

# 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.
- The Kanto Factory resumes shipping operations.
- The Tohoku Factory resumes shipping operations.
- Tokyo Electric Power Company carries out planned blackouts.
- An earthquake occurs in the eastern part of Shizuoka Prefecture.
- Traffic restrictions on the expressway are entirely lifted, allowing access by private vehicles.
- 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.
- The national government requests residents living within a 20 km to 30 km radius of the Fukushima Daiichi Nuclear Power Plant to evacuate voluntarily.

**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

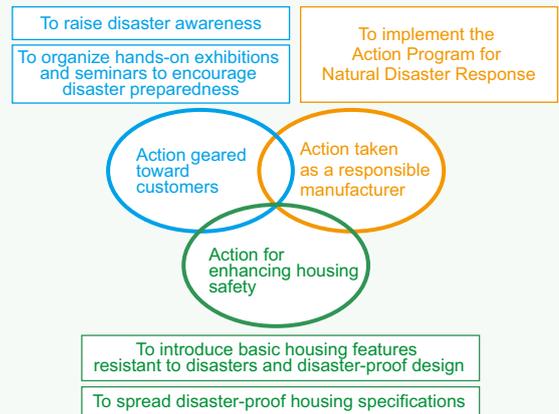
**Three features of SHEQAS**

- 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.

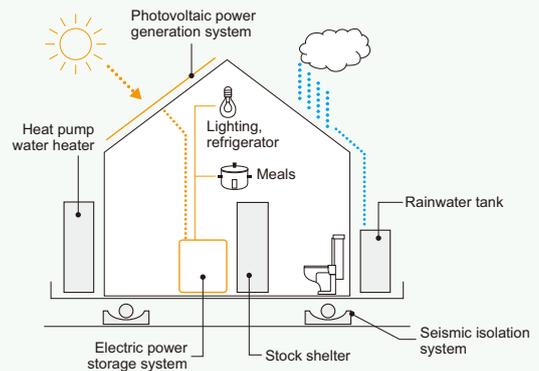
**Three actions in our efforts for "disaster-proof housing" development**



**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)

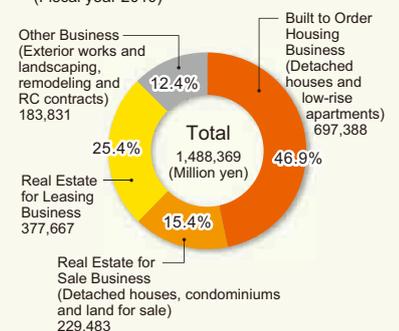
### Sales and Services Offices (as of January 31, 2011)

**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

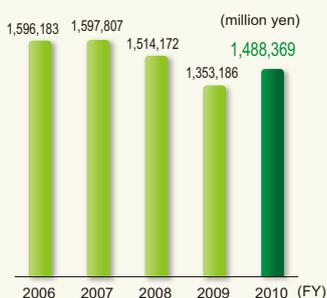


Condominium development planned for China

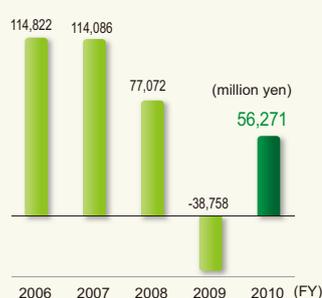
### Subsidiaries and Affiliates

- 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

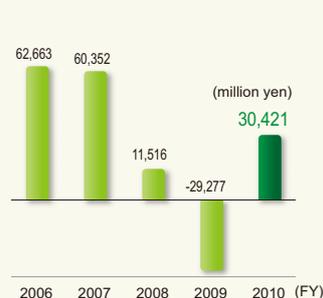
### Consolidated net sales



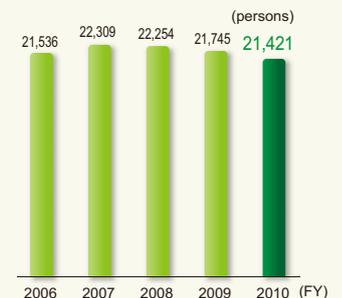
### Consolidated ordinary income



### 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions. In the G8 Hokkaido Toyako Summit held in 2008, the Japanese government announced that Japan would strive to reduce its CO<sub>2</sub> emissions by 60%-80% by 2050, and accordingly, we developed the 2050 vision to reduce CO<sub>2</sub> 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.

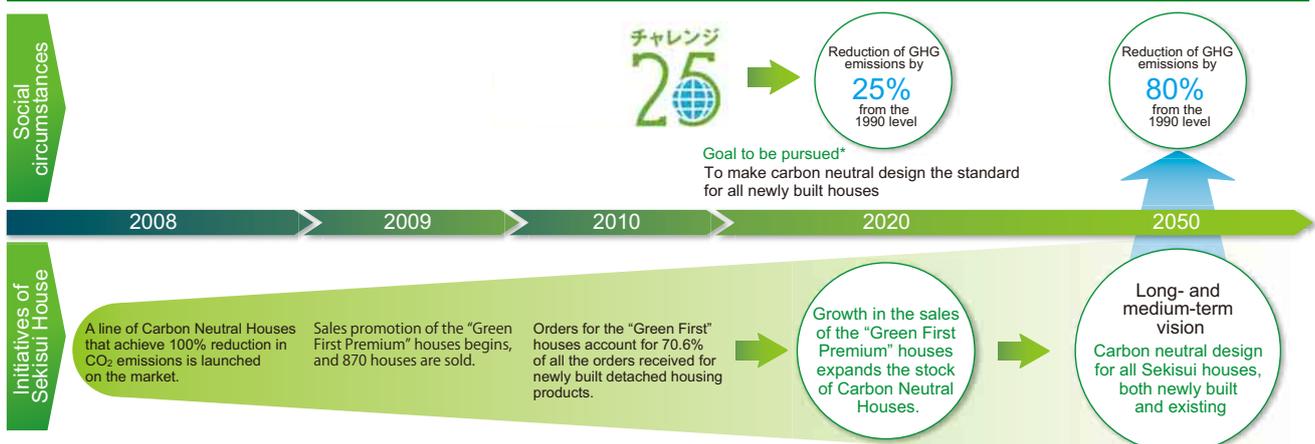
**Our “Green First” initiative helps us take a huge stride towards a low-carbon society.**

A house that allows people to enjoy a comfortable life and reduce CO<sub>2</sub> 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’ CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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

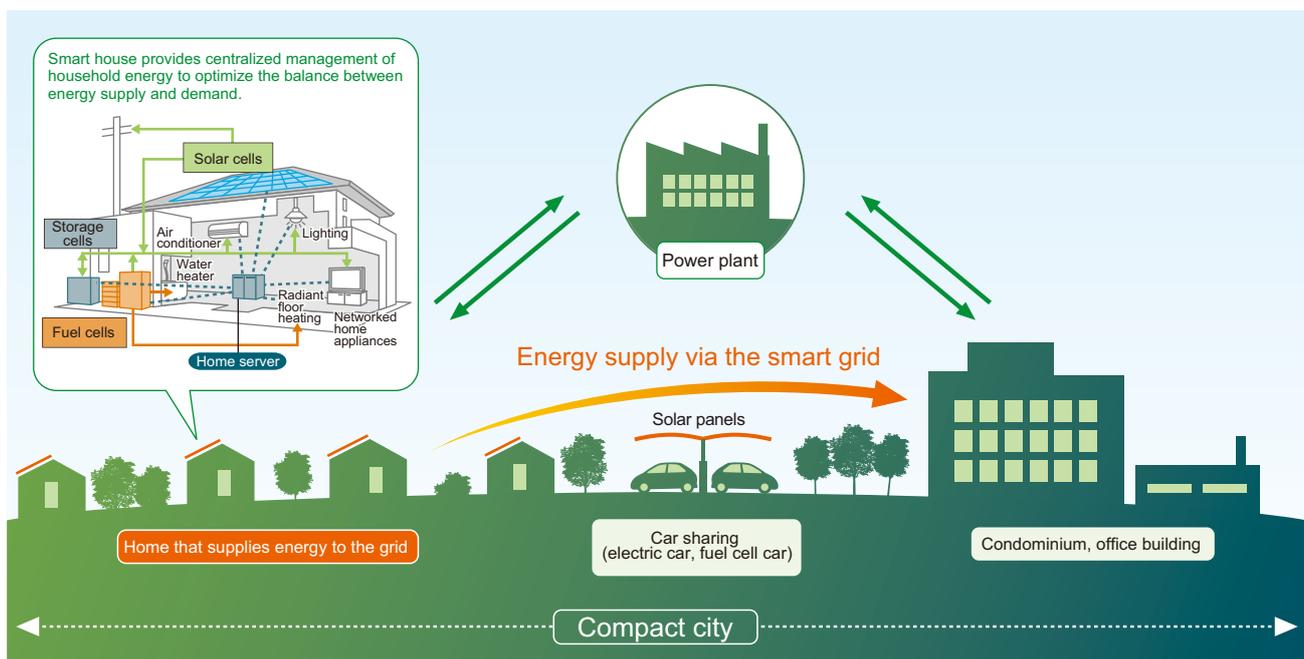
by construction by approximately 50% from previous levels. Aware of the need to enhance the quality of waste management, we have developed and introduced Japan's first IC tag-based next-generation zero emissions system, which enables us to collect accurate data of individual houses and thus increase 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 CO<sub>2</sub>, 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.

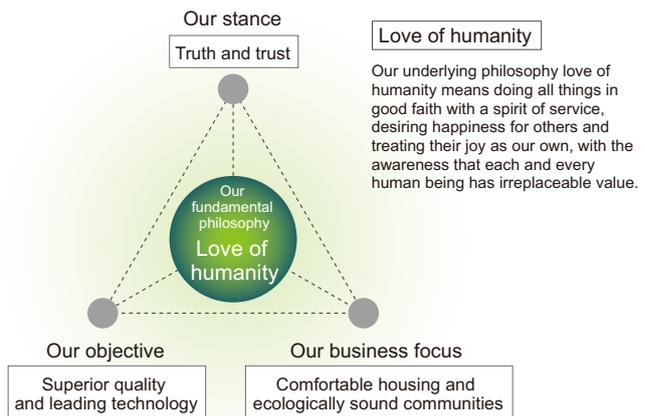
By "what should be preserved," we mean our love of humanity which constitutes the core of our corporate philosophy and emphasizes the mindset of "desiring happiness for others and treating their joy as our own." Since our inception, we have been deeply grateful for our customers and business partners. 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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.