our Chemicare home complies with our own guidelines for five chemical substances (formaldehyde, toluene, xylene, ethylbenzene and styrene), which set allowable concentrations of these substances at a level more than 50% less than the guideline value of the Ministry of Health, Labour and Welfare to protect children who are at a greater risk if exposed to these substances than adults. The Chemicare home is built with materials that meet these strict guidelines. The home also uses materials to adsorb formaldehyde in its plastered walls, tiles and ceilings, while our proprietary ventilation system combined with air-supply fans in the children’s room, bedroom, living room and dining room ensures a healthy air environment.

■ A child needs about twice as much air as an adult per 1 kg of body weight.



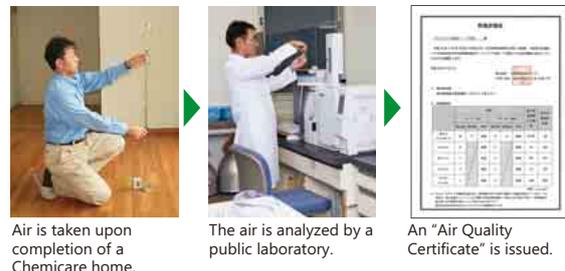
Source: “Guidelines for Chemical Substances to Protect Health of Children,” Bureau of Social Welfare and Public Health of Tokyo Metropolitan Government

■ Features of Chemicare homes



■ Measuring chemical substance concentrations using a method specified by the Ministry of Health, Labour and Welfare and issuing an “Air Quality Certificate” when delivering the home to customer

Built with materials that meet our strict guidelines, our Chemicare home meets the chemical substance standards at the design stage. In addition to this, we take air in the living room and the children’s room upon completion of a home, have the air analyzed by a public laboratory, and issue an “Air Quality Certificate” that shows the results of the analysis to the customer when delivering the home.



■ Promoting the Chemicare design nationwide

The Chemicare design was developed as part of our efforts to promote our “Green First” line of houses. Sekisui House homes with the Chemicare design sold well in the Community Visiting Days held during fiscal year 2010.



We are developing a community of Chemicare homes in Kazusa no mori Chiharadai (Chiba Prefecture).

*It should be noted that the Chemicare home is designed to maintain indoor air environment that does not harm human health, and there can be no assurance that it will improve one’s health or keep one healthy.



Developing business overseas

Addressing the needs of the global market with our high-quality housing products and environmental technologies to spread our sustainable design concept

Since our inception, we have continued tireless efforts to develop high-quality prefabricated housing, advanced energy producing and saving technologies and resource recycling technologies, all of which have been highly recognized internationally and opened up opportunities for us to enter the overseas business market. Partnering with local developers and builders who agree with our home building policy, we have been implementing several projects in Australia, the U.S. and China to create sustainable homes and communities in a manner that harmonizes with the local climate and culture.



Creating the Australian version of *satoyama* under our “*Gohon no ki*” landscaping concept.

Camden Hills town in a beautiful green environment surrounded by a golf course (Artist’s rendering)

[Australia]

In our serious efforts to do business overseas, we first advanced into the Australian market. Currently three projects are underway in Wentworth Point, Camden Hills and Ripley Valley in the suburbs of Sydney and Brisbane on the east coast of Australia. In these projects, we are going to offer about 2,000 detached houses, 2,000 condominium units, and subdivision lots to build about 2,600 houses in a ten-year period, with the total sales expected to amount to approximately 200 billion yen. In Camden Hills in the suburbs of Sydney, the Australian version of *satoyama* is being developed and a community is under construction in a manner that harmonizes with the local climate and culture. Under our *Gohon-no-ki* landscaping concept, we are planting many local tree species to create a *satoyama* area, which will be visited by small animals and birds, and, with its water-retaining capacity and ability to send pleasant breezes to the residential quarter, will add to the value of the local environment, while providing an ideal venue to educate children about the environment.

The community will be provided with barbeque spots and jogging trails to attract residents and also with a “green linkage,” a promenade that allows residents to take a comfortable walk to visit neighboring residential quarters.

In 2010, we started the construction of two display homes that adopt our new “*n x Yutaka*” (*n* times richer) design concept.* Under this concept, we aim to create a community in which the residential area expands outward from the green space at the center.

*Our design method to create a sense of unity between a residential quarter and nature by arranging houses and trees in a manner that emphasizes linkage between the gardens (borders) of neighboring houses and the surrounding environment.



A display home equipped with a roof tile photovoltaic power generation system



Wentworth Point site where about 2,000 condominium units are offered for sale

Applying zero emission methods to the new factory in Australia

Precutting timbers at a factory is an effective way to ensure quality and reduce waste at construction site. However, even if timbers are precut at a factory, they still have to undergo many manual processing steps at construction site, and in some cases, generate a huge amount of waste, thus causing a problem. With our expertise and technical excellence that has enabled us to achieve zero emissions at our domestic factories, we will encourage sustainable activities at both production and construction sites.



A factory was opened in the vicinity of the Camden Hills construction site to precut timbers.

Integrating a green *satoyama* environment with the cultural landscape of China

[China]

In China, we will construct a factory in Shenyang for steel components and housing equipment, in order to assist in supplying high-quality prefabricated housing to various parts of China. Our plan is to create a *satoyama* landscape by increasing green space in line with our idea of community development. Each residential unit will be furnished with high-performance housing equipment and designed to have a lot of sunshine and good ventilation. In this way, we will provide high-quality housing complete with comfort, economic efficiency and environmental friendliness.



Low-rise apartment is built with our original construction technique. (Artist's rendering)



We will undertake large-scale community development. (Artist's rendering)

Adding value to communities with our own housing development concept and contributing to biodiversity conservation

[The U.S.]

As a community developer, we are participating in the "One Loudoun" complex development project in Washington D.C. and its vicinity and the "Cinco Ranch" large-scale housing land development project in the western part of Houston. In these projects, we introduce the concepts of "Japanese-style community development" and "Sekisui House-style community development" to bring additional value to the conventional American-style urban development. Under our *Gohon no ki* landscaping concept, we are striving to restore ecological networks and conserve local biodiversity by planting indigenous tree species, while actively preserving and transplanting existing trees. By doing so, we hope to ensure that local culture and memories embedded in the places will be passed down to future generations, thus developing mature communities with their own tradition and history.

By incorporating various elements of the Japanese traditional "road space" concept in the above development projects, we will create vigorous communities and improve their value as social assets as part of our efforts toward a sustainable society.



More than 1,200 subdivisions to be developed by the "Cinco Ranch" project (Artist's rendering)



Pleasant townscape to be created by the "One Loudoun" project (Artist's rendering)



By preserving and transplanting existing trees, we promote community development in a manner that protects the long-held value of the community for the future.

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.

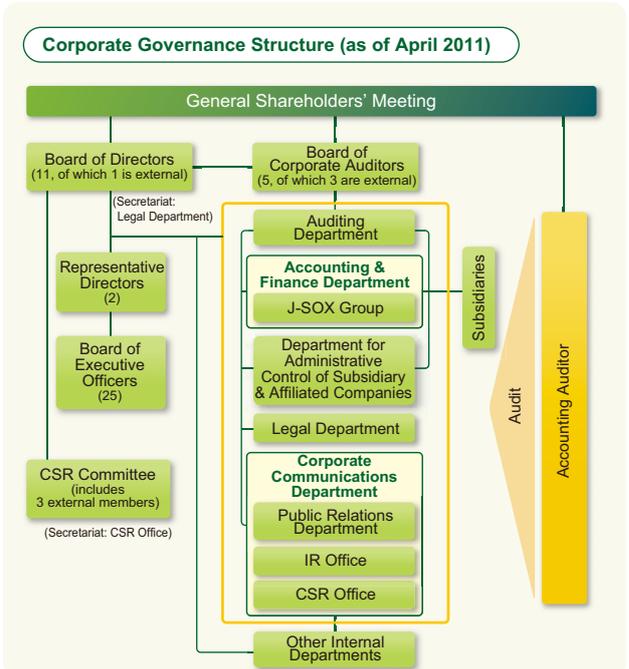
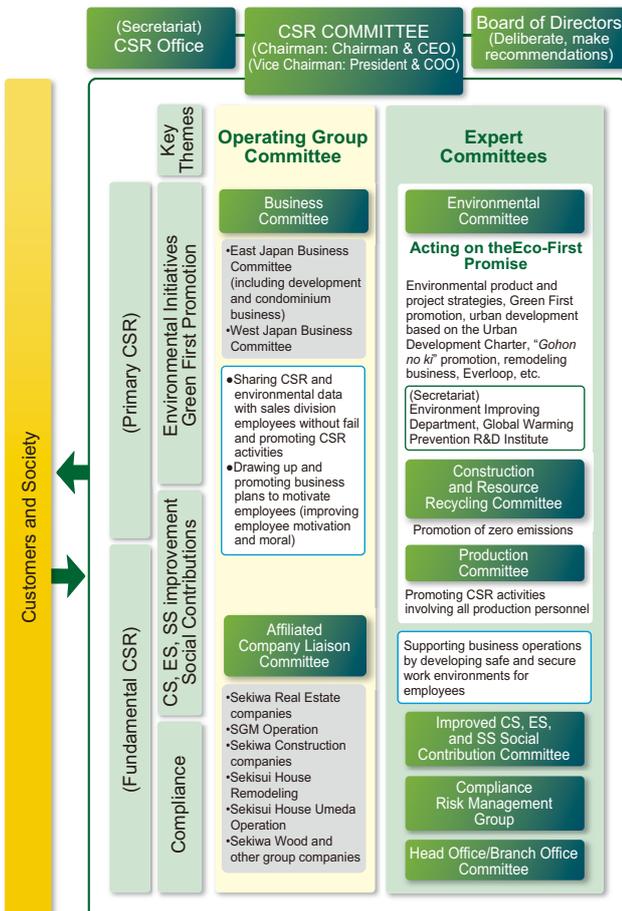
In fiscal year 2011, we will take a well-balanced approach to “Primary CSR” that focuses on the sales promotion of the “Green First” model and “fundamental CSR” that places emphasis on compliance.

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



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.

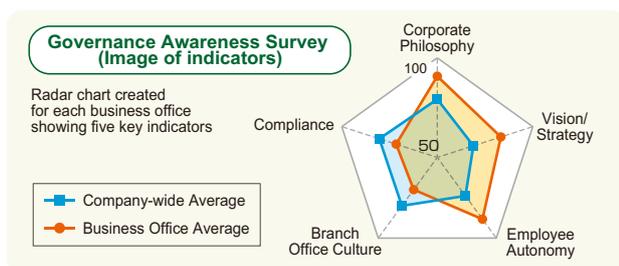
As a result, the Compliance Risk Management Group has been established under the CSR Committee to act as a platform for various ongoing compliance-related awareness initiatives and employee training programs.

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 CO₂ 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



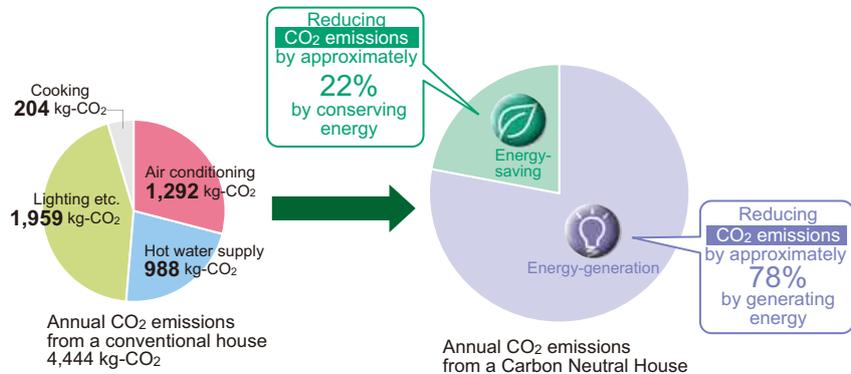
By setting a goal to achieve a 25% reduction of greenhouse gas emissions from the 1990 level by 2020, the Japanese government launched a nationwide movement for prevention of global warming called Challenge 25 Campaign in January 2010.

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 CO₂ emissions from houses and production facilities.

- Spreading the use of photovoltaic power generation system and fuel cells
- Promoting Carbon Neutral Houses capable of reducing CO₂ 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 CO₂ 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

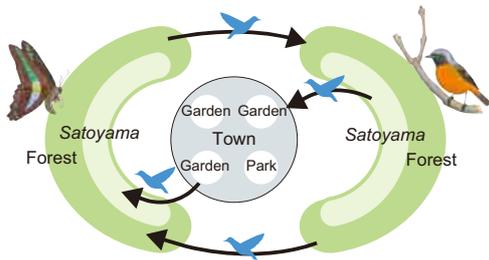


Energy conservation seminar (Houseecology)

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 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."

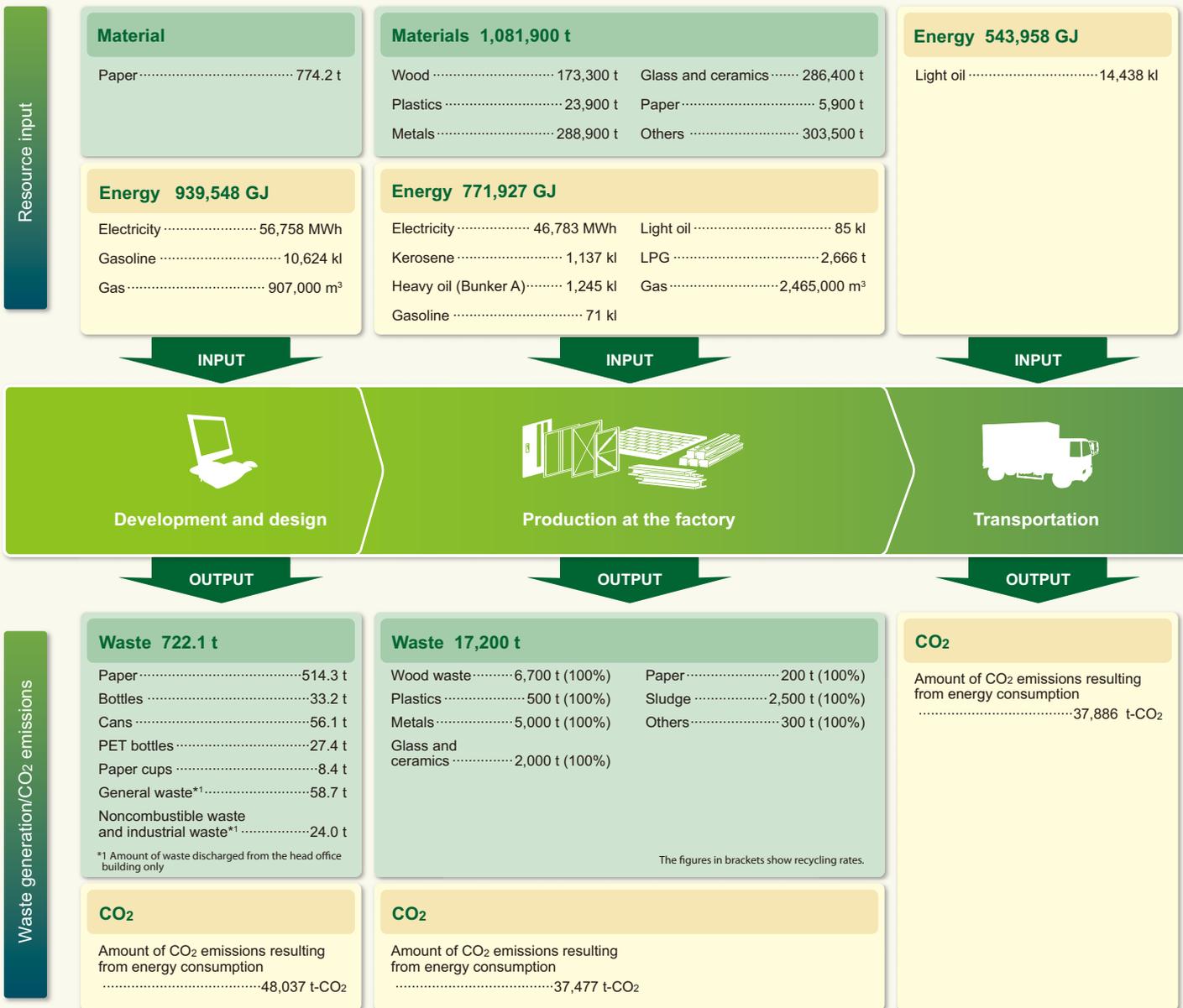
Mr. Shohei Kaneko
Second-grade pupil at Kawasaki Municipal Kanahodo Elementary School

Material Balance

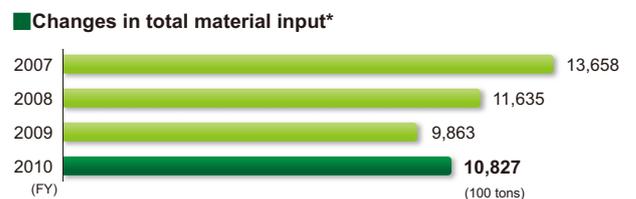
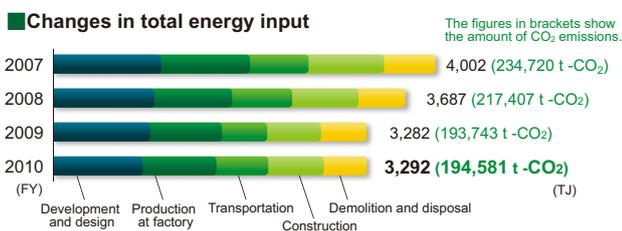
(Collecting accurate data on the environmental impact caused by our corporate activities)

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

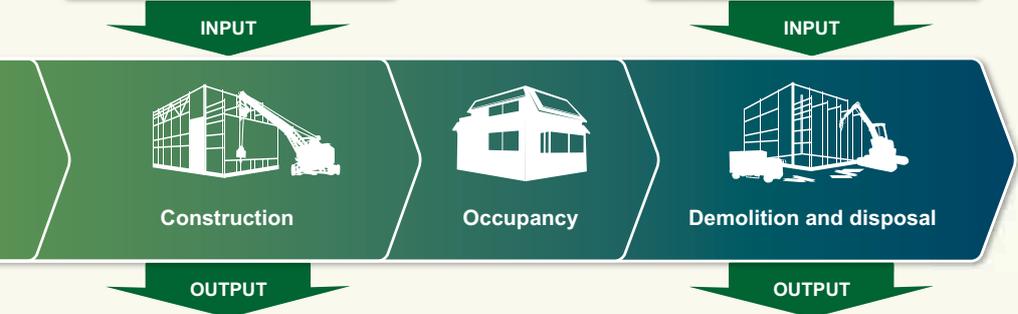
Electricity 15,249 MWh
 Light oil 1,392 kl
 Gasoline 11,172 kl

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 CO₂ emissions, we multiplied each energy consumption by the CO₂ 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.

CO₂

Amount of CO₂ emissions resulting from energy consumption 35,358 t-CO₂

CO₂

Amount of CO₂ emissions resulting from energy consumption 35,823 t-CO₂

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

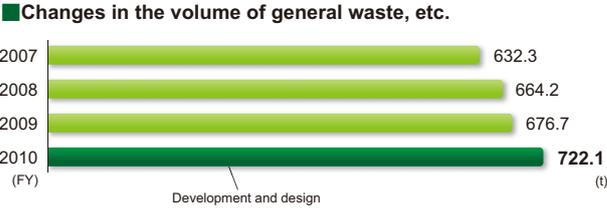
- Energy consumption: Amount of gasoline consumption = Total number of construction workers*3 x average of annual actual working days per worker*4 x daily energy consumption per worker
 Electricity consumption = Amount of temporary electricity consumed per day x number of days required for completion 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"> Continue task- and position-specific group training to improve CSR awareness. Implement the PDCA cycle more effectively focusing on the targets and results of each business site. Raise the level of initiatives. |
| | | Compliance management | <ul style="list-style-type: none"> Ensure proper management is in place at each branch office. Further enhance compliance awareness among all employees by using various tools. 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. Focus on proper implementation of work rules by adopting construction progress standards. |
| | | Communication with society | <ul style="list-style-type: none"> Provide opportunities for dialogue with stakeholders, such as a venue to exchange opinions concerning the sustainability report. |
| | For Our Customers | Customer satisfaction | <ul style="list-style-type: none"> Strengthen communications with customers and further enhance customer satisfaction, with a renewed sense of gratitude on the occasion of our 50th anniversary. |
| | | Sustainable society and long-life housing | <ul style="list-style-type: none"> 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. 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. |
| | | Reliable, safe and comfortable homes | <ul style="list-style-type: none"> Offer housing components and living spaces that bring "comfortable living—now and always" to all generations. 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. 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. |
| | | Community development and local culture | <ul style="list-style-type: none"> 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. |
| | For Our Employees and Business Partners | Commitment to employees | <ul style="list-style-type: none"> 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. 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. Leverage our pool of diverse human resources by promoting the use of various internal work programs and systems. Ensure the best practices in labor management compliance to support work style diversity and work-life balance. Encourage the health and safety committees in respective business sites to take positive measures to further enhance occupational health and safety. |
| | | Commitment to building contractors and business partners | <ul style="list-style-type: none"> 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. |
| | For Our Shareholders and the Community | Commitment to shareholders | <ul style="list-style-type: none"> 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. |
| | | Housing culture improvement and education support | <ul style="list-style-type: none"> Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community. Further enhance educational initiatives through our hands-on learning and other facilities and expand workplace visits and teacher dispatch programs. |
| | | Contribution to society | <ul style="list-style-type: none"> Increase the activity level of social contribution programs through improved information sharing and dissemination. 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. |



| Results of Fiscal Year 2010 | Reference Page | Rating | Fiscal Year 2011 Target |
|---|------------------|-----------|---|
| <ul style="list-style-type: none"> ● 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. ● We reexamined the targets and results of CSR initiatives in respective areas and took improvement measures, thereby eliminating discrepancies in performance among business sites. | P.27 | ○ ○ | <ul style="list-style-type: none"> ● Continue group training to raise CSR awareness. ● Continue to raise the level of activities undertaken by each business site. |
| <ul style="list-style-type: none"> ● 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. ● 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. ● We implemented new work rules correctly. No serious compliance problem arose during fiscal year 2010. | P.28 | ○ ○ ○ | <ul style="list-style-type: none"> ● Further increase compliance awareness among all employees using various tools. ● Continue our focused efforts to develop an open and motivating work environment under the lead of business site managers. ● Continue to implement the Internal Control System to the fullest and reinforce our risk management ability. |
| <ul style="list-style-type: none"> ● We implemented various programs to encourage a shift to sustainable living at our Zero Emission Center and Sustainable Design Laboratory. | P.58 | ○ | <ul style="list-style-type: none"> ● Continue to organize home visit events and forums and provide opportunities for dialogue with stakeholders using the sustainability report. |
| <ul style="list-style-type: none"> ● 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. | P.58 | ○ | <ul style="list-style-type: none"> ● Encourage communications with customers and achieve greater customer satisfaction. |
| <ul style="list-style-type: none"> ● 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. ● 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.) | P.39, 45, 46 | △ ○ | <ul style="list-style-type: none"> ● Educate customers and cultivate the market for the Everloop homes and develop a larger existing-home market. ● 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. |
| <ul style="list-style-type: none"> ● 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. ● 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. ● 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. | P.37, 38, 54, 67 | ○ ○ ○ | <ul style="list-style-type: none"> ● Promote "Smart UD" housing that brings maximum convenience and comfort for all generations. ● Support safe, reliable and comfortable homebuilding by effective use of our innovative hands-on learning facilities. ● Increase sales of the "Sha-Maison Green First" model to 25% of all orders received for low-rise apartments. |
| <ul style="list-style-type: none"> ● 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. | P.49-52 | ○ | <ul style="list-style-type: none"> ● 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. |
| <ul style="list-style-type: none"> ● 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. ● 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. ● 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. ● 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. ● 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. | P.61-62 | ○ ○ △ △ ○ | <ul style="list-style-type: none"> ● 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. ● 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. ● 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. ● Ensure the best practices in labor management compliance to support work style diversity and work-life balance. ● Encourage the health and safety committees in respective business sites to take positive measures to further enhance occupational health and safety. |
| <ul style="list-style-type: none"> ● We held training on the Subcontract Act involving all employees and continued improvement measures focusing on reinforcing interactive communications with our suppliers. | P.59-60 | △ | <ul style="list-style-type: none"> ● Ensure full compliance with our corporate ethics guidelines and other rules to maintain good relationships with our business partners. |
| <ul style="list-style-type: none"> ● 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. | WEB | ○ | <ul style="list-style-type: none"> ● 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. |
| <ul style="list-style-type: none"> ● 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. ● 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). | P.63-64 | ○ ○ | <ul style="list-style-type: none"> ● Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community. ● Further enhance educational initiatives and expand workplace visits and teacher dispatch programs. |
| <ul style="list-style-type: none"> ● 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. ● 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. | P.63-64 | ○ ○ | <ul style="list-style-type: none"> ● Increase the activity level of social contribution programs through improved information sharing and dissemination. ● 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. |

[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 CO₂ emissions from houses and production facilities.

Major Focus

Fiscal Year 2010 Target

| | | |
|--|--|---|
| Reducing CO₂ Emissions | Reducing CO ₂ Emissions | <ul style="list-style-type: none"> ● Orders for 10,000 PV systems for detached houses. ● Sales of 2,400 <i>ENE FARM</i> fuel cell systems. ● Increase window and door insulation updates to 80,618 m²./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. ● Achieve certification for 800 environmentally symbiotic houses. ● Organize 50 energy conservation seminars (Houseecology) and other events to encourage the public to save energy. |
| | Reducing CO ₂ emissions from business activities and production process | <ul style="list-style-type: none"> ● Achieve a 4.5% reduction in CO₂ emissions per square meter of floor area shipments at the production stage (including transportation) at factories from the fiscal year 2006 level. ● Develop and launch energy conservation plans for business sites. ● Increase the rate of fuel-efficient vehicles to all company-owned vehicles to 85%. |

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

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

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

| | | |
|---------------------------|---|---|
| Resource Recycling | Recycling at factories and construction sites | <ul style="list-style-type: none"> ● Reduce manufacturing related waste by 3% of 2009 levels. ● Increase the material recycling rate of waste to 88% at production and construction sites. ● Achieve 100% operations under the electronic manifest system. |
| | | <ul style="list-style-type: none"> ● Reduce construction waste at new build construction sites to 1,200 kg/house. (Targets for housing types shown below.) ● 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.) ● 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.) ● 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.) ● 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.) ● Launch the IC tag-based construction waste collection and management system nationwide. ● Develop a proprietary system to assess the performance of intermediate disposal partners to achieve zero emission at demolition sites. |
| Others | Promoting green purchasing | <ul style="list-style-type: none"> ● Increase the green purchasing rate to 90% at offices. |
| | Control over chemical substances | <ul style="list-style-type: none"> ● Promote the use of the "Chemicare design." |
| | Environmental activities by employees | <ul style="list-style-type: none"> ● Revise the goals at each business site including reduction of CO₂ emissions from offices. |

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 CO₂ 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"> ● Making effective use of the housing eco-point system and other preferential measures, we promoted energy-saving remodeling and installed 74,344 m² 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. ● Through our efforts at the "Community Visiting Day," a housing fair held twice a year, 687 houses were certified to be environmentally symbiotic. ● We organized 73 extension classes/seminars, including energy conservation seminars (Houseecology) to encourage a shift to energy-saving lifestyles. ● We could successfully reduce CO₂ 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. ● We collected more detailed energy consumption data at all our business sites and strived to increase employee awareness. ● 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%. | P.37-40 | <ul style="list-style-type: none"> ○ ○ △ × ○ △ ○ ○ | <ul style="list-style-type: none"> ● Receive orders for 12,000 detached houses with PV systems. ● Receive orders for 3,500 fuel cells. ● Install 104,400 m² 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. ● Achieve certification for 700 environmentally symbiotic houses. ● Organize 80 events to educate the public on energy saving. ● Achieve a 3% reduction in CO₂ emissions per square meter of floor area shipment at both the production and transportation stages from the fiscal year 2010 level. ● Cut power consumption by 15% during summer peak hours. ● Choose fuel-efficient models when replacing company-owned vehicles. |
| <ul style="list-style-type: none"> ● 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. ● 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. ● 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. ● 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. ● We implemented forest protection activities under the Company Forest system in Wakayama Prefecture twice a year, in March and October. | P.41-44 | <ul style="list-style-type: none"> ○ △ ○ ○ | <ul style="list-style-type: none"> ● Revise the Wood Procurement Guidelines. ● Obtain the Chain-of-Custody (CoC) Certification that verifies wood products come from certified forests. ● Plant one million trees a year. ● Continue to implement the "Letters from Dr. Forest" program by strengthening cooperation with local business sites. ● Continue to plant trees in all the houses offered for sale on the "Community Visiting Day" events. ● Continue activities to plant trees in forest land subdivided into small patches by nets to prevent feeding damage. |
| <ul style="list-style-type: none"> ● 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. ● The material recycling rate increased to 84.4% from 82.8% in fiscal year 2009. ● The rate of electronic manifest system introduction increased to 71.7% from 9.6% in fiscal year 2009. <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 Wooden detached houses (SW): 1,717 kg/house Heavy steel houses (β system): 1,366 kg/house LGS low-rise apartment houses for leasing (SHM): 1,134 kg/house</p> <ul style="list-style-type: none"> ● We introduced an IC tag-based next-generation zero waste system nationwide. ● We inspected the facilities and management of some intermediate disposal partners to assess their performance. ● The green purchasing rate increased to 88.7% from 72% in fiscal year 2009. ● 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. ● We attempted to revise the goals at our business sites but failed to develop specific goals. | P.47-48 | <ul style="list-style-type: none"> △ △ △ △ × × △ ○ ○ △ ○ △ | <ul style="list-style-type: none"> ● 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. ● Increase the material recycling rate of waste to 90% at production and construction sites. ● Maintain the current level of use of electronic manifest system while continuing to take proper measures to achieve the target. ● Light-gauge steel (LGS) detached houses (Type B): 1,200 kg/house ● Wooden detached houses (SW): 1,500 kg/house ● Heavy steel houses (β system): 1,200 kg/house ● LGS low-rise apartment houses for leasing (SHM): 1,000 kg/house ● Determine the effect of our waste reduction measures by collecting more detailed data and accelerate our zero waste efforts. ● Upgrade the assessment system to increase efficiency. ● Promote measures to increase the green purchasing rate, such as having study meetings with purchase personnel at each business site. ● Continue efforts to spread the use of the Chemicare design, for example, by making it a standard design of our housing products. ● Continue striving for this target along with our efforts to reduce CO₂ emissions from our corporate activities and production processes. |

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

Preventing Global Warming



We will take positive measures to achieve reduction of CO₂ emissions from houses and production facilities.

» **Delivering a comfortable yet economically efficient lifestyle while reducing CO₂ emissions—Our “Green First” model is leading us to a sustainable future.**

It is reported that in Japan, houses are responsible for approximately 14% of CO₂ emissions (as of fiscal year 2009) which are one of the major contributors to global warming. To fulfill our obligations to society as a leading housing manufacturer, we are striving to achieve drastic reductions in CO₂ emissions from houses by focusing on spreading our eco-friendly Green First model. We have been striving to convince our customers of the benefits of the Green First model that can bring an eco-friendly lifestyle without compromising the comfort and convenience of living, and have garnered greater support from them. As a result, in fiscal year 2010, we achieved a 49.4% reduction in CO₂ emissions from our detached houses from the fiscal year 1990 level.

The Green First model accounts for more than 70% of all Sekisui House new build detached houses.



As a result of our focused efforts to promote the Green First model, 70.6% of our new build detached houses were provided with energy producing systems. We achieved the best sales figures in the industry for both PV systems and fuel cells.

In Japan, the industrial sector has made relatively significant progress in reducing CO₂ emissions, while CO₂ emissions from the residential sector increased by as much as 26.9% from the 1990 level in fiscal year 2009. Because the industrial sector alone can bring only a limited contribution to the nationwide efforts to reduce CO₂ emissions, the residential sector, including general households, is also urged to reinforce CO₂ reducing measures, for example, by improving the energy efficiency of refrigerators, water heaters, lighting and other home electric appliances.

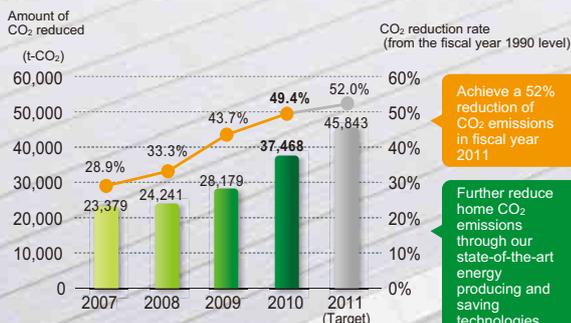
Against this backdrop, we began offering eco-friendly housing products equipped with high-efficiency insulation that meets next-generation strict energy conservation standards. Combined with a PV or fuel cell system and a high-performance water heater, the Green First home cuts CO₂ emissions by more than 50% and the “Green First Premium” home is capable of achieving a 100% reduction of CO₂ emissions with the combined PV and fuel cell systems. As a result of our focused sales promotion efforts, we received orders for PV systems for 10,931 detached houses and 2,974 fuel cells, and increased the Green First rate to 70.6% in fiscal year 2010, exceeding our original sales target figure, thus fulfilling our responsibility to contribute to reducing CO₂ emissions.

Backed by the growth in the sales of “Sha-Maison Green First” homes, the rate of Sekisui House low-rise apartments with PV systems increased to 19%.

Few low-rise apartment houses have been provided with PV systems in spite of their 40% share in the annual new build housing starts in the Japanese market. We launched an eco-friendly low-rise apartment onto the market ahead of our competitors and have since been promoting the sale of this product—the Sha-Maison Green First model that features a high-efficiency water heater and all-electric design, as well as high-performance insulation and a PV system, which together ensure greater comfort, economic efficiency and less energy consumption.

Equipped with a PV system, this model allows tenants to reduce power consumption and sell surplus power to the electric power company, thus cutting utility costs. Owners also benefit from this model due to its ability to reduce utility costs and bring an eco-friendly lifestyle, which gives them a competitive advantage in the apartment leasing market and greatly helps them achieve success in apartment management. During fiscal year 2010, we achieved sales of 890 low-rise apartment houses equipped with PV systems, which account for 19% of all our new build low-rise apartment houses, posting a huge increase from 371 in the previous year.

Promoting sales of housing products whilst simultaneously reducing CO₂ emissions



37,468 t=Amount of CO₂ absorbed by 2,670,000 cedar trees

*The electric power consumption rate and CO₂ emissions standards per household used in the calculation are subject to yearly change.

The housing eco-point system was applied to 88% of our detached houses.

We positively encouraged our customers to use the “housing eco-point system” applicable to homes equipped with high-efficiency insulation and energy-saving systems that meet certain criteria, while assisting them in applying for governmental subsidies. As a result, 88% of our detached houses and 86% of our apartment houses were covered by the housing eco-point system during the latter half of fiscal year 2010.

The Green First rate of our new build detached houses and low-rise apartment houses for leasing (Rate of houses equipped with energy producing systems)



We achieved the best sales figures in the industry in both categories during fiscal year 2010.

Case Study:
Detached house

The N family in Tokyo, the owner of a **Green First Premium home equipped with PV and fuel cell systems**

We enjoy greater comfort and lower utility costs than before and live an eco-friendly life easily and effortlessly.



The house is provided with a 5.2 kW PV system.



A comfortable living room with an open ceiling space, and requires less utility costs than expected.

We chose the Green First Premium model that uses both electricity and gas instead of the all-electric model, in consideration of our parents who live with us and have long been using gas. We moved into the new house in spring when we still had cold days, and were soon benefiting from the great comfort offered by our house which was more than we had expected. In the morning, when we go downstairs, the floor and air in the room are already pleasantly heated thanks to the floor heating system timed to turn on around our wake-up time. Our house has a huge open ceiling space but we spent our first winter in comfort and hardly used the heater.

We had been told that the combined PV and fuel cell systems would reduce utility costs, and it was true: to our happy surprise, the utility costs were almost equal to the costs we incurred when we lived in a condominium, even without turning off lights and electric appliances when not in use.

We don't think a serious global environmental crisis is imminent, but news reports on environmental destruction, such as the development of ozone holes, cause us anxiety. Through our experience of building this house, we have become increasingly aware of environmental issues, such as CO₂ emissions. What we like about the Green First Premium model is that it allows us to live a fully eco-friendly life effortlessly, without the need to take any special measures. We are very pleased that with this house, we can make some contribution to the wellbeing of future generations.



The amount of power produced can be checked daily on the display of the CO₂ monitor. (The monitoring is conducted as part of the 2008 Model Project for Reducing CO₂ in Residential Buildings.)



Fuel cell system for residential use

Case Study:
Low-rise apartment house

The O family in Saitama, tenants of a **Sha-Maison Green First low-rise apartment equipped with a PV system**

The Sha-Maison Green First model, which allows us to sell surplus electricity and contribute to reducing CO₂ emissions at the same time, has changed our image of a low-rise apartment completely.

When I was relocated for work and looked for rental housing, I took interest in the eco-friendly apartment offered by Sekisui House. Because my wife had been in the real estate industry, we had some knowledge about eco-friendly rental housing that generates electricity with PV systems and allow tenants to sell surplus electricity, but there was more to the Sha-Maison Green First model. When considering moving in, we were shown the data on electricity sold to electric power companies and learned that thanks to the all-electric design, there is no need to pay for gas, and we can also drastically reduce electricity costs by using the midnight power service. We liked these points very much. We regret that we had not known these eco-friendly features when building our previous house where we used to live.

The rent is ¥10,000 higher than we originally planned, but overall, living in the Sha-Maison Green First apartment helps us save money. Of course, low utility costs were not the only factor that made us decide to move into this apartment. We were also impressed with its open living room that connects to a wooden deck, wall and floor materials that meet pet owners' needs, and elevated space in the living room with an open ceiling. The sophisticated housing design and its features are far more than what an ordinary apartment house can offer and comparable to those of a detached house. One and a half years have passed since we moved into this apartment, and the monthly utility costs we have paid for the past year are only about ¥3,700 on average. Also, we have become more conscious of cutting back on energy use, urged by the CO₂ monitor that displays the amount of electricity consumed by the electric appliance in use.



Pleasant living space provided with high-efficiency insulation

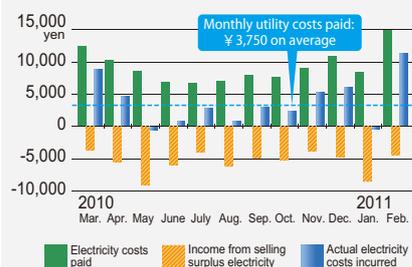


"We are aware that we are playing our small part in preventing global warming."



Terrace-style Sha-Maison Green First apartment. Each residential unit (79.5 m²) consists of three rooms and a living-dining room plus kitchen, and a 2.2 kW PV system is provided in each household.

Utility costs incurred by the O family for the past year



We are committed to reducing CO2 emissions also from our remodeled homes and condominiums without compromising the comfort and convenience of modern lifestyles.

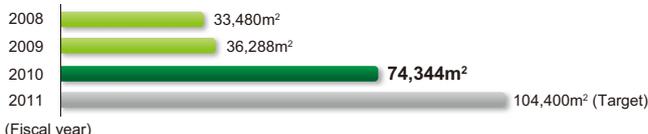
Eco-friendly remodeling is undertaken by our group company to incorporate energy producing and saving solutions into existing homes.

Our group company, Sekisui House Remodeling Co., Ltd. has completed remodeling projects on approximately 700,000 detached houses built by Sekisui House to improve comfort, economic efficiency and environment friendliness by providing energy producing and saving systems.

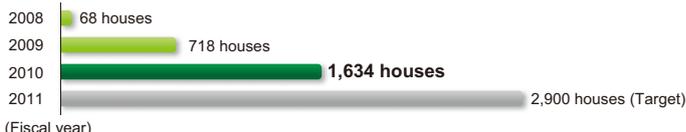
Fiscal year 2010 saw a further increase in the number of remodeling projects, backed by the growing interest in eco-friendly remodeling triggered by the housing eco-point system launched by the national government in March 2010, coupled with the "W-eco-point program" * offered independently by Sekisui House Remodeling. Especially, demands grew for PV system and window and door insulation, which, along with high-efficiency water heaters and energy efficient bath fixtures, contributed to reducing CO2 emissions from existing homes by 4,803 tons a year (1.5 times as much as the CO2 reduction achieved in the previous year).

*In this program, the points granted under the housing eco-point system are doubled, up to a maximum of 150,000 points. (This program ended upon the expiration of the housing eco-point system)

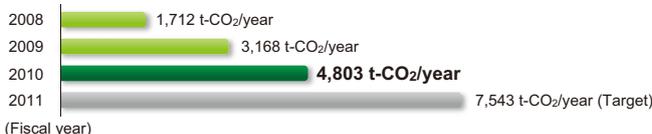
Window and door insulation



PV system



CO2 reductions attributable to housing remodeling



Case Study: Remodeling

Roof tile photovoltaic power generation system facilitates reduction in CO2 emissions from existing houses.



Roof tile photovoltaic power generation system designed to harmonize with the surrounding townscape

Our proprietary roof tile photovoltaic power generation system pleasantly matches the surrounding landscape and boasts an outstanding capability to reduce CO2 emissions while increasing economic efficiency. Backed by these advantages, there has been

growing demand for the PV system in our remodeling projects.

For example, in Green Hills Yunoyama, one of the largest residential communities in the Shikoku region developed by Sekisui House in Matsuyama City (where sale of subdivisions began in 1986), we have received an increasing number of orders for our roof tile photovoltaic power generation system, which enjoys greater popularity for its design that pleasantly merges with the townscape and the ability to bring greater comfort and economic efficiency to lives.

Voice of a Customer

We are satisfied with the PV system that enhances comfort and economic efficiency.

Mr. and Mrs. S
(Ehime Prefecture)



We decided to install a PV system because of its energy-saving effect. We also liked the idea of earning extra income by selling surplus electricity. Since the PV system was installed, we have become more environmentally conscious. We check the electricity produced and consumed everyday, while sharing information with our neighbors.

Voice of a Salesperson

The roof tile photovoltaic power generation system is also favorably received by neighboring residents.

Norimitsu Kaneta
Manager, Ehime Sales Office
Sekisui House Remodeling Co., Ltd.



We provide detailed information about the economic benefits of our PV system to homeowners who are interested in remodeling with this system, to deepen their understanding of the subsidy program extended by the national government to eco-friendly remodeling as well as our corresponding program, and the surplus energy purchase program offered by electric power companies. Our roof tile photovoltaic power generation system enjoys popularity among local residents for its design that "does not disturb the townscape" and it is installed in an increasing number of houses in the neighborhood.

Case Study: Condominium

We are promoting our "Green First" initiative in the field of condominium sales.

We are pursuing greater comfort, economic efficiency and environmental friendliness under our Green First concept also in promoting sales of "Grand Maison" line of condominiums that are designed to harmonize with the surrounding environment and constitute a "valuable part of community."

Grande Maison Jiyugaoka Terrace (102 residential units: Nagoya City)



PV systems and long-lasting LED lighting fixtures are installed, while close attention is paid to the protection of the ecosystem of the adjacent park.

The condominium is provided with the latest housing facilities that contribute to reducing CO2 emissions and conserving energy, including PV systems and LED lighting fixtures. The condominium is also designed to harmonize with the natural environment of Chayagasaka Park that faces the building, thereby creating a pleasant space beneficial to both people and nature.

Grande Maison Jiyugaoka Terrace is the first condominium for sale in the Chubu Region to be awarded the "Environmentally Symbiotic Housing" Certification by the Institute for Building Environment and Energy Conservation. The certification was given in recognition of its outstanding quality in the categories of "energy conservation" and "harmony with the local and natural environment."

Grande Maison Takamiya (29 residential units: Fukuoka City)



The condominium boasts the latest energy-saving solutions such as PV systems, high-efficiency water heaters, and energy efficient bath fixtures as well as its design to preserve existing trees.

*Artist's rendering

PV systems, high-efficiency water heaters, and energy efficient bath fixtures together contribute to a drastic reduction in CO2 emissions. The building is designed in a manner that effectively uses wind and sunlight. By preserving and transplanting existing trees and piling up locally produced natural stones, we ensure that the building constitutes a natural part of the townscape.

Working to reduce CO2 emissions from our corporate activities

Shin Umeda City was adopted as a model town under the Challenge 25 Regional Development Program for fiscal year 2009, where we are engaged in a demonstrative experiment to reduce CO2 emissions.

In March 2010, Sekisui House was appointed to conduct a demonstrative experiment to achieve a 25% reduction in CO2 emissions from Shin Umeda Sky Building (which houses our head office) in the Shin Umeda City district in Osaka City, together with three other tenant companies,* under the Challenge 25 Regional Development Program for fiscal year 2009 led by the Ministry of the Environment.

Under this program, the projects of six local governments around Japan were adopted, including Osaka Prefectural Government. The Shin Umeda City development project was selected as one of the projects led by the Osaka Prefectural Government. We launched measures to achieve an approximate 7.9% reduction in CO2 emissions, on top of the 14% reduction we had already attained, by replacing some of the cooling systems with ice thermal storage systems and introducing PV systems, and in February 2011, all the systems installed under the program went into full operation. We also set monitor displays in three locations within the building to offer information about our CO2 reduction efforts in an easy-to-understand manner and inspire office workers to take action for reducing CO2 emissions themselves.

Learning from our involvement in the Challenge 25 Regional Development Program, we will continue concerted efforts to reduce our energy use at our factories and business sites in order to better play our part in preventing global warming and comply with our obligations under the amended Energy Saving Act.

*Sekisui House, Ltd., NREG Toshiba Building Co., Ltd., Daihatsu Diesel Umeda City K.K., and Telwin Corporation. We have an approximate 47% co-ownership interest in the building.



We are working to reduce CO2 emissions by installing high-efficiency cooling systems in Shin Umeda City.



The monitor allows office workers to check the progress of our CO2 reduction efforts.

Actively reducing CO2 emissions from our production and transportation processes

As part of our efforts to reduce CO2 emissions, we also focus on the building materials production process and work to achieve an improvement in energy intensity per unit area in line with the Challenge 25 Campaign, a national movement geared toward prevention of global warming.

Improvement measures we took at our factories during fiscal year 2010 include: enhancing the heat retaining efficiency of dry kilns by reducing heat loss; replacing general lighting by mercury lamps with task lighting by fluorescent lamps to introduce LED lighting in the near future; using liquefied petroleum gas (LPG) and liquefied natural gas (LNG) as fuels in place of oil (kerosene) to reduce emissions of CO2, nitrogen oxide (NOx) and sulfur oxide (SOx) from burning fuels; continuing to introduce inverter models and higher efficiency models of energy-consuming equipment, such as boilers, compressors and transformers.

To promote eco-friendly transportation, we began to implement a modal shift from truck to train in January 2011 for transporting iron frames, which are major components of our 50th anniversary commemorative product, BeSai+e, produced in our Shizuoka Factory in Kakegawa City, Shizuoka Prefecture. By effecting a shift from road to rail in the transportation of building components for 720 homes a year, we can achieve an annual reduction of approximately 162 tons of CO2 compared to conventional truck-only transportation and thus make a meaningful contribution to mitigating environmental impacts.

We partner with Senko Co., Ltd. and Japan Freight Railway Company in implementing the modal shift. This initiative was adopted as the Green Logistics Partnership Project for fiscal year 2010 promoted by the Green Logistics Partnership Conference and the New Energy and Industrial Technology Development Organization (NEDO). Our expenses to purchase containers are covered in part by their subsidy.



Mercury lamps for general lighting were replaced with fluorescent lamps for close lighting.



Containers transferred from truck to train.



We introduced original long containers for rail transportation as a first in the industry. Sekisui House logo is printed on the surface of the container to publicize our commitment to environmental preservation.

Preserving Biodiversity



We will continue concerted efforts toward restoration of ecosystem networks.

» We have remained committed to preserving biodiversity through our homebuilding practices, facing up to the reality that the housing industry impacts the environment and ecosystems.

The comfort and convenience of modern lifestyles are completely dependent on valuable resources provided by biodiversity and services provided by ecosystems. Aware of our responsibility as a homebuilder that uses large quantities of materials and directly affects the natural environment, we place a special emphasis on preserving biodiversity and ecosystems from a long-term perspective. In 2011, a year proclaimed to be the International Year of Forests by the United Nations, we will continue and further enhance our efforts to achieve greater results.

Involving domestic and overseas suppliers in our biodiversity preservation efforts

Aware of our responsibility as a housing manufacturer that has offered more than two million houses and used large quantities of biological raw materials, we were quick to begin working with experts and environmental NGOs to study and analyze the impacts of homebuilding on biodiversity, while encouraging many of our suppliers, both domestic and overseas, to join our efforts.

For example, we have enlisted the cooperation of many of our suppliers to procure wood materials only from responsibly managed sources, thus discouraging illegal logging. In light of the environmental impacts of home garden and street landscaping projects, we have also encouraged our suppliers of garden trees to supply indigenous and native tree species that are rarely seen in the market. In this way, we have been deepening cooperative ties with our suppliers.

As a user of large quantities of wood materials...



we established our own Wood Procurement Guidelines in 2007.

In consideration of the unparalleled size of our landscaping projects...



we have been promoting landscaping under our "Gohon no ki" landscaping concept since 2001.

Participating in the Interactive Fair for Biodiversity held in conjunction with COP 10

In October 2010, we participated in the Interactive Fair for Biodiversity, an international exhibition held in conjunction with the tenth Conference of the Parties to the Convention on Biological Diversity (COP10), where we set up a booth to publicize our environmental initiatives. Our exemplary practices in environmental protection were also exhibited at the booths of the Business and Biodiversity Initiative and governmental agencies, which greatly helped increase the public's recognition of our environmental commitments.

Continued steady and persistent efforts to achieve "sustainability" since 2001

Restoring well-balanced ecosystems is a critical requisite for a sustainable society. We developed the "Gohon no ki" landscaping concept by introducing an ecosystem-oriented approach into the conventional garden design that focuses on landscaping, and launched activities under the concept in 2001 when the term "biodiversity" was hardly known to the public. Under the principle of "three trees for birds and two for butterflies," which is at the core of our Gohon no ki landscaping concept (Gohon no ki means "five trees"), we have been carrying out garden landscaping projects by planting local and indigenous tree species to create an environment that is friendly to small local creatures and thus restore local ecosystem networks. The number of trees we have planted under this concept has totaled approx. 7,160,000 so far. This gardening concept serves as our own guidelines for biodiversity protection and we take pride in the results we have achieved over these ten years under this concept.



Sekisui House deserves high recognition for its unshakable determination to contribute to the environment through its core business of homebuilding.

COP 10 held in Japan in 2010 evoked public interest in biodiversity and prompted many Japanese companies to launch measures for biodiversity protection, but this is not the case for Sekisui House. Sekisui House was quick to realize the importance of biodiversity and has continued consistent efforts as part of their core business of homebuilding, which deserves high recognition. Specifically, they have been promoting their Gohon no ki landscaping concept for ten years now, and developed their own Wood Procurement Guidelines four years ago. Admirably, their initiatives have resulted in many tangible outcomes, such as an increase in fauna and flora populations in the residential areas developed under their Gohon no ki landscaping concept, and the rise in the procurement ranking among their wood materials suppliers.

I hope that Sekisui House will continue to pursue their ongoing initiatives to the fullest, while embarking on new endeavors.

Dr. Naoki Adachi
CEO, Response Ability, Inc.

Response Ability assists corporations in their sustainability initiatives by providing consulting services for biodiversity protection and CSR procurement. Dr. Adachi serves on a committee organized by the Ministry of the Environment to examine guidelines for corporations to take action on biodiversity protection.



The Shin-satoyama grounds have been created in Shin Umeda City, where the head office of Sekisui House is located, across 0.8 hectares of green space. The grounds are mainly planted with native and local trees and vegetation, providing a home for a diverse variety of living creatures amid an urban environment. The grounds are designed to grow to become a blueprint of how nature can coexist in an urban environment.



Working in close partnership with environmental NGOs and domestic and overseas suppliers to implement our resource strategy while performing our obligations to society at the same time

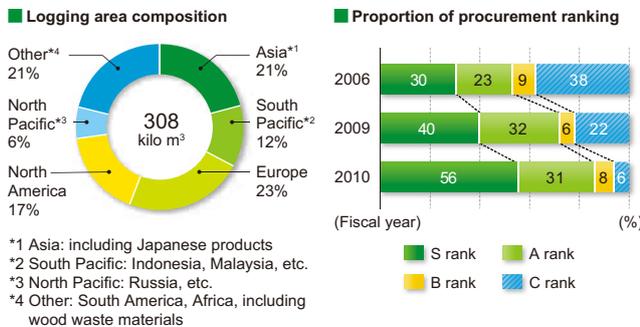
Developing our own Wood Procurement Guidelines based on the results of supplier surveys

Every year, thirteen million hectares of land are deforested around the world, for various reasons ranging from illegal logging and overdevelopment to the inappropriate use of “slash-and-burn” practices and man-made forest fires.

To prevent the already serious negative impacts of deforestation on natural ecosystems and our lives, and encourage the sustainable use of woods, we, at Sekisui House, have been engaged in FairWood* procurement, a practice of purchasing wood materials in a socially fair way. We unveiled the Wood Procurement Guidelines in 2007, which outline ten principles. We use these principles to determine the ratings of woods to be procured by assigning one of four ratings (S, A, B and C) based on the total points. Our suppliers strive to raise their procurement level by using this wood rating system as a reference, and on increasing occasions, ask us to rate the woods they consider handling. These joint efforts toward raising the procurement level have resulted in a steady increase in the proportion of the highest S rank woods.

*FairWood refers to woods and wood products sourced in a manner that takes into account the conditions of the forest environment and/or the local communities where logging takes place. The FairWood program is implemented by the Global Environmental Forum and the international environmental NGO, FoE Japan.

Wood Procurement Data



*1 Asia: including Japanese products
 *2 South Pacific: Indonesia, Malaysia, etc.
 *3 North Pacific: Russia, etc.
 *4 Other: South America, Africa, including wood waste materials

Ensuring sound forest management and increasing use of domestic woods

As a means to ensure sound forest management and reduce CO₂ emissions from transportation, we began using laminated woods from Japanese sources. Today, we use Japanese woods in a more diverse range of building materials, such as interior components made from domestic broadleaf trees. As a result, the ratio of domestic woods to all the woods we used grew to 19%, an increase of four percentage points from the previous year.

Educating salespersons in charge of the “SHAWOOD” model on our initiatives

Sekisui House employees are required to have a correct understanding of the significance of our Wood Procurement Guidelines and FairWood procurement. We have educated salespersons in charge of our SHAWOOD wooden houses on these initiatives through SHAWOOD Academy, which has been attended by 1,103 people in total.

Since 2006

Working with an international environmental NGO

In developing and implementing the Wood Procurement Guidelines, we partner with an international environmental NGO, FoE Japan* to ensure objectivity and transparency in these processes.

*FoE Japan is a Japanese member of the Friends of the Earth International that is engaged in addressing global environmental issues.

2007

Wood Procurement Guidelines: Ten Principles

- 1 Wood products that are sourced from areas where there is low risk of illegal logging.
- 2 Wood products that are sourced from areas that do not form part of ecosystems recognized as having outstanding value.
- 3 Wood products that are not sourced from ecosystems that are severely damaged or areas where large-scale logging of natural forests has occurred.
- 4 Wood products that are not sourced from endangered species.
- 5 Wood products that are sourced from areas close to where they will be used.
- 6 Wood products that are not sourced from areas subject to conflict or hostility with regard to wood production.
- 7 Wood products that are sourced from areas where the amount of logging does not exceed the recovery rate of the forest.
- 8 Wood products that are sourced from domestic forests in Japan.
- 9 Wood products that are sourced from plantation forests that are managed according to methods that encourage the preservation and generation of a natural ecosystem.
- 10 Wood products that are made from previously used wood.

Procurement Levels: Determining procurement rankings

| Total Points (maximum of 43 points) | Procurement Ranking | Using total procurement guideline points, products are classified as S, A, B, or C level, with S being the highest, while a separate borderline is established for guidelines 1 and 4, which are particularly important. |
|-------------------------------------|---------------------|--|
| 34 or more | S | |
| 26 or higher but less than 34 | A | |
| 17 or higher but less than 26 | B | |
| Less than 17 | C | |

Since 2007

Holding explanatory meetings for suppliers and conducting supplier surveys to take improvement measures as part of the PDCA process

We hold explanatory meetings for about sixty main suppliers from which we purchase wood materials and conduct supplier surveys annually. By offering advice on wood materials and giving individual guidance, we have helped them raise their procurement levels.

In light of the increase in the procurement level among our suppliers in recent years, we are going to revise the point allocation in our Wood Procurement Guidelines to achieve greater sustainability in our wood procurement practices during fiscal year 2011. Also, we will start the process to obtain environmental certification at our laminated wood processing factory.

Achieving tangible outcomes under the “Gohon no ki” landscaping concept in cooperation with tree growers over ten years

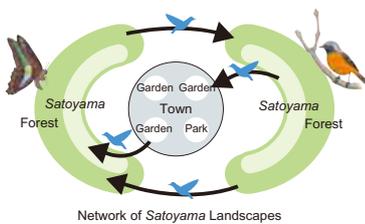
Selecting native and indigenous tree species and creating green space attractive to local creatures, assisted by our tree doctors and environmental NGOs

We developed the “Gohon no ki” landscaping concept by drawing inspiration from the *satoyama* environment that has long been part of Japan’s traditional landscape. While keeping nature intact is one way to protect the environment, this is not feasible for Japan with its small land area. Instead, we have opted to preserve the environment by reproducing the traditional *satoyama* landscape, typically consisting of rice paddies, vegetable fields, brooks and wooded areas, which Japanese people created by moderately intervening in local natural environments and managing them in a sustainable manner. As such, the *satoyama* environment has provided a home to a diverse range of creatures, while allowing local residents to reap the seasonal benefits of nature. We have adopted this *satoyama* approach in creating and maintaining home gardens, and planted native and indigenous tree species that are best suited to the local climate. The *satoyama*-like environment created in home gardens attracts many creatures such as wild birds and butterflies, thus helping to conserve ecosystems and allowing homeowners to enjoy interactions with nature at the same time.

We have been promoting the *Gohon no ki* landscaping concept on a nationwide basis since 2001, assisted by the advice of environmental NGOs, while striving to educate employees and our business partners on this concept by holding study meetings and organizing tours, in which our employees with tree doctor qualification serve as lecturers.

Creating ecosystem networks that connect urban areas and forest/satoyama areas

An indigenous tree can nurture hundreds of species of creatures including wild birds on its own. Our *Gohon no ki* landscaping concept was given the 2006 Good Design Award in the New Frontier Design



category in recognition of its “contribution to the process of creating a sustainable society by planting selected tree species that do not disturb ecosystems.”

Tracking the benefits of the “Gohon no ki” landscaping concept through a biodiversity survey

We initiated an ongoing biodiversity survey in September 2008 in partnership with experts, in order to track the benefits of our *Gohon no ki* landscaping concept. In the survey, we examine fauna and flora populations before and after construction of residential developments that employ the *Gohon no ki* landscaping concept and measure its benefits over time and in comparison with nearby environments.

Past surveys were conducted twice a year, in summer and winter, in six subdivisions in five locations including Sendai and Miyazaki with the participation of local residents. These surveys indicate that the growth of trees we planted has brought about an increase in quantity and variety of biological species.



Trees planted under the “Gohon no ki” landscaping concept

We divide Japan into five zones and plant a total of more than 120 native and indigenous species that are best suited to respective zones.

Zone A (Hokkaido)

For wild birds: Sargent cherry, Japanese yew, spindle tree, cranberry tree, etc.
For butterflies: Japanese white birch, Japanese weigela, wild azalea, etc.

Zone B (Mountainous areas of the Tohoku and Chubu Regions)

For wild birds: Japanese rowan, Japanese yew, cranberry tree, Japanese flowering dogwood, etc.
For butterflies: Konara oak, Japanese bushclover, Japanese oak, Japanese pepper, etc.

Zone C (Inland and mountainous areas of the Honshu, Shikoku and Kyushu Regions)

For wild birds: Japanese cherry, longstalk holly, prickwood, nandina, etc.
For butterflies: Japanese silver tree, Japanese bushclover, sweetspire, indigofera, etc.

Zone D (Coastal areas of the Honshu, Shikoku and Kyushu Regions)

For wild birds: Japanese bayberry, false daphne, Japanese cheesewood, Kobushi magnolia, etc.
For butterflies: Japanese silver tree, Sawtooth oak, Japanese eurya, cranberry tree, etc.

Zone E (Southern coastal areas of the Shikoku and Kyushu Regions)

For wild birds: Japanese bayberry, false daphne, Japanese cheesewood, Kobushi magnolia, etc.
For butterflies: Japanese silver tree, Sawtooth oak, Japanese eurya, cranberry tree, etc.

“Gohon no ki” mobile phone website

This website allows users to search the names of birds, butterflies, and trees by specifying shape, size, and/or color. This website also contains audible examples of birdcalls, and helps users identify bird species.

This site contains:

- 24 bird species (including their calls)
- 24 butterfly species
- 92 tree species



Birdcall can be heard.

■ Access the site by typing the URL

<http://5honnoki.jp>

■ Access the site by scanning the QR code



7,160,000 trees planted in ten years—Bringing greater comfort to homeowners through the “Gohon no ki” landscaping concept

Home gardens that employ the *Gohon no ki* landscaping concept are designed to provide well-balanced green space to offer home to small creatures and bring greater comfort to homeowners at the same time.

For example, a combination of deciduous broadleaf trees and evergreen trees adds to the value of housing, with the former attracting birds with their fruits and the latter providing them shelter. Furthermore, deciduous broadleaf trees help homeowners reduce power consumption for air conditioning in summer, as they create pleasant shade and cool the air through transpiration. In winter when leaves fall, they bring warm sunlight directly into the home, thus minimizing the use of heaters. Evergreen trees, on the other hand, stay green all year round and serve as a natural wall to protect privacy. Abundant greenery that grows year by year makes homeowners feel increasingly attached to their housing, and enhances the value of the house and community. The number of trees we have planted under the *Gohon no ki* landscaping concept over these past ten years has totaled 7,160,000.

We communicate the outcomes of this initiative to society as part of our efforts to increase public awareness of the importance of biodiversity preservation. Specifically, we offer a hands-on environmental education program, “Letters from Dr. Forest,” through our website, which can be downloaded for free and used in schools, while maintaining the *Gohon no ki* mobile phone website that helps users identify tree and wild bird species. During fiscal year 2010, we produced a booklet titled “Let’s start a comfortable life with our *Gohon no ki* concept” and a picture book “*Gurururu*” that emphasizes the importance of biodiversity and succession of lives and distributed them to visitors to the Interactive Fair for Biodiversity held in conjunction with COP 10.

Trees planted by Sekisui House



Working with eighty tree growers and landscaping companies across Japan to promote tree planting without relying on foreign tree species, in a manner that does not disturb ecosystems

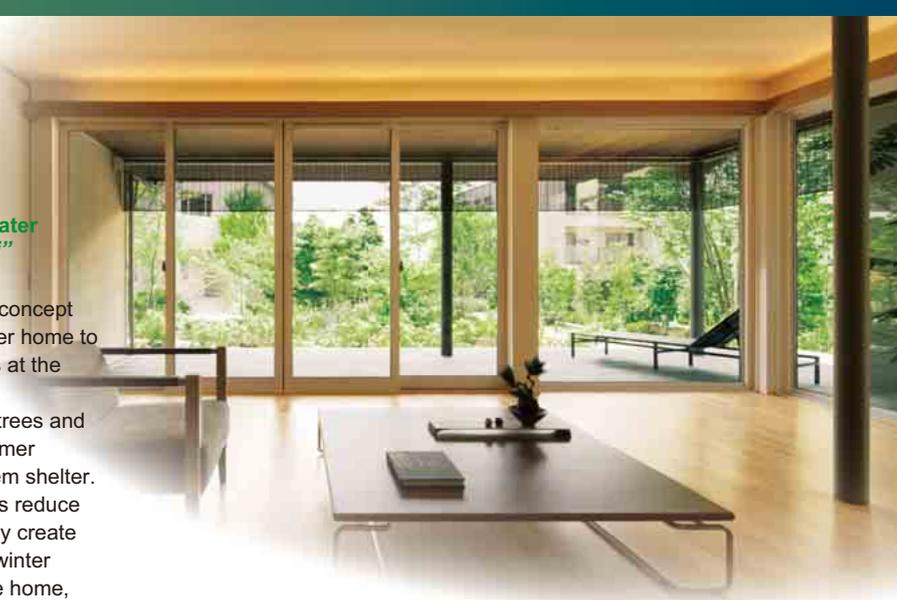
We have built a network that encompasses approximately eighty tree growers and landscaping companies across Japan. These partners share our vision of sustainable landscaping that does not disturb ecosystems, and assist us by growing trees to be planted in home gardens under the *Gohon no ki* landscaping concept.

The tree species that we have been planting under the *Gohon no ki* landscaping concept were viewed as miscellaneous trees with little value before we launched this initiative ten years ago, and very few of these species were distributed on the market. Today, an increasing number of landscaping companies are growing these species from seedlings for years, making them more widely available on the market.



Training green experts internally

We train employees in advanced gardening and landscaping techniques and teach them about biodiversity preservation under our internal green expert program. The green experts provide technical support in landscaping projects across Japan and direct the work of our gardening contractors.



Designing green space in a manner that provides a sense of oneness between interior and exterior areas

Under our *Gohon no ki* landscaping concept, we encourage landscaping design that creates a greater sense of oneness between interior and exterior areas by providing a transition space like an *engawa* (veranda-like porch) and an earthen floor that are part of traditional Japanese houses. Such a design allows homeowners to enjoy seasonal changes and the sight of wild birds visiting the garden first-hand.

Creating green space also for our apartments for leasing to feel closer to nature in everyday life



The *Gohon no ki* landscaping concept is also employed in our low-rise apartment, “Sha-Maison Gardens,” which is designed to constitute a natural part of the local townscape and environment and add value to the community.



Creating green residential environment and supplying trees and vegetation under the “Gohon no ki” landscaping concept

We were quick to voice our sympathy with the efforts of Sekisui House to contribute to preserving the natural environment with their *Gohon no ki* landscaping concept, and since 2001, have been engaged in growing garden trees and implementing landscaping work in a manner that preserves biodiversity, capitalizing on our network of tree growers. In line with the idea of reproducing the *satoyama* environment in home gardens by planting local indigenous tree species, we have been striving to create attractive gardens that integrate well with the local natural environment, as part of our community development efforts. In doing so, we hope to achieve a greater harmony between local residents and ecosystems.

We will remain committed to working for the creation of a pleasant green residential environment and continuing to supply native trees and vegetation and implement landscaping work under the *Gohon no ki* landscaping concept.

Mr. Takaaki Yamazaki
President, Yamazaki Zuisho-en

Yamazaki Zuisho-en grows native and indigenous tree species for Sekisui House’s “*Gohon no ki*” landscaping concept as a member of the nationwide network of eighty tree growers.



Building a Recycling-oriented Society



We will promote resource recycling to the fullest extent.

» Accelerating the shift from disposal to recycling for both homes and resources through our Everloop program and zero-emissions initiatives

Today, building a sustainable recycling-oriented society has become a globally shared goal. In our efforts to maximize the sustainable and responsible use of resources and contribute to the process of creating an ideal recycling-oriented society, we positively implement initiatives to renovate existing homes to the level of new build homes and achieve zero emissions at our construction sites.

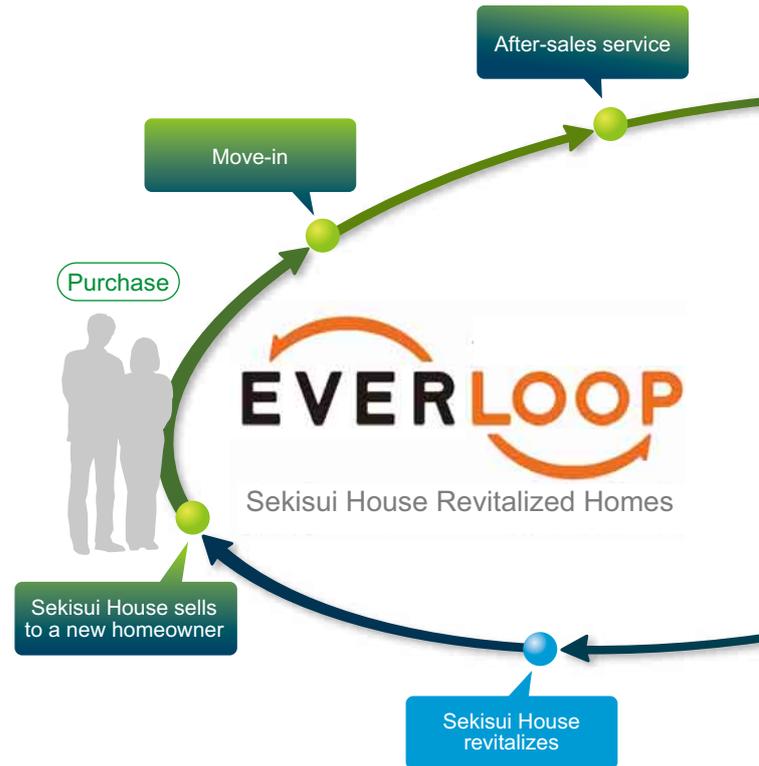
Everloop

Creating a market for revitalized homes by supplying homes with prolonged lifecycles

Fulfilling our responsibility as a leading housing manufacturer to revitalize the existing homes we have sold over the past fifty years as high-quality housing stock

The housing industry is required to build high-quality housing stock and put the stock to better use under the 2006 Basic Act for Housing and the 2009 Act on the Promotion of Dissemination of Long-term Quality Housing. In response to this social demand, we launched the Everloop home repurchase program in 2007.

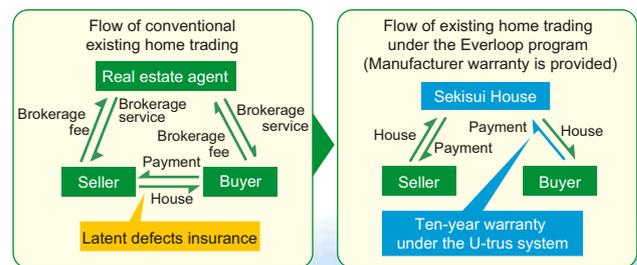
Under the Everloop program, we repurchase existing Sekisui House-built homes from the homeowners, and completely renovate them for resale using our proprietary technologies. By lengthening the lifecycles of homes, we can ensure more efficient use of resources and reduce the amount of energy consumed in rebuilding process, thereby abating environmental impacts. At the same time, this program allows us to create a new market for revitalized homes. We are working to build housing stock of superior quality through our efforts to offer high-quality longer-lasting homes and promote recycling-oriented lifestyles in Japan.



Playing a leading role in spreading high-quality stock housing (SumStock)

In July 2008, nine housing manufacturers including Sekisui House jointly established the High-quality Stock Housing (SumStock) Promotion Council (Chairman: Isami Wada, Chairman & CEO of Sekisui House) with a view to encouraging distribution of existing high-quality housing stock and creating a viable market for such stock. Currently, the Council has a membership of ten companies. The Council members, with a common understanding of the definition of "good-quality stock housing" and a unified housing appraisal method, are working together to create a robust market for high-quality stock housing products (SumStock) and make such products more widely available.

Bringing benefits to both sellers and buyers



Promoting the Everloop program backed by our track record of selling 2,000,000 homes and group-wide cooperation

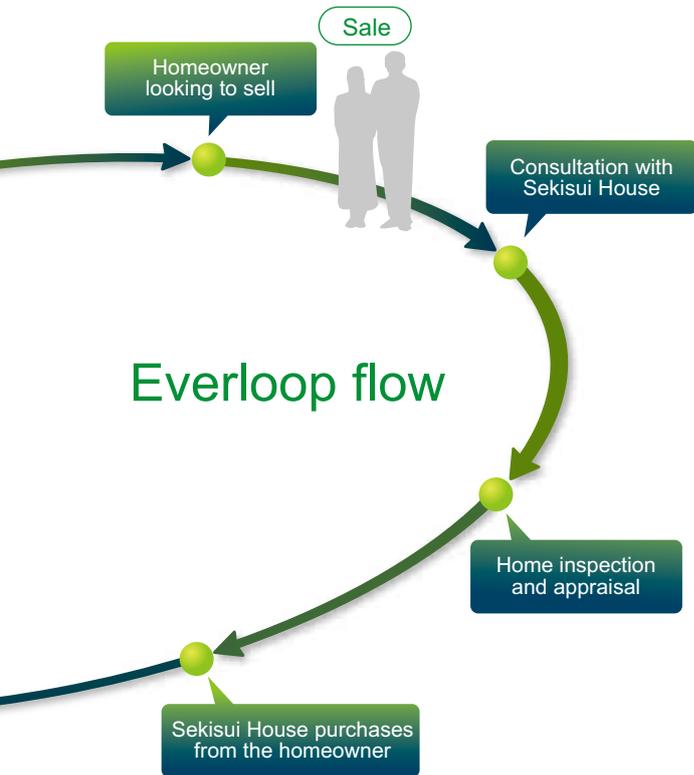
Our track record of selling 2,000,000 homes has led us to the development of a stock of homes with superior quality and a proven history. The Everloop program has been made possible by this high-quality housing stock, coupled with the cooperative ties with our Group companies, Sekiwa Construction, Sekiwa Real Estate, and Sekisui House Remodeling.

Our homes are so sturdily built that even 20- and 30-year-old homes can be renovated to have greater safety, durability and comfort by enhancing their earthquake resistance and heat insulation efficiency and replacing interior materials and fixtures with those that employ the latest technologies. In an after-sales questionnaire, many Everloop homeowners responded that they are satisfied with the comfort and quality offered by their home that is comparable to a new build. Furthermore, our U-trus system* provides extended manufacturer's warranty at 10-year intervals after the expiration of the initial warranty period of 20 years on condition that required inspection and maintenance are completed.

Please refer to p.57.



Our Everloop home was selected as a “full skeleton revitalization model” in the category of “renovation of existing homes” under the Long-term Quality Housing Lead Model Project led by the national government for the third consecutive year.



Everloop customer interview

Everloop home **seller**

We are satisfied that our beloved home continues to live on intact and that we did not have to pay any brokerage fee.

The F family (Saitama Prefecture)

When we considered moving near to my aged parents to take better care of them, I read an article about the Everloop program in *Kizuna*, Sekisui House's magazine for homeowners. I soon contacted Sekisui House, inquired about the Everloop program, and decided to sell our home under this program. A conventional housing appraisal undertaken by a real estate agent can only present an estimated value of a home. Besides, we cannot determine when to sell our home. Under the Everloop program, on the other hand, we were given the exact value of our home,



which made it easier for us to make financial arrangements and prepare for the relocation. In addition, we could determine when to move out through consultation with Sekisui House, therefore we did not have to rent a temporary home. We sold our home directly to Sekisui House, and thus incurred no brokerage fee. Among other things, we are glad that our beloved home lives on intact.

Everloop home **buyer**

We like the idea of continuing to use old properties with care.

The M family (Saitama Prefecture)

We are satisfied that we could buy a home almost equal in quality to a new build at a lower cost than a new build, with a 10-year warranty that applies to structural, frame and rainwater-proofing components. I agree with the concept of the Everloop program to use old properties with care, and we are confident of the quality of the renovation work as it was undertaken by Sekisui House, the builder of this home. We like the home's room layout, outer appearance, and lighting which are designed in a coordinated manner.

We are satisfied that we could get a housing loan at a preferential interest rate. Furthermore, we can save money on electricity thanks to the same superior heat insulation efficiency as a new build home. The high-efficiency insulating multilayer glass prevents dew condensation almost completely. In the eyes of our guests, our home looks like a new build home.



Zero emissions

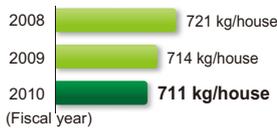
Committed to implementing resource recycling to the fullest while reducing waste at source

Ensuring the complete sorting of waste to maintain a clean workplace and facilitating waste reduction efforts by visualizing unnecessary use of energy and resources

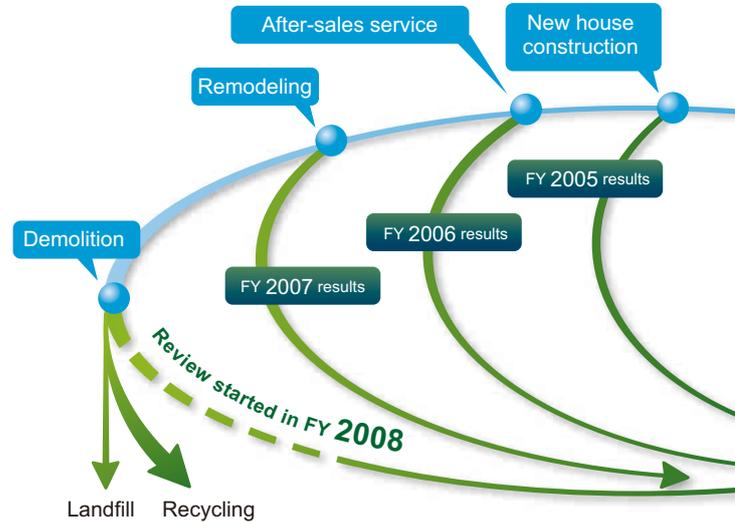
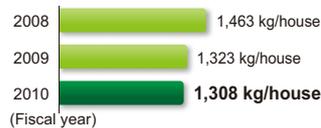
We have already achieved our zero emissions goal at the stages of production, new build construction, after-sales maintenance and remodeling. By "zero emissions" we mean no waste materials are sent to landfills or processed at waste incineration plants without thermal recovery. We maximize our efforts to ensure the proper and complete sorting of waste materials, which helps us keep our workplaces tidy and enhance work efficiency.

To prevent unnecessary resource consumption, we introduced Japan's first IC tag-based next-generation zero-emissions system that allows us to collect more accurate data on the volume of waste and exercise even stricter controls over waste. The system has been in place nationwide since fiscal year 2010.

Volume of waste per house at a factory



Volume of waste per house at a new build construction site



Launching Japan's first IC tag-based next-generation zero-emissions systems nationwide

Construction site

1 Waste materials are sorted into 27 categories.

2 An IC tag is affixed to each waste disposal bag.

3 Collection of waste disposal bags is requested.

4 IC tags are scanned with a dedicated device according to the category.

Finding out factors that contribute to the generation of waste by analyzing data and exploring effective measures to reduce waste

The system speedily measures the volume of waste materials that have been sorted into 27 categories in each construction site, and manages them according to category. It also identifies trends of waste volume through data analysis, and the findings are incorporated into our waste reduction measures.

Web server

5 Waste disposal bags are collected and transported to the Resource Management Center.

9 Waste materials are recycled into various building materials.

8 Waste materials are sorted into 80 further categories.

7 Waste volume is measured by category.

Resource Management Center

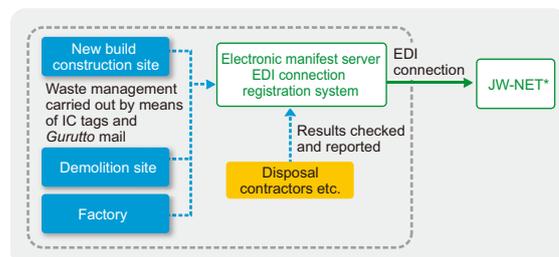
6 Waste disposal bags are unloaded to be measured in turn.

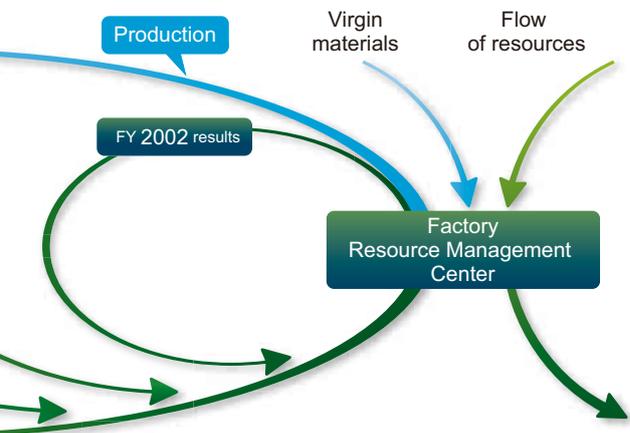
Constructing a waste disposal management framework using an electronic manifest system

In Japan, repeated illegal dumping of waste has caused serious problems. Against this backdrop, we face an urgent need to properly manage the waste disposal process and trace the movement of waste to our disposal contractors, thus preventing improper disposal. We have replaced the conventional paper manifest (industrial waste control manifest) with an electronic manifest on a group-wide basis, which allows us to exchange data via the Internet and expedite and streamline the industrial waste management process.

*JW-NET is an electronic manifest system implemented by the Japan Industrial Waste Information Center under the Waste Disposal and Public Cleansing Law.

How the electronic manifest system works at Sekisui House





Opening Ritto Resource Management Center as a new waste recycling base

We have Resource Management Centers in various parts of Japan to collect waste materials from our construction sites and recycle them into building materials.

In 2010, we opened a new Resource Management Center in Ritto City in Shiga Prefecture. Complete with the latest waste treatment and recycling equipment, this new Resource Management Center covers the Kinki and Tokai regions. Through our nationwide network of Resource Management Centers, we are striving to increase the varieties of recycled materials while developing new needs.



Recycled materials production line of Ritto Resource Management Center

Developing new value-added materials in succession by recycling waste plasterboard and ceramic roof tiles

Reducing the transmission of floor impact sounds: Filling materials for "Shellshut Slabs"

We use finely pulverized waste roof tiles as filling materials for the "Shellshut Slabs" that constitute our patented SHAIDD55 sound and vibration absorbent floor system. These filling materials are effective in preventing impact sounds from being transmitted from the upper to lower floors at our Sha-Maison low-rise apartments.



Particles of finely pulverized waste roof tiles are used as filling materials to absorb vibrations.



Inside of the SHAIDD55 flooring system

Field chalk made entirely from waste materials Platama Powder

We make field chalk by mixing plasterboard waste collected at our construction sites with egg shells that have been washed and dried, and then crush the mixture into fine particles. This field chalk is offered for sale for use at the sports fields of elementary and junior high schools and public fitness facilities throughout Japan.



Made entirely from waste materials, Platama Powder is an Eco Mark product certified in Japan.



Placing high expectations on Sekisui House, a company that leads society with their cutting edge zero emissions solutions



Teruo Takahashi Ph.D.

Honorary Professor, Waseda University
Advisor to the Institute of Social Logistics

[Dr. Takahashi's research focuses on system design methodologies including the design of factory business models and logistics. His recent research interest lies in aligning on-site competencies with management strategy to better guide self-governing systems.]

To Sekisui House, waste materials from new build construction sites mean more than things that can be simply discarded: they are new resources to be explored. The process of turning waste into resources has been upgraded and backed by the positive participation of workers at construction sites as well as the introduction of the latest technologies such as IC tags. If Sekisui House makes use of their experience to include waste materials from housing demolition sites in this process, then their initiatives can go beyond the scope of a mere corporate undertaking, and be part of social logistics. If so, they are expected to carry out complex tasks ranging from sorting waste after demolishing houses to transporting them in a systematic manner. In doing so, they will be able to achieve complete recycling of waste materials. I hope that Sekisui House will remain at the cutting edge of society and continue as a leader with state-of-the-art zero emissions solutions.

Building Communities that Deepen Neighborhood Bonds and Grow Increasingly Attractive Over Time



We will continue concerted efforts toward restoration of ecosystem networks.

➤ **Striving to create pleasant communities that nurture friendly ties among residents and that last for generations**

To fulfill our responsibility as a housing manufacturer which offers livable and pleasant environments and communities, we have remained committed to building communities whose attraction increases with the passing of time. While the process of community development requires many different approaches, we focused our attention on neighborhood relationships in fiscal year 2010, which are effective for crime prevention and disaster mitigation. Therefore we launched a systematic approach to create high-quality communities focusing on neighborhood bonds.

Developing communities as common properties of residents—this unchanging principle is incorporated in the Sekisui House Urban Development Charter announced in 2005

We have remained faithful to the principle of developing communities as common properties of residents. In 1977, we started our ongoing efforts to build communities that nurture friendly bonds among residents. The names we gave to these communities start with the word “common” such as “Common Life” and “Common City,” which reflects our desire to create new hometowns with pleasant and harmonious townscapes, where residents feel pleasure in being members of the community and enjoy friendly interactions with their neighbors. By doing so, we hope to contribute to fostering local and regional culture and enhancing the value of communities as social assets.

The ideas and beliefs behind our community development efforts are summarized in the Sekisui House Urban Development Charter we announced in 2005. We were also quick to establish internal guidelines for community development, such as the Basic Principles of Town Development and the 24 Guidelines for Urban Development. In addition, we are working to increase greenery in common spaces and streets and create townscapes that emphasize linkage between neighbors under our “Gohon no ki” landscaping concept and “n x Yutaka” (n times richer) design concept*. In this way, we have developed many attractive communities in anticipation of future lifestyle trends.

*Our design method to create a sense of unity between a residential quarter and nature by arranging houses and trees in a manner that emphasizes linkage between the gardens (borders) of neighboring houses and the surrounding environment.

We have taken various approaches to create communities that mature and grow more attractive with the passing of time.

We have developed communities of various sizes, ranging from small towns to large complexes consisting of condominiums and commercial facilities.

Technically, we not only undertake the design of individual homes, but also determine the size and allocation of public spaces, ensure a unity of design among buildings to create a harmonious landscape, and plant trees so as to strike the right balance of greenery. Furthermore, we often work with residents in drafting architectural agreements to preserve townscapes, organizing seasonal events, and setting up residents’ associations and management unions. If we are to build a healthy, viable community, we should be able to develop community infrastructure in a manner that resonates with residents. We will continue our ongoing efforts to create communities that will remain attractive to residents, using various approaches for both housing development and community service.

Sekisui House Urban Development Charter

Our sincere wish is to preserve nature and the environment, while nurturing local cultures and communities, helping to stimulate local economies, and protecting the asset value of neighborhoods, so that people are able to live comfortable and secure lifestyles. As a socially responsible corporate citizen, Sekisui House is committed to contributing to the creation of a sustainable society through town development, based on the belief that the living environment of our home and town serves as the foundation of our lives as human beings.

Environmental Management

- Reduce environmental impact
- Use resources efficiently
- Energy saving and energy generation
- Reduce the use of harmful substances
- Conserve and foster nature
- Conserve and foster local ecosystems
- Use the local natural environment

Economic Management

- Maintain and enhance asset value
- Support and facilitate change of residences
- Adapt to the times
- Create and maintain town branding
- Revitalize local economies
- Build sustainable local economies
- Use local resources
- Manage costs appropriately
- Cost management from a long-term perspective
- Balanced management of costs and value

Consider the environment

Protect livelihoods

Enhance value

Build communities

Basic Principles of Town Development

Livelihood Management

- Enable people to live in security and with peace of mind
- Incorporate disaster prevention planning
- Incorporate crime prevention planning
- Incorporate universal design principles
- Consider health factors
- Enrich people’s lives
- Support multi-generation dwellings
- Support diverse lifestyles
- Enable people to live functional lives

Town Management

- Perpetuate and develop local culture
- Create attractive landscapes
- Integration with surrounding areas
- Perpetuate and develop local design
- Build communities
- Maintain and build communities
- Consideration for surrounding communities



Attractive communities that bloom with time

A community that inspires residents' attachment to the neighborhood can increase its attractiveness with the passing of time.

In implementing community development projects, we stick to the principle of creating communities whose value continues to increase over years. We place special emphasis on ensuring a unity of design in townscape development and facilitating communications among residents. Even after completion of a community development project, we continue offering support to residents so that they will develop an attachment to their community and so that the community will grow more attractive with time.

Community Visiting Day, an event to promote housing for sale, is held twice a year, in spring and fall.



Through our Community Visiting Day, we promote our residential developments that feature appealing landscaping and environmental planning consistent with our Urban Development Charter. In fiscal year 2010, this event was held in a total of 567 detached houses at 109 locations and 464 condominium residential units at 25 locations.

Developing communities nationwide that grow more attractive with the passing of time

Detached houses



Common Stage Hikone East (Shiga)

A zelkova tree that has grown to a huge size over a long period of time and many other existing local trees are preserved as valuable assets and constitute an important part of the townscape. The greenery, as well as its ecosystem-friendly design, gives a distinctive character to this community.



Common Garden Soka (Saitama)

Although the homes differ slightly in size and style, their overall color combinations, open exterior spaces, and abundant greenery designed under our "Common Garden Soka Community Development Guidelines" create a pleasant and lively townscape. This community won the 17th Soka City Machinami Landscape Award (in the category of building landscape).



Common City Kameda-ekimae (Niigata)

This community features well-planned allocation of trees and natural elements that blend in with the greenery, which together form a townscape with a finely balanced design. The abundant greenery and natural elements that grow and increase their attractiveness over time give residents the pleasure of enjoying the seasonal changes of nature.

Condominium for sale



Grande Maison Itami Ikejiri Literacity (Hyogo)

This condominium houses 368 residential units. Its sophisticated housing features, such as the vegetable garden, the green space designed under the *Gohon no ki* landscaping concept, and the "Kids Design," allow residents to live happily in their own way and enjoy creative activities.

Sha-Maison low-rise apartment for leasing



El cielo azul (Chiba)

In this Sha-Maison town, terrace houses designed like detached houses are allocated around a circular common space. The large green space and pleasant environment will increase the value of the town with the passing of time.

Increasing the value of communities by fostering neighborhood relationships

Promoting community development focusing on neighborhood bonds

Building both a livable residential environment and positive neighborhood relationships

When building a community, we not only focus on infrastructure development including designing parks and streets and the allocation of individual homes, but we also attach weight to the aspect of "growth of the community over time." This insight is behind our ongoing efforts to create communities that transcend generations and grow and mature together with the residents who live there. In communities where many people live together, neighborhood relationships can come in various forms. What we are after is creating communities that allow residents to foster moderately close relationships with their neighbors so that they can enjoy their own home lives while sharing joy and pleasure with neighbors.

Joining efforts with residents in developing communities to deepen neighborhood bonds

If we are to build pleasant communities, we have to create venues for daily interactions among residents, such as parks and assembly halls, and provide opportunities to facilitate communications. In addition, it is necessary to set up an organization that takes charge of the management of neighborhood affairs to sustain interactions among residents. We place special emphasis on neighborhood bonds in our community development projects, and will apply our experience and knowledge gained from past projects to our future initiatives.

Creating venues for activities which deepen neighborhood bonds

We create venues (facilities) for residents to meet and associate with each other and help them develop an attachment to their neighborhood. (We also develop rules for the maintenance and management of the facilities.)



Providing opportunities to develop neighborhood bonds

We hold events to facilitate friendly interactions among residents and encourage community activities.



Setting up an organization that plays a core role in fostering neighborhood bonds

We assist in setting up a neighborhood organization that represents the community and acts to build consensus among residents on various local affairs. We also encourage residents to join the organization.



Example: Community development focusing on neighborhood bonds

Common Stage Yayoigaoka (Saga, 108 subdivisions)

This is a quiet residential area with 108 subdivisions where streets are separated from walkways in an orderly fashion. Ample spaces are provided at street dead-ends (cul-de-sacs) in several locations, which can be used as venues for small gatherings during the daytime on weekdays when traffic isn't heavy. The Fureai Plaza at the center of the community is used for community-wide events, such as Community Fair (a potluck party organized by residents to encourage communications) and the Green Curtain Seminar (a seminar to share tips to cope with the summer heat). Through these events, neighborhood bonds are being strengthened.



Green Curtain Seminar



The face of the community:

green space at the entrance

green space on a street corner



A venue for residents to enjoy interactions

Cul-de-sac



A public park

Fureai Plaza



Supporting Community Fair since the spring of 2010 to deepen neighborhood bonds

Community Fair is an effective tool to deepen neighborhood bonds in the community. It is a gathering held in an open space in a community where participants contribute food to be shared among them. Starting as a citizens' movement in Paris, Community Fair has seen increasing participation in Japan since 2009 when its Japanese office was opened.

We were first involved in a Community Fair event in our residential area in Nagasaki Prefecture and have since supported this event a total of ninety-six times in housing complexes around Japan. This residents-led event is highly effective in deepening solidarity among community members and it is now a critical part of our community development efforts focusing on neighborhood bonds.

(Website of the Community Fair Japanese Office: <http://www.rinjinmatsuri.jp>)

Creating venues for activities which deepen neighborhood bonds

Providing opportunities to develop neighborhood bonds

Setting up an organization that plays a core role in fostering neighborhood bonds

Community Fair



Sharing food generates conversations.



The public space in the community is used for friendly interactions among residents.



Greenery events are also effective in strengthening neighborhood relationships.



The event facilitates conversation among members and helps expand the circle of friendship within the community.

We interviewed residents of Common City Midorigaoka (Yokkaichi City in Mie) about their community development efforts.

Community members befriended each other during the Community Fair event and now enjoy further interactions through friendship events such as girls-only and boys-only gatherings. The neighborhood bonds have provided voluntary and mutual support to parents with small children as a natural part of our lives.



(From the left) Ms. Matano, Ms. Yada and Ms. Doi who acted as organizer of the first and second Community Fair events

Common City Midorigaoka residential area is located in a pleasant green environment near the Hazuyama Green Park. Here, the Community Fair event has been held twice. We interviewed Ms. Yada, Ms. Doi and Ms. Matano, who were involved in the organization of this event.

At first, we couldn't determine the right amount of food and sweets to prepare for the potluck, but gradually we introduced rules, such as "participants are asked to bring about a platter full of food." We employed various measures to deepen ties among participants, such as asking participants to write a brief personal profile on a name tag and wear it during the event, and assigning a seat to each participant on a first come first served basis to ensure that no tables would be occupied by a group of acquaintances only. The Community Fair event has resulted in various positive outcomes. For example, thanks to the stronger neighborhood ties, our children are now cared for and protected on a community-wide basis. Some couples first met each other at the Community Fair event, and community members who made friends during this event hold girls-only and boys-only gatherings from time to time, which further promotes friendship. This event is also helpful for newcomers to get acquainted with their neighbors. We hope the Community Fair event will continue to be held, led by community members who take turns acting as organizers.

Homebuilding by Sekisui House

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

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. Our "customer-specific design flexibility" concept ensures greater customer satisfaction across the entire homebuilding process from first contact, design, production and construction to after-sales support. Our commitment to serving customers under this concept is expressed in our motto, "Housing Consultation."

1 Before embarking on a homebuilding project

Maintaining contact points with customers nationwide

Attaching importance to "community based service," 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 learn about and develop a correct understanding of the advantages of our "customer-specific design flexibility" concept, as well as our state-of-the-art construction method and superior housing quality before starting a homebuilding project.

Construction sites

Homebuilding under our project accountability system



Needless to say, quality in construction holds the key to safe, durable and comfortable homes. We assume responsibility to ensure the highest possible quality over the entire process of homebuilding under our project accountability system, in cooperation with our wholly owned group company, Sekiwa Construction, and other partner building contractors. At our construction sites, the firm commitment to serving customers is shared by all persons involved in the homebuilding project. Both supervisors and construction workers are constantly striving to learn the latest construction techniques, ensure the succession of homebuilding skills from veteran to younger workers, and obtain relevant qualifications, while complying with the procedures set for each homebuilding process and internal regulations. In doing so, they bring greater satisfaction to customers and improve housing quality, the most important factor of our "customer-specific design flexibility" concept.

By strengthening our on-site competencies, we ensure complete separation of waste materials, keep construction sites tidy at all times, 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 to develop a connection with new customers.



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

"Sekisui House Visiting Day," a nationwide event to open a variety of housing products to the public

We launched our nationwide "Sekisui House Visiting Day" event in 1989 to let more people see our housing products firsthand, and have since continued this event for twenty-two years. In 2010, we held this event on the largest scale ever, at 2,511 locations around Japan, in commemoration of our 50th anniversary, and thanks to the cooperation of homeowners, had the participation of 136,332 groups of visitors.



Sekisui House Visiting Day held at residential subdivisions for sale



Training young construction workers to learn professional skills and instilling spirit

We have our own training education center (vocational training school approved by the Governor of Ibaraki Prefecture) to train construction workers. Here, trainees learn the professional skills and spirit necessary to achieve customer satisfaction and contribute to enhancing the construction quality of Sekisui House. (Graduated trainees: 2,131 workers)

Hands-on learning facilities

The Large-scale Experience-based Facilities allow visitors to check housing structures and performance that cannot be inspected at model homes

What is "Housing Consultation"?

The notion of "Housing Consultation" has remained at the heart of our homebuilding business since our inception. By this term, we refer to our commitment to maximizing customer satisfaction with our "customer-specific design flexibility" concept. Under this concept, we cater to individual needs of our customers with our proprietary construction method and production system and offer 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, such as geographical features, site conditions, family structure, lifestyle and life stage.

The Large-scale Experience-based Facilities * are hands-on learning facilities for better housing, where visitors can learn about various housing features that cannot be checked at model homes, such as housing structures, performance and the usability of housing fixtures. Here, visitors can test the strength of housing structures by applying pressure to walls and frames, as well as the fire resistance of outer walls by themselves. The Large-scale Experience-based Facilities offer visitors unique opportunities for enjoyable hands-on experiences to learn about Sekisui House homes with their eyes and hands.



Visitors checking the differences in joints designed using the SHAWOOD SMJ building method



Full-sized construction frames that cannot be seen from the outside on display

* Sekisui House runs six Large-scale Experience-based Facilities, in Tohoku, Kanto, Shizuoka, Kita-shinetsu, Kansai and Yamaguchi, as well as the Sumai-no-kagakukan experience-based facilities in several locations including Tokyo, Kanagawa, and Kochi.

The Large-scale Experience-based Facilities are visited by 116,990 people a year (total for the six facilities).

The Kanto Large-scale Experience-based Facilities with various theme pavilions



The museum is located in a vast site of 18,462 m².



Many people participate in bus tours to the museum every time a tour is organized.

In the Earthquake Resistance Pavilion, the ground motion of a strong earthquake is simulated to demonstrate the differences between earthquake-resistant and seismically-isolated structures.



The Kanto Large-scale Experience-based Facilities consist of various theme pavilions, including: the Housing Environment Pavilion where effective CO₂ reduction and energy saving measures are shown; the Be Tech Pavilion that gives visitors hands-on opportunities to learn about earthquake-proof and other housing structures; the Family Life Pavilion—the Kobayashi Family, which showcases innovative ideas that are useful for families with children; and the Housing Lighting Pavilion which shows a new lighting environment created by an all-LED home. Through these pavilions, visitors deepen their understanding of housing while having fun.

Model homes

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

As our contact points with customers, model homes embody the ideals of housing suited to individual regional characteristics and geographical conditions, while showcasing future lifestyles. They also offer solutions to meet specific site conditions and other requirements, thus providing visitors with useful ideas for their homebuilding projects. Our model homes encompass a wide variety, from one-storied to four-storied houses, both steel and wooden frame, and include urban, rural, and eco-friendly models as well as models designed for living with pets and for combined residential and commercial use. We have a total of 436 model homes throughout Japan.

We also use our model homes as venues for community events to deepen friendly ties with our customers and local residents.



A Christmas wreath making class is held for homeowners.



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



Sekisui House's first four-storied model home employs various innovations for residents to enjoy life using their five senses. (Shinjuku Model Home)



Our BeSai+e model, designed to encourage "slow living," is provided with large openings to create a sense of oneness between the outer and interior areas. (BeSai+e Model Home in Expo '70 Commemorative Park)

Providing information through our website

In February 2010, we opened a website titled "sumai smile" to explore ideal housing focusing on lifestyles. Through this site, we offer handy everyday tips and housing information based on our research results and expertise, while seeking the opinions of visitors to the site and making these opinions public to maintain interactive communications with users. We also provide housing seminar classes and Internet-based housing webinars, which attract many participants and are open to the public, including those who do not consider building their homes for the time being.



Sumai Smile
236,039 people visited the site in total.

Housing webinar
466 applications were received in a year.



Housing seminar

Special seminar:
54 participants attended in a year.

Public seminar:
730 participants attended in a year.

Regionally held seminar:
741 participants attended in a year.

2 Up to completion of a homebuilding project

Creating “only-one” homes with our experts and state-of-the-art technology

Since our inception, we have embraced the “customer-specific design flexibility” concept at the core of our homebuilding projects. Our goal is to deliver to customers homes tailored precisely to their individual needs through in-depth consultations. To achieve this goal, 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 prefabricated housing.



Sekisui House has adhered to the “customer-specific design flexibility” concept through the “Housing Consultation” approach.

Customer-specific design

Catering to diversified customer needs with our “customer-specific design flexibility” concept



In a site survey, we check the exact gas and water pipe locations.



We use our SHIC system to discuss interior finish work with customers.

Our salespersons, serving as direct contacts with customers, first listen to customers’ needs in detail so that we can consider their varied range of requirements in drafting housing plans for them. During the process of discussing a housing plan with customers, we collect customer information, such as personal tastes and preferences, as well as lifestyle and life stage of respective family members, and also find out how they plan for their future and how they intend to manage their assets. When conducting site surveys, we make it a rule to closely inspect the buildings and environment in the vicinity as well. This is an important step for us, because by doing so, we can offer meaningful advice and proposals to customers to ensure they will continue to live a pleasant life into the future.

In the process of developing housing plans, we should be able to share the image of the house to be built with customers. While this process requires higher competencies of sales and design personnel, we also use the latest innovations to support them. For example, we employ an environmental simulation tool to determine which environmental technologies are best suited for the specific site conditions, family structure and lifestyle of respective customers.

The process of structural planning is of critical importance for safe and reliable homebuilding. We use a structural planning system of our own development that helps us determine where to place load bearing walls, beams, and posts, do structural calculations and confirm that these components are firmly in place. With this system, we can place structural components in the right positions, and handle highly complicated and unique housing plans with ease. The system also allows us to send digital data directly to factories. Thanks to this high-precision system, we can ensure maximum housing safety.

R&D

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

As a housing manufacturer, we are responsible for achieving greater housing safety and comfort and improving housing quality. We opened the Comprehensive Housing R&D Institute in 1990 in Kizugawa City in Kyoto Prefecture, where consistent R&D efforts have been underway to enhance both the physical value and comfort of our housing products.

Here, vibration tests of building structures and durability tests of building components are conducted to ensure high levels of earthquake resistance and comfort of living. Internal testing of housing performances conducted at the R&D Institute allows us to quickly identify problems and take corrective measures, and has resulted in a number of our proprietary innovations, such as the β System three-storied housing construction method and the SHEQAS seismic damping system. Here, R&D efforts are also focused on universal design, new environmental technologies and lifestyles.

Research on comfortable living

Our research on universal design that has been carried out for more than thirty years under the “lifelong housing” concept has brought forth a number of innovations incorporating the results of ergonomic studies, and helped us build safe and comfortable residential environment for everyone. For example, our efforts to develop housing design from children’s perspectives resulted in our “Kids Design” concept which supports the healthy growth of children. Also, we have developed and offered attractive housing products designed for new lifestyles, such as the energy-saving and disaster-proof home, as well as the “Dear One” home for families living with pets and “Tomoie” home for dual-income households.



Residential space created under the “Kids Design” concept helps in the development of children. Developed based on the measurements of bodies and motions of children, this design minimizes the risk of unexpected indoor accidents.



Research is also conducted on the usability of bathrooms, toilets, and kitchens in consideration of bodily changes due to aging to offer more advanced “Smart Universal Design.”

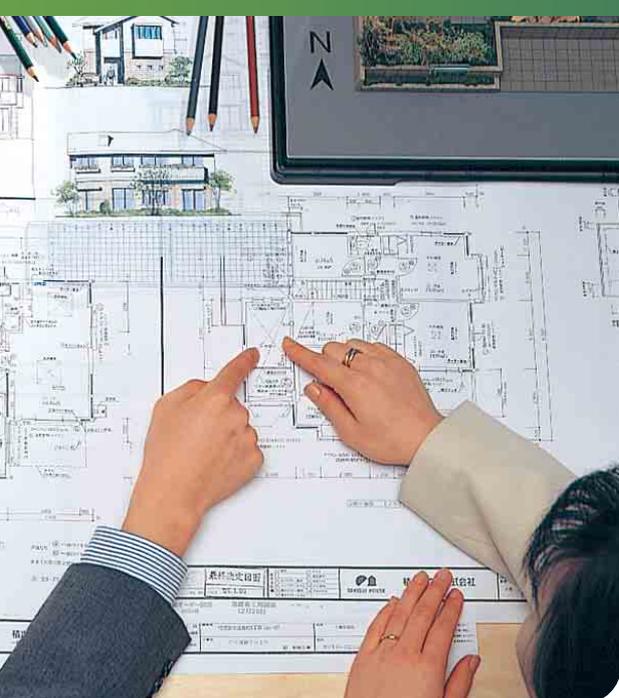
Encouraging employees to obtain national qualifications to enhance the ability to devise solutions

We encourage employees to obtain relevant qualifications as a means to enhance their ability to offer professional solutions to customers. Currently, 4,874 employees* are registered architects (2,157 are first-class and 2,717 are second-class) and 2,861 employees* are certified financial planners (total of first-class, second-class and third-class financial planners) who are capable of offering lifelong financial solutions.

*Holders of qualifications in multiple categories are multi-counted. Data as of April 1, 2011.

Prompting employees to acquire internal qualifications to increase customers’ trust

We have our own internal qualifications that require employees to meet higher standards. Currently, we have 70 Chief Architects selected, through a rigorous screening process, from among our first-class registered architects. They have a good track record and excel in building planning, designing, engineering and management skills. We also have 256 SH-UD Master Planners who have expertise and skills in universal design and play leadership and supervising roles in each business site; and 45 Green Experts who have advanced gardening and planting techniques.

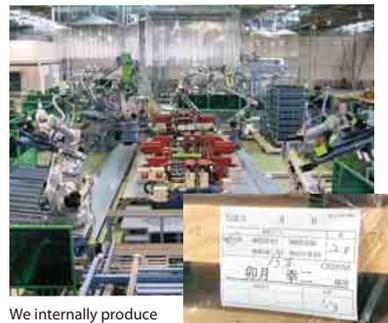


Production

Sticking to the principle of limited production of diversified products under our policy of “customer-specific” design, and ensuring the supply of high-quality components while maintaining high production efficiency

At our factories, a meter module is used to produce main building components such as posts and beams and exterior wall materials, thus ensuring a stable supply of high-quality components. To start the production, we issue a production order to our factory in the name of each customer in line with our “customer-specific design flexibility” concept.

Furnished with well-organized production lines, an automation system, and advanced manufacturing equipment, our factories handle limited production of diversified products efficiently and in an orderly manner. Strict quality control measures are also taken under the supervision of dedicated quality assurance personnel, who are responsible for selecting raw materials that meet the rigorous standards and conduct sample inspections. With these measures, the factories support our “Housing Consultation” initiative.



We internally produce high-precision housing components of our own development.

Housing components are produced and shipped in the name of each customer, which motivates our production personnel to ensure higher quality for specific customers.

(Forty-two patent applications were filed during fiscal year 2010, and 961 patents are held as of the end of the year.)



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

Research on physical housing structure

New technologies and materials are developed through performance testing and validation. To further enhance housing performance, we encourage R&D in construction techniques and methods by means of vibration and horizontal-pressing testing to inspect structural strength; interior system testing to optimize the allocation of components to reduce sound transmission; and weather-resistance testing conducted by exposing housing components to outdoor environments.



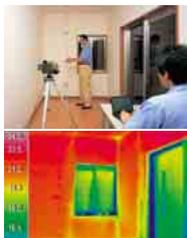
We became the first Japanese housing manufacturer to conduct earthquake-resistance testing using an actual sized home in 1979. Our continued testing and validation efforts led us to the development of advanced seismic solutions such as seismic-isolated and seismic-dampening structures.



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



The study on indoor VOC concentrations and allergenic substances has resulted in our Chemicare design.



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

Construction

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

Housing quality largely depends on how much accuracy is achieved at homebuilding sites. We employ our original construction method which requires specialized knowledge and skills. For this reason, we formulated construction teams involving our wholly owned group company, Sekiwa Construction, and partner building contractors under our project accountability system. These teams work consistent with our Construction Technology Manual in which work procedures and rules are specified in detail to ensure the highest possible accuracy in construction. In this way, we are constantly striving to devise measures to achieve greater accuracy and efficiency in construction, while developing our proprietary construction techniques and equipment. Additionally, we organize various training sessions and implement internal qualification programs for construction personnel to further develop their knowledge and skills, thereby better carrying out their work at construction sites.



Our construction team consists of Sekiwa Construction employees and other partner builders.



At Sekisui House, 1,428 employees hold the qualification of the first- and second-class construction management engineers (Holders of the qualification in both categories are double counted).

Implementing internal qualification and accreditation programs to maximize construction quality.

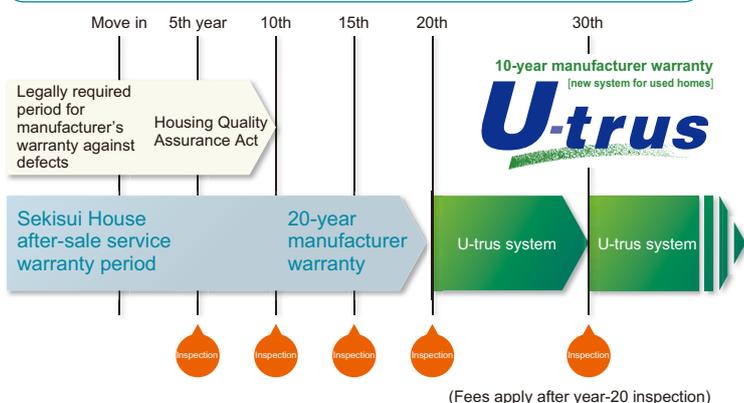
Ground and foundations are at the core of safe and reliable homebuilding. We organize specialized training for engineers engaged in ground surveys and foundation design and give them accreditation upon completion of the training. Currently, we have 228 Ground Survey Chief Engineers and 946 Foundation Design Chief Engineers. Also, we implement our internal test for construction workers engaged in foundation, exterior and interior works, called the “Sekisui House Senior Technician Test,” which is accredited by the Ministry of Health, Labour and Welfare. So far, a total of 13,872 workers have passed the test.

3 Ensuring permanent safety and comfort

Supporting homeowners even after they have moved into their new homes

We have substantial warranty programs to ensure our homes last for generations. In addition to our 20-year manufacturer warranty program, we launched the U-trus system that provides extended manufacturer warranty at 10-year intervals. Also, we have allocated 10% of our employees to after-sales service at Customer Centers, who offer extensive support to our customers nationwide. In addition, we have put in place an efficient system to address our customers' remodeling, rebuilding and relocation needs. In doing so, we strive to ensure our housing will remain safe, durable and comfortable for as long as possible as part of our obligations to society.

20-year manufacturer warranty and the U-trus system



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

We introduced a 10-year manufacturer warranty for structural, frame and water-proofing components in 1982 when the legally required period for a manufacturer's warranty against defects was only two years. In 2000, we launched our ongoing long-term manufacturer warranty*1 that provides warranty for 20 years, or twice the 10-year warranty period required under the Housing Quality Assurance Act that came into force in 2000.

Prior to unveiling this long-term warranty, we introduced the U-trus system*2 that provides extended warranty after the expiration of the initial warranty period of 20 years, provided that required inspection and maintenance/repairs are completed at homeowner's expense at 10-year intervals. These long-term manufacturer warranty programs have allowed us to reinforce our ability to offer sufficient after-sales support and ensure greater longevity and durability of our homes.

*1: At Sekisui House, a 20-year manufacturer warranty is applied to structural, frame and water-proofing components (water-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 ten years.

*2: U-trus system provides extended warranty at 10-year intervals, subject to required inspection and maintenance/repairs to be completed at the homeowner's expense.

Meeting the criteria for the Long-term Quality Housing Certification with our standard housing features

Our new build homes are equipped with exquisite standard features* that meet the criteria for the Long-term Quality Housing Certification, which is granted to homes with superior housing durability, safety and energy saving efficiency. We also keep and update a detailed house history report "le-log" for homeowners which contains basic housing data such as structure, design, and certifications granted, as well as inspection results and a maintenance record and schedule.



"le-log" house history report

*Standard features that meet the criteria may vary depending on the housing model and plan as well as the location of the home.



Customer Center personnel provide regular inspection and maintenance service.

Regular inspection and maintenance

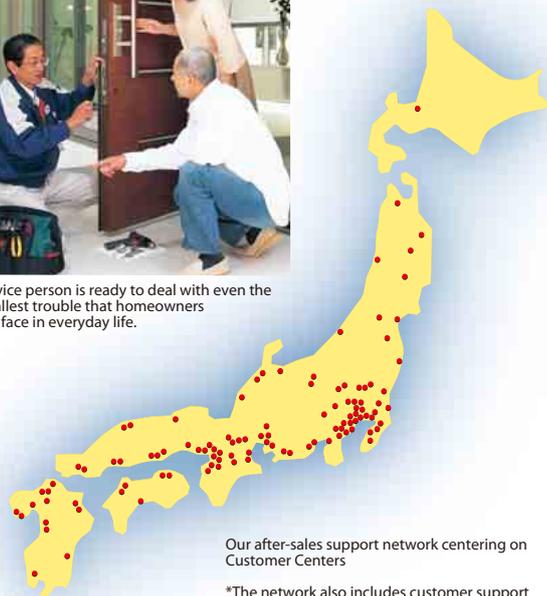
Ensuring housing safety with our community-based service offered by 1,400 Customer Center personnel

We provide after-sales support service to homeowners through our Customer Centers in 31 locations* all over Japan. As many as 1,400 dedicated service personnel, or 10% of all our employees, address various needs of homeowners and offer advice, while providing prompt and reliable support service. Basic regular inspection is conducted after 3 months, 12 months, 24 months and 10 years upon completion of the home. Additional inspection and maintenance service is also offered if requested by homeowners.

*The figure is as of April 30, 2011.



Service person is ready to deal with even the smallest trouble that homeowners can face in everyday life.



Our after-sales support network centering on Customer Centers

*The network also includes customer support bases of Sekisui House Remodeling Co., Ltd.



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 forty 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, using high-quality housing components and the latest fixtures.



Our proprietary remodeling solutions not only renovate the interior design but also bring about changes in lifestyle.

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 to preserve them as social assets. (Refer to p.45.)



Structural, interior and exterior components, room layout and fixtures are renovated to the latest standards by our proprietary remodeling technology.



Being with customers for safe living

On the days when our Customer Centers are closed, our call center in the head office accepts calls from customers to offer advice.



Ensuring prompt disaster response

Upon occurrence of natural disasters such as an earthquake, typhoon and torrential rain, we promptly mobilize our group-wide forces to support our homeowners, for example, by sending aid supplies.

Learning from customer feedback to improve housing design and features

We conduct a questionnaire for homeowners a year after they have moved into their new homes. The questionnaire responses are used to review our services and housing products, and fed back to relevant departments. Customer feedback is helpful for us to improve our housing design and features. To be specific, it helped us optimize the size of kitchen space and improve the overflow pipe on balconies.

Sharing information and facilitating communication with homeowners

We maintain communications with homeowners through our members-only website and regular information magazines.

Information magazines



Kizuna for detached house owners (about 650,000 copies)

Maisowner for apartment house owners (about 100,000 copies)

gm for condominium unit owners (about 38,000 copies)

Net Owners Club Kizuna



The website offers useful information to enjoy life, such as eco-friendly lifestyles and gardening tips.

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

● Sustainable Design Laboratory

The Sekisui House Sustainable Design Laboratory, located in Kunitachi City, Tokyo, explores ideal future living environments that incorporate traditional Japanese lifestyle elements, placing emphasis on “efficient energy use,” “eco-friendly materials,” and “life in harmony with nature.” The most distinct characteristic of this laboratory is that they engage in research from a residents’ perspective and conduct tests on comfort levels, as well as analysis of experimental data.

(Visited by 5,181 people since its opening.)



This building is equipped with various measures to incorporate natural elements to create pleasant living environments, such as Japanese traditional *engawa* (veranda-like porch) space and skylight window to let air in.

● Home Amenities Experience Studio hands-on learning facility

Located on the premises of the Comprehensive Housing R&D Institute (Kizugawa City, Kyoto Prefecture), the Home Amenities Experience Studio allows visitors to check, compare, and better understand important homebuilding factors firsthand, using five senses. Questionnaire responses from visitors are used to develop new R&D plans and visions on future housing and lifestyles, and are also shared widely with society as firsthand feedback from citizens.

(Visited by 44,414 people a year.)



Questionnaire responses are shown in our booklet, *Data-Pal*. They also help us develop housing solutions to be offered to customers.



Experiences of visitors in this facility provide us with valuable data.

These initiatives bring us a new customer and another homebuilding project.

Commitment to Group Companies and Building Contractors

» **Joining efforts with our business partners to improve construction quality and ensure succession of skills from construction experts to young workers to achieve greater customer satisfaction, while “working in unison for a common purpose.”**

The combined efforts of all of our Group companies and partner building contractors are behind the superior quality of Sekisui House homes. We share our vision with them with the awareness that all of us are united by a common destiny. In our unceasing pursuit of greater customer satisfaction, we have continued concerted efforts to enhance our expertise and technical levels and achieve higher construction quality while developing human resources for the future. We do this in cooperation with the Sekisui House Association consisting of thirty-one Sekiwa Construction companies and about 7,000 partner building contractors.



Interview with our partner building contractor:
Ichiko Construction, member of the North Branch of the Tokyo Sekisui House Association

Actively engaging in discussions from a customer’s perspective to devise improvement measures and enhance construction quality

Koichi Hasegawa

President, Ichiko Construction
Deputy Director, North Branch of the Tokyo Sekisui House Association

Involving all construction workers in our efforts to increase customer satisfaction

Ichiko Construction belongs to the North Branch of the Tokyo Sekisui House Association. All members of this branch share a firm determination and make concerted efforts to seek solutions to problems we encounter in the homebuilding process. Specifically, we established committees on technical and safety issues and hold meetings with a team leader acting as chairperson, where all construction personnel engage in discussions on problems and improvement measures. We convene construction quality meetings from time to time, in which representatives of all the building contractors involved in a homebuilding project discuss problems that have come to the attention of the Technical CS Committee in the daily course of their business. We also develop slogans to encourage improvement measures and produce posters carrying the slogans to draw the attention of construction workers. All the personnel of the branch offices of Sekisui House, Sekiwa Construction and the building contractors act in unison to implement improvement measures to the fullest extent, which accelerates the pace of improvement and allows us to achieve our goal earlier than expected. Among other things, we have a sure feeling that our shared commitment to “changing the construction site for good so that our homebuilding will garner greater customer

satisfaction” has strengthened our solidarity.

The ideas of “principal contractor” and “subcontractor” are irrelevant for Sekisui House’s homebuilding projects. Sekisui House has a corporate culture that places great value on mutual respect among workers involved in homebuilding projects. They recognize that we are united by the shared commitment to serving customers and also by the same destiny. Such a corporate culture has greatly motivated us to improve efficiency in construction work, keep construction sites tidy, act in a responsible manner, and increase safety, while giving construction workers greater confidence in themselves and encouraging them to act on their own judgment. Construction workers, both experienced and novice, have the growing awareness that they represent Sekisui House at the construction site, and on increasing occasions, are willing to receive customers on the construction site and offer detailed explanations when asked questions. We will continue our ongoing efforts to enhance customer satisfaction, for example, by holding study sessions at contractors’ sites by inviting chief inspectors and customers’ center personnel as lecturers.

Meeting the urgent need to train young construction workers by encouraging them to obtain internal qualifications

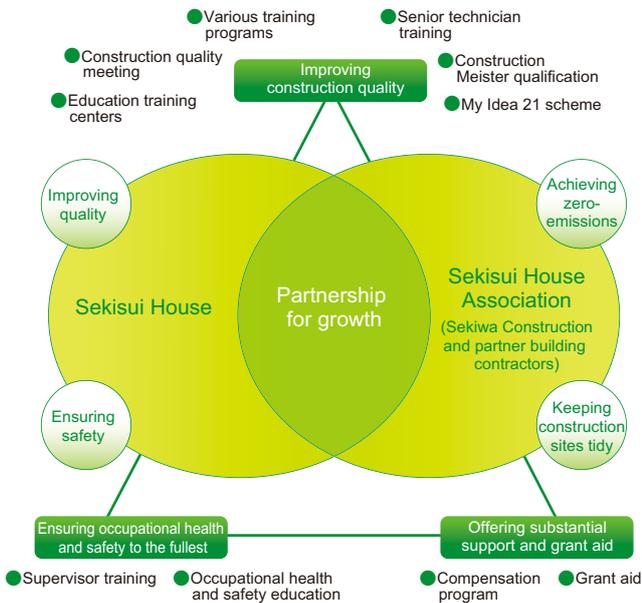
Currently, eight carpenters are working for Ichiko Construction. With thirty-three years’ history of partnership with Sekisui House, all our experienced carpenters have good knowledge about Sekisui House homes and give technical guidance to younger workers at construction sites. However, due to the aging of these seasoned workers, the smooth transfer of technical skills to young workers has become increasingly difficult. For this reason, I hope Sekisui House will continue to implement their training and qualification programs to a fuller extent across their Group companies, because these programs are highly effective in improving housing quality. Such programs include training at Sekisui House’s education training centers, the STEP training for novice construction workers, and the “Construction Meister” qualification that is especially appealing to young workers as a symbol of being a homebuilding expert.

Additionally, I would like to emphasize the importance of creating a stable work environment to attract and train young construction workers. In this sense, it is necessary to guarantee a steady income all year round by smoothing fluctuations in annual



work volume. The funded pension plan and other welfare programs offered by the Sekisui House Association are highly beneficial for us, the building contractors, and will be of great help to retain high-caliber personnel. We will remain committed to achieving higher customer satisfaction in close cooperation with Sekisui House and Sekiwa Construction.

Working for greater customer satisfaction with our partners “working in union for a common purpose”



Voice of a Carpenter

Instilling the mindset of a carpenter, an essential factor of homebuilding, in younger workers

Hirohide Otsu

Interior finish carpenter, Ichiko Construction



For thirty-three years, I have been engaged in homebuilding projects of Sekisui House and dedicated to improving construction quality. Interior finish carpenters are expected to master the basic techniques in the first three years, and then develop the ability to find optimal solutions on their own to cope with those parts of the interior finishing process, especially for Japanese-style rooms, for which conventional solutions are not applicable. In homebuilding projects, I work with young workers not as their instructor but as their colleague and try to instill the essential mindset of a carpenter in them. They are so quick to absorb knowledge and techniques that I look forward to seeing to what degree they will develop their skills.



Voice of a Carpenter

Broadening the range of what I can offer to customers to achieve greater customer satisfaction.

Nobuyuki Oki

Interior finish carpenter, Ichiko Construction

This is my fourth year as an interior finish carpenter. I keenly feel the need to improve my craftsmanship, especially when I am working on traditional Japanese-style rooms. I believe that only those who can finish their work to their complete satisfaction within the specified construction period deserve to be called professionals. There is always something new to be learnt from Mr. Otsu when we work together on homebuilding projects. I believe we, as carpenters, can make a meaningful contribution to the lives of our customers, and for this reason, I take pride in my work.

Employing a variety of construction techniques to cater to diversified conditions in construction sites to expedite the homebuilding process while ensuring greater safety

Urban construction projects are subject to various restrictions, e.g. those on road width, building frontage, and spacing between the construction site and adjacent sites. For this reason, extra ingenuity and care is required to ensure the efficiency and safety of the homebuilding process. In fact, Sekiwa Construction Higashi-Tokyo, Ltd. has seen an increase in the number of homebuilding projects that require special construction techniques. We visited a site where a construction project by Sekiwa Construction Higashi-Tokyo, Ltd. was underway to interview the following persons.

Each of our construction sites serves as a “real” model home site that brings us closer to customers

Tsuguo Takehana

President, Sekiwa Construction Higashi-Tokyo, Ltd.



We undertake 800 to 900 construction projects a year in our territory. What we do is not just sales of housing products alone, we also ensure that construction projects are implemented speedily and with utmost care, while placing importance on greeting homeowners and residents in the neighborhood and maintaining good communications with them. While paying close attention to safety and noise control, each worker is engaged in homebuilding work with the awareness that the construction site is a “real” model home site that appeals to customers.

For us, sales activities mean giving sufficient consideration to the neighborhoods and keeping our construction sites tidy.

Mitsuhiro Gen

Frame and Exterior Construction Department, Construction Division, Sekiwa Construction Higashi-Tokyo, Ltd.



Urban construction projects require extra consideration be given to neighborhoods. We take particular care not to disturb the lives of residents in neighborhoods, by refraining from working on Sundays as much as possible, and carrying out less noisy tasks such as loading and unloading of building components on Saturdays. Also, we strive to increase the safety of our workplaces by keeping construction sites tidy. I believe giving consideration to neighborhoods and keeping tidy construction sites are important “sales activities” that I can undertake as a construction manager. We will continue dedicated efforts to implement homebuilding projects in a manner which is satisfactory for our customers.

Our pursuit of utmost safety directly leads to superior construction quality.

Minoru Tsutsui

Supervisor, Tsutsui Kogyo



We use special caution when erecting scaffolding and operating cranes for the construction of three-storied or higher buildings in densely-populated areas because of the close proximity to neighboring buildings. As a supervisor, I place special emphasis on ensuring safety and will remain fully committed to safety measures, with the awareness that successful safety management leads to the enhancement of our construction quality, which eventually enables us to deliver high-quality homes to our customers.



We use our proprietary “girder crane” system on the construction site. We conduct frame construction and exterior work using an overhead crane that is temporarily installed on the upper part of scaffolding.

Introducing the “Construction Meister” qualification as a symbol of expert homebuilder

This program gives the qualification of “Construction Meister” to construction workers who have an outstanding track record, excel in technical competence or are skilled in offering technical guidance. It helps us motivate workers and enhance construction quality. During fiscal year 2010, forty-five workers were given the qualification.

Commitment to Employees

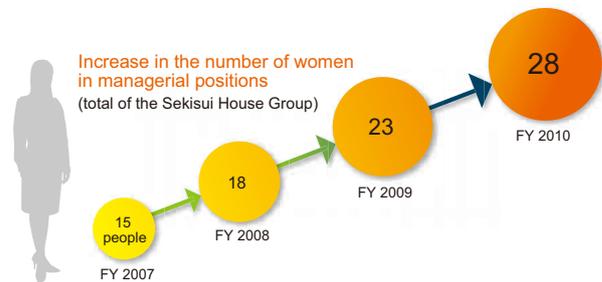
» Creating a work environment where all employees are given opportunities to demonstrate their competence and feel happy and motivated in their work

Since March 2006 when we announced the Declaration for Human Resources Sustainability as our basic personnel policy, we have continued dedicated efforts to develop work environment and workplace rules that enable employees to utilize their skills and abilities to the fullest extent. By promoting measures that focus on greater work-life balance and support for female employees, we aim to create a work environment where all employees feel happy and motivated in their work.

Developing workplaces that value the long-term contribution of female employees under the leadership of the Diversity Development Team

Our Diversity Development Team was established in 2006. Since then, various measures have been launched to assist the career development of female employees, such as organizing networking events for female sales representatives and model home attendants. As a result, many female employees take greater pleasure in working for Sekisui House today. We aim to not only develop working conditions better suited for female employees but also create a better workplace that offers opportunities for female employees to play leading roles in corporate activities and thus motivate them to make more meaningful contributions.

Additionally, members of the female sales promotion committees play a leading role in training younger female employees in their respective workplaces, by organizing study meetings tailored to the specific personnel structure of the workplace. With our support programs that are precisely aligned with the needs and competencies of female employees, we ensure that they can be successful, long-term contributors.



Supporting female sales representatives through networking events

I could smoothly return to the workplace after childcare leave.

Since returning to the workplace in April 2010, I have continued working as a sales representative leaving my two-year-old son at a day-care center. At first, I didn't have the confidence to successfully manage both work and childcare, but thanks to the support of the workplace, I am given a considerable degree of freedom in dealing with customers. I am also encouraged by the members of the Women's Sales Representative Association who meet occasionally and share their experiences. Being a mother has increased the range of ideas of home design I can offer to customers and brought me closer to them. Through this experience, I hope to deepen my relationships with customers and contribute more to sales success.



Meeting of the Women's Sales Representative Association



Shoko Kuroda
Takasaki Branch

Improving the skills of model home attendants

Sharing of successful experiences encourages us to advance forward.



Basic training course for model home attendants

Through role-playing exercises, we, model home attendants, constantly go back to the basics and discuss improvement measures to better serve visitors, so that we will be able to create the most welcoming setting for them and treat them with utmost hospitality.

We also share information useful for homebuilding among ourselves and produce presentation materials on our own. In addition, we participate in the basic training course for model home attendants where we share successful cases among us and inspire each other. My goal is to serve visitors in a more pleasing manner and help them nurture their homebuilding dreams.



Noriko Kenmoku
Utsunomiya Branch

Special recognition award for model home attendants

In fiscal year 2010, we introduced the "special recognition award for model home attendants" in our award program for sales personnel. Through this program, we recognize the contribution of model home attendants who have demonstrated outstanding performance in their efforts to serve customers with utmost hospitality, and motivate them further in their work.





Supporting work-style diversity and work-life balance

The number of women in managerial positions has grown from fifteen in 2007 to twenty-eight in 2010 on a group-wide basis. Going forward, we will continue to actively hire and promote females as we work to build a work environment that values the skills and long-term contribution of women in the workplace.

We also recognize the importance of developing and enhancing the programs for employee childcare, as well as encouraging the use of parental leave and shortened work hour programs, thereby ensuring greater diversity in work styles and work opportunities for high-caliber employees. For example, Sekisui House Remodeling actively hires "remodeling advisors" as sales personnel, and offers them the option to work four days a week to help them manage both work and childcare. Currently, this option is used by about 30% of the remodeling advisors.

We will continue our efforts to better support work-life balance by promoting diversity in work styles for both male and female employees alike.

Employees taking parental leave (including short-term usage)



Employees using the shortened work hour program



Supporting employees on parental leave on-line

To help employees return to work smoothly after parental leave and enjoy living with children, we introduced an Internet program named "wiiw." This program reports on internal matters, information useful for a smooth return to the workplace and child-rearing tips as well as on-line lectures. This program connects employees with the company during their leave and alleviates employee concerns about taking leave.



Offering a wider variety of work style options

The four-day week system allows me to balance work with home.

I was attracted to the role of a remodeling advisor to help customers improve their housing environment at key stages of their lives, and therefore started working for Sekisui House Remodeling as a remodeling advisor. I opt to work four days a week and take time off work on two weekdays and Sunday. Thanks to this system, I have time to accompany my child to after-school lessons and can spend more time with my family. I can balance my family and work responsibilities. My workplace has many female employees who have small children and work four days a week, and this work environment allows us to openly discuss private matters such as children falling ill and aging parents in need of nursing care. I hope to maintain the right work-life balance to enjoy both my corporate and private lives.

Etsuko Okamoto
Osaka-Minami Branch,
Sekisui House Remodeling Co., Ltd.



Encouraging use of parental leave

I am encouraging male employees to take parental leave.

I was quick to jump on the opportunity to take parental leave and to encourage my male colleagues to follow me. Though I felt anxious at first, my boss and colleagues understood my decision and were willing to cover my work during my absence. The 20-day parental leave taught me the importance of effective time management, making me strive to streamline the work process and actively work for self-betterment. Today, I complete my day's work at my earliest convenience and spend as much time as possible with my children at home. I am ready to support male employees who are considering taking paternal leave and contribute to the creation of work environment conducive to a satisfactory work-life balance.

Masanori Kubomoto
Personnel Division,
Sekiva Real Estate Kansai, Ltd.



Implementing human resource programs to ensure the long-term contribution of employees

We implement the Work Category Transfer Program that allows employees to switch work categories after being hired as new graduates from either production or general administration to career track sales, as well as the Internal Open Recruitment Program to meet employees' desire to be assigned to a different position as much as possible to ensure their long-term contribution. In addition, our Retiree Reinstatement Registration Program allows employees who had to leave the company to return to work for Sekisui House at a later date. We also offer flexible employee leave programs, including the Voluntary Leave Program that supports employees who join international activities to make a social contribution and the Accumulated Leave Carryover Program where employees can carryover holidays for more than two years. The ratio of hires with disabilities fell to 1.66% as of February 1, 2010, due to a change in the calculation method. We will strive to improve the ratio in fiscal year 2011 by increasing the quota of each division.

Employees applying for work category transfers

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



Employees applying for internal open recruitment

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



Ratio of hires with disabilities

Figures are as of February 1 each year.



Contributing to the Wellbeing of Society

» Developing programs to encourage voluntary social contribution activities focusing on “housing culture,” “sound growth of next-generation citizens” and “environmental preservation”

With the awareness that our corporate activities directly affect people’s lives and local communities, we have been promoting various social contribution activities as a member of the community and society. With a “love of humanity” at the core of our corporate philosophy, and placing emphasis on “housing culture,” “sound growth of next-generation citizens” and “environmental preservation,” we have developed programs to enable employees to voluntarily take socially meaningful action, while working for the wellbeing of communities as part of our core corporate activities. We also encourage employees to take part in volunteer and charitable activities, work in partnership with NPOs and NGOs and support their activities, and extend support to educational activities in cooperation with educational institutions.



Matching employee donations to NPOs that are striving for social good under the Sekisui House Matching Program

In fiscal year 2006, we launched the Sekisui House Matching Program (with membership of around 1,700 people), under which we match employee donations to NPOs and other organizations. Employees who join this program have an amount of their choice (in 100 yen blocks) withheld from their salaries for donations, and Sekisui House matches the donations and contributes the same amount as grants. Grant money is disbursed from two funds, Sekisui House Children’s Fund and Sekisui House Eco-fund, and the administrative board consisting of representatives of the program members determines recipient organizations.



Sekisui House Children’s Fund was given the fourth Kids Design Award* (in the category of social kids support) because “employees join efforts to create a social environment better suited to childrearing” and because “positive feedback has been given by recipient NGOs.” We are offering information on the program to appeal to more employees to join the program and work together for social good.

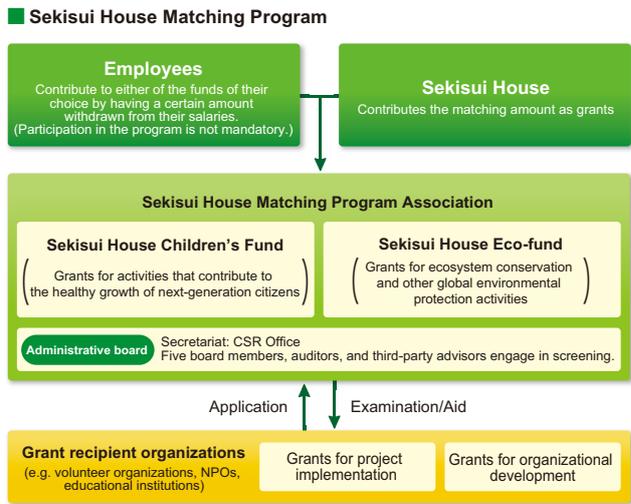
*The Kids Design Award is organized by the Kids Design Association.

Aid offered during fiscal year 2010

| Grants for project implementation (¥ 14.03 million disbursed to 11 organizations) | Grants for organizational development (¥ 3.8 million disbursed to 19 organizations) |
|---|--|
| <ul style="list-style-type: none"> ● Children’s Fund: ¥ 6.95 million to 5 organizations ● Eco-fund: ¥ 7.08 million to 6 organizations | <ul style="list-style-type: none"> ● Children’s Fund: ¥ 1.8 million to 9 organizations ● Eco-fund: ¥ 2 million to 10 organizations |

Recipients of the grants for project implementation

- | | |
|---|--|
| <p>Children’s Fund</p> <ul style="list-style-type: none"> ● NPO Atopicco Chikyunoko Network ● NPO ADRA Japan ● NPO CAP Center Japan ● NPO Medecins Sans Frontieres Japan ● NPO World Vision Japan | <p>Eco-fund</p> <ul style="list-style-type: none"> ● NPO Asaza Fund ● NPO Shirakami Mountains Preservation Society ● NPO Japan International Volunteer Center ● NGO Nippon International Cooperation for Community Development (NICCO) ● NPO Midori Osaka ● NPO Green Earth Network |
|---|--|



Report from a recipient of a grant from the Children’s Fund

The grant money enabled us to build a new school building and improve the educational environments of elementary school children.

Ms. Ikuko Imamura
NPO World Vision Japan



New school building



Classroom

Before, children studied in a very poor environment, in a small school building. On rainy days, rainwater entered classrooms and made the earthen floors muddy. To improve the educational environment, we built a new school building with the grant money. The new building has an adequate number of classrooms to accommodate the children and allows them to concentrate on their studies. The completion of the new building has also increased interest in education on a community-wide basis.

Recipient organization:
NPO World Vision Japan

Project implemented with the grant:
Morazanni Elementary School Building Construction Project in the People’s Republic of Bangladesh

Implementing three environmental educational programs for children

Environmental education for children, the next-generation leaders, constitutes a critical part of our efforts toward global warming prevention and environmental preservation. We implement enjoyable hands-on learning programs through which children can learn about the three commitments we made with the Minister of the Environment as an Eco-First Company (p.29).

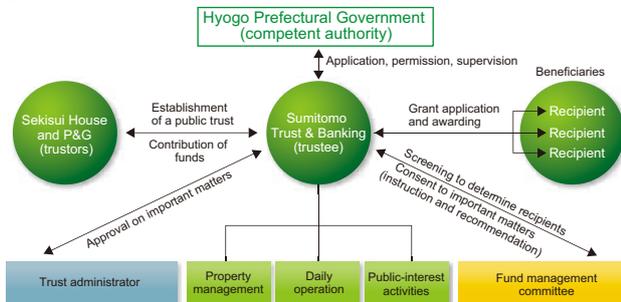
- “Energy Conservation Seminar (House-ecology)”—global warming prevention and our lifestyles
- “Letters from Dr. Forest”—importance of ecosystems
- “Treasure Hunt Tour”—resource recycling



Supporting the development of international and culture-rich communities with the Public Trust “Kobe Machizukuri Rokko Island Fund”

The “Kobe Machizukuri Rokko Island Fund” was established in 1996 jointly by Sekisui House and P&G, the companies closely associated with Rokko Island City (Higashinada-ku, Kobe City). Through this fund, we support projects and initiatives that can contribute to the process of creating international and culture-rich communities in Kobe City. Since the establishment of this fund, we have awarded grants to NPOs and many other organizations. In fiscal year 2010, we disbursed a total of 22 million yen in grants to 38 projects, and the cumulative total of the grants since the beginning has amounted to 325.78 million yen.

Structure of Funds



Extending cooperation to an NPO, the Uzo Nishiyama Memorial Library

We support the activities of an NPO, the Uzo Nishiyama Memorial Library (Kizugawa City, Kyoto Prefecture), and offer part of our Comprehensive Housing R&D Institute to them to house a life-long collection of approximately 100,000 books and research materials of the late Dr. Uzo Nishiyama, honorary professor at Kyoto University who pioneered research on housing. In 2002, we started co-hosting the “Housing and Community Development Forum Kansai 21” with the Uzo Nishiyama Memorial Library at the Umeda Sky Building (where our head office is located) or at the Comprehensive Housing R&D Institute, and the 27th round of the forum was held in fiscal year 2010. Through the partnership with them, we offer information that can help facilitate the process of developing sustainable next-generation housing and communities and contribute to fostering new relationships between citizens and researchers, between governmental agencies and private organizations, and between manufacturers and users.



Participating in Disabled Persons Week events

Since 2005, we have participated in the planning and implementation of “Disabled Persons Week events” (supported by the Cabinet Office) which are held in the Umeda Sky Building.

One of these events is “Symposium: Connecting people with disabilities to society,” in which we organized a discussion on “Hiring people with disabilities as part of management strategy.” This discussion involved the audience, and thus provided a meaningful opportunity for government personnel, business persons, NPO members and citizens to get together and share opinions.



Organizing the Earth-friendly Lifestyle Design Competition, with participation of sixty-three universities around Japan

Since fiscal year 2005, we have co-organized the “Earth-friendly Lifestyle Design Competition,” a product planning project held through an industrial-academic partnership to involve university students in our pursuit of ideal housing space design. The main purposes of this competition are to encourage product planning in a manner that increases awareness of environmental impacts in housing space and enhance the quality of life; reinforce the industrial-academic partnership; encourage interactions among students; and nurture high-caliber young designers.

The 2010 competition received 267 entries from sixty-three universities around Japan, among which one entry was awarded the Grand Prix and another entry won the excellence prize in each of the Kanto and Kansai blocks.



Grand Prix winning entry in the Kansai block
“Wall that catches raindrops”

Ms. Mami Naito and Ms. Umi Suzuki
Graduate school students at Osaka City University



Grand Prix winning entry in the Kanto block
“Traveling bathroom”

Mr. Kazuhito Konno, Mr. Yuya Takahashi, Mr. Ryuichi Nagashima
Graduate school students at Nihon University



Placing expectations on Sekisui House to continue “human resource development” activities for better lives

Sekisui House has been actively promoting social contribution activities based on their fundamental philosophy, “love of humanity.” In carrying out these activities, they place special emphasis on “participation” and “cooperation.” I believe their efforts will make a meaningful contribution to nurturing high-caliber personnel who can work for social good.

I think through involvement in various civil activities, a lot of things can be learned which will be helpful in facilitating the process of housing and community development to bring better lives. For this reason, I hope Sekisui House will continue their ongoing commitment to supporting civil organizations.

Ms. Aya Mizutani

Director
Osaka Voluntary Action Center

Ms. Mizutani often visits the project sites of NPOs to support project implementation, while working for the establishment of an NPO governance framework. She also focuses on working with governmental agencies and developing corporate CSR/social contribution programs. She has been active as a member of the domestic ISO26000 committee, the NPO accounting standards development committee, and various other committees.



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 CO₂ 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. (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 CO₂ 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.



Fumiaki Hirabayashi
Director and Senior Managing Officer,
Chief Manager of Corporate Communications
Department



Tetsuo Iku
Director and Managing Officer,
General Manager of Technology Headquarters

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

for the next stage

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



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