

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. 33). 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 2011.



Mr. Haruo Tsuji
Advisor, Sharp Corporation

Excerpt of his comment given at a CSR meeting

We are facing a very harsh economic environment. In order to overcome these difficulties and compete successfully, management should have a strong sense of ownership and risk awareness. In addition, employees should be able to think from the perspective of customers and behave in a well-disciplined manner, while acting on their own judgment and do their utmost with a firm determination to achieve their goals however difficult the situation may become.

Deepening CSR efforts in both primary and fundamental aspects

Since the Great East Japan Earthquake that occurred in March 2011, Japan has become increasingly aware of the importance of the safety and security of housing and living environments and the seriousness of energy shortages. While many companies embarked on new activities to address emerging needs, Sekisui House was quick to launch forward-looking projects both in housing development and community service. To be specific, Sekisui House has been promoting the “Green First HYBRID” initiative, while striving to deepen neighborhood ties in residential areas and enhance disaster preparedness of the communities through the Community Fair events and other programs, which have earned them a well-deserved reputation.

On the other hand, the past year has also seen some companies being accused of wrongdoing or misconduct concerning corporate governance. In this light, besides enhancing both monitoring and internal control capabilities, it is necessary to encourage employees to think about the significance of the three principles—“communications,” “compliance” and “risk management”—on their own, and practice these principles in their respective workplaces.

Against the backdrop of changes in management environments that are occurring on a global basis, we hope Sekisui House will deepen their CSR efforts, both primary and fundamental, while remaining faithful to the perspectives of stakeholders, and continue efforts to further increase their corporate value by developing new innovations.



Dr. Tadao Kagono
Special Visiting Professor, Konan University

Excerpt of his comment given at a CSR meeting

Conventional community development projects are designed for households of the same generation. Accordingly, with the aging of residents, the communities themselves age. On the other hand, multigenerational communities such as the one in the Mast Life Furukawa Teien condominium consist of residents of different generations and hardly age.

Gathering wisdom to halt population decline

In recent years, the management of the Sekisui House Group has been going well, like a boat under full sail in a tailwind. Their CSR efforts have made significant contributions to the wellbeing of society, which, in turn, has generated positive effects on their business performance. We may say that the Sekisui House Group benefits from a virtuous cycle between their CSR activities and business activities, and this is rare in Japan. They should have confidence in what they are doing. In the longer term, however, the tailwind may turn into a headwind. I say this because population decline is inevitable in Japan. For example, population decline was a prelude to the fall of the medieval Maritime Republic of Venice that enjoyed great prosperity for centuries. Population decline also poses a threat to the Sekisui House Group, because this can reduce the demand for new build homes. In fact new build homes may not be required any longer in the future. In this light, I would like to encourage the Sekisui House Group to place greater emphasis on measures to create an environment conducive to increasing the birthrate in their CSR activities. There are many things that they can and should do for this purpose, and I expect them to think long and hard for solutions to this inevitable problem.

Also, there are many things that should be done as part of their business activities. I hope the Sekisui House Group will enhance their ability to deliver greater value to customers through their remodeling projects and after-sales services to ensure corporate sustainability even if the demand for new build homes decreases.

On the first anniversary of the Great East Japan Earthquake and the Fukushima nuclear power plant accident



Mr. Shunsuke Kano
Lawyer

Excerpt of his comment given at a CSR meeting

At Sekisui House, high-level CS efforts are already in place. To further enhance the efforts, unceasing diligence is required. I suggest Sekisui House strengthens employee education by prompting leaders in each workplace to repeatedly communicate the importance of CS to their subordinates.

One year has passed since the occurrence of the Great East Japan Earthquake and the Fukushima nuclear power plant accident on March 11, 2011. During the past year, Japan has been at the center of worldwide attention. Today, the date March 11 is deeply etched in the memories of people around the world, taking on a special meaning for the issues of global environmental preservation and secure supply of electricity. Japan relies heavily on nuclear power to meet its electricity needs. Japanese citizens and companies are now required to reduce electricity consumption in the face of the imminent shortage of electricity supply on a nationwide basis due to the discontinued operations of all the nuclear power plants. Furthermore, a sharp rise in electricity rates seems inevitable. These circumstances are dealing a heavy blow to our daily lives as well as Japan’s industry and economy. Now is the time for all of us to maximize our efforts to overcome the looming crisis together. Despite having few domestic energy resources, Japan leads the world with its state-of-the-art energy saving, producing and storing technologies. Sekisui House was among the first to take advantage of these technologies when they launched the “Green First HYBRID” smart house model equipped with solar, fuel and storage cells and have achieved steady success in promoting this model. This success is attributable to their ability to anticipate future needs. Such foresight and the ability to resolutely take action are at the core of the force that drives CSR activities forward.

Third Party Review

Each year, we 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 2012.

Sekisui House, Ltd.

March 2012

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 2012. 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.

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.naturalstep.org/ja/japan. (The full text of the report on the results of the Natural Step Sustainability Analysis is shown on this website.)
- ◇ We interviewed members of the Environmental Improvement Department and the CSR Office in charge of CSR affairs.
- ◇ We analyzed Sustainability Report 2011, and the draft version of Sustainability Report 2012.

Results of our analysis

We conducted the sustainability analysis focusing on the following three questions.

1. Is Sekisui House flexible enough to respond to the need for reform?

Sekisui House has flexibly introduced reform in promoting their products and services and played a leadership role in society. Today, a major shift in public awareness is occurring in Japanese society, where people recognize the seriousness of the energy issues and the importance of the ability to protect themselves during emergency times more than ever. To meet the needs from such a drastic change in society in the wake of the Great East Japan Earthquake, Sekisui House launched the "Green First HYBRID" energy-saving and disaster-resistant home. This home is equipped with solar, fuel and storage cells, which work together to maintain energy availability and ensure self-sustained lives even during a blackout in an emergency. In ordinary times, the home contributes to cutting the amount of electricity supplied by a utility provider with its ability to generate electricity for domestic consumption. The efforts of Sekisui House to promote innovative future-oriented products such as this deserve high recognition.

Six years ago, Sekisui House initiated a Diversity Development Team to assist the career development of its female employees. However, the number of female sales office directors is still very low, while the number of women in managerial positions is only 34, which is far behind the international average. Efforts for reform are deemed far from satisfactory. Sekisui House is required to promote reform more flexibly to support work-life balance and offer more opportunities for female employees to play leading roles in their workplaces.

2. Is Sekisui House capable enough to promote reform?

In the field of energy, Sekisui House has successfully instilled the reform-oriented mindset in all its employees by positioning the "Green First" and "Green First HYBRID" models at the core of their corporate strategy. Also, their continued commitment to preserving ecosystems and promoting resource recycling as part of their Eco-First promise indicates that they are steadily upgrading their ability to respond to the need for reform. In the field of chemical substance control, we think highly of the introduction of the "Airkis" high-quality indoor air system, which reduces the indoor concentrations of five chemical substances by more than 50% from the guideline values specified by the national government. On the other hand, chemical substance issues, like global warming, are important environmental problems that require drastic reform on an international basis. From the perspective, Sekisui House is advised to add "chemical substance control" to their Eco-First promise to ensure all employees have a better understanding of this issue and are better able to deliver solutions.

Speaking of social targets, we highly appreciate the human relations training Sekisui House has conducted for all employees. We suggest Sekisui House offer workshops for all employees how to promote women employee to play leading roles in their workplaces.

3. Is Sekisui House able to ensure connectivity between short-term achievements and long-term targets by means of the backcasting approach?

Sekisui House places sustainability at the core of its management policy. They also announced the Sustainable Vision and adopted 13 guidelines to bring 4 values to customers, including environmental value and social value. However, it seems to us that they have failed to make clear how the annual achievements contribute to attaining the long-term targets. The targets specified in the Sustainable Vision are ambitious and long-term, while daily efforts tend to focus on seeking short-term solutions through a shortsighted approach. In the field of energy, Sekisui House has made significant progress toward their Sustainable Vision, but they should also make clear the connection between all of their long-term targets and annual achievements and communicate the gap to stakeholders.

New challenge for Sekisui House

The new challenge that Sekisui House will face is promoting CSR activities overseas as part of their overseas business development in response to the request of their international stakeholders. In China, especially, Sekisui House will have a lot of opportunities to contribute to environmental and social wellbeing, but must still expect to encounter difficulties. We hope Sekisui House will remain faithful to their Sustainable Vision and the 13 guidelines in expanding its business into overseas markets and remain committed to facilitating communications with stakeholders in order to play a leadership role in the international arena as a leading company.

Main Third Party Evaluations of the CSR Activities of Sekisui House during FY 2011

Environment

October 2011

“Gohon no ki” gardening concept

President Award of Earth Water & Green Foundation at the Environmentally Friendly Corporate Activities Competition

Organizer: Executive Committee for the Environmentally Friendly Corporate Activities Competition
Supporter: Ministry of the Environment, Ministry of Agriculture, Forestry and Fisheries

October 2011

Platama Powder field chalk Grande Maison Takarazuka Kiyoshikojin condominium

President Award of the Reduce, Reuse and Recycle Promotion Council at the Commendation for Outstanding Contribution to Reduce, Reuse and Recycle Promotion

Organizer: Reduce, Reuse and Recycle Promotion Council

December 2011

Detached houses in City Andante Gakuen Higashimachi

CASBEE Architecture Award at the Kobe City Design Awards

Organizer: Kobe Municipal Government

January 2012

“Green First Hybrid” housing model

Minister of Economy, Trade and Industry Award at the New Energy Award

Organizer: New Energy Foundation

グリーンファーストハイブリッド
新エネ大賞



経済産業大臣賞

Award for Excellence and Nikkei Sangyo Shimbun Award at the 2011 Nikkei Superior Products and Services Awards

Organizer: Nikkei Inc.



Townscape, landscape

February 2011

Grande Maison Nishikujo BIO

Governor of Osaka Award at the Osaka Green Landscape Awards

Organizer: Osaka Prefectural Government

Special Award at the Osaka Sustainable Architecture Awards

Organizer: Osaka Municipal Government

February 2011

Stylish Stage Kamigoto condominium

Outstanding Landscape and Building Award in Yonago City in the Heisei Period

Organizer: Yonago Municipal Government

February 2012

Honmachi Garden City

Governor of Osaka Award at the Osaka Sustainable Architecture Awards

Organizer: Osaka Prefectural Government



Kids Design Award

July 2011

Organizer: Kids Design Association

Excellent Prize (Social kids products category)

SHAIDD55 acoustic isolation floor system (L-55)

Special Chief Judge's Prize (Future products category)

Sekisui House's “living with LED lamps” vision

(Universal safety category)

Kids-friendly key Fully flat sash window and door frames Living Space with Smart UD (Universal Design)

(Future products category)

Greenery Plaza + Nanakuni Chiffon Hill Park

(Social kids support category)

Common Stage Yayoigaoka

Good Design Award

October 2011

Organizer: Japan Industrial Design Promotion Organization

(Housing category)

Slow Living



CSR efforts in general

As of the end of January 2012

Inclusion in SRI Indexes

FTSE4Good Global Index, FTSE4Good Japan Index, Morningstar Socially Responsible Investment Index

February 2011

Sekisui House, Ltd.

Prize for Excellence at the Japan Internal Control Grand Prix 2011 (Integrity Award)

Organizer: Integrex Inc.

November 2011

Support extended to individuals and municipalities affected by the Great East Japan Earthquake

Letter of appreciation given by Osaka Municipal Government

December 2011

Grant activities under the “Kobe Machizukuri Rokko Island Fund” program

Letter of appreciation given by Kobe Municipal Government

March 2012

Sustainability Report 2011

Special Prize for Excellence in Biodiversity Reporting (Global Environmental Forum President Award) at the Environmental Communication Awards

Organizer: Ministry of the Environment, Global Environmental Forum

Concluding Remarks by the Board Members in View of the Third Party Comments



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

Social activities

It has been one year since the Great East Japan Earthquake occurred. I would like to sincerely extend my renewed sympathy to all the people affected by the disaster.

Immediately after the earthquake, we launched CSR activities through our core business practices, such as confirming the safety of homeowners and implementing restoration and reconstruction projects. Also, each of us, as citizens of Japan, considered seriously how we could support the people affected by the disaster, and embarked on a wide range of activities to facilitate the reconstruction process. One such activity is the Ainori (riding-together) Project, conducted jointly by various sectors of society, including the government, citizens, NPOs and businesses, which worked together to leverage their respective strengths and delivered aid supplies to areas that were difficult to access. From this project and other relief activities, we learned first-hand that cooperative relationships fostered in ordinary times can be a great source of power in case of an emergency. The reconstruction process is still at an early stage. We will remain committed to offering much needed support to the stricken areas on a timely basis.

Speaking of our social targets, the results we achieved during the period under review are mixed. We have renewed our determination to achieve all the targets set for fiscal 2012 by ensuring more efficient implementation of the PDCA cycle. We will especially take immediate measures to increase the employment of persons with disabilities to meet the legal requirement.

Against the backdrop of the expansion of our overseas business, we will also enhance our efforts to contribute to the wellbeing of communities in the countries where we are carrying out projects by making full use of our proprietary environmental technologies, while ensuring fuller compliance in these countries. By compliance, we mean not only complying with local laws and regulations, but also responding to the demands of society directed to us. We will continue to expand our business overseas, while being fully considerate of the sense of value held by local people as well as respective regional characteristics.

The ISO 26000 social responsibility guidelines have been in place since 2010. To live up to the expectations of our stakeholders, each employee should be able to think and act from the perspectives of the stakeholders. In other words, employees should be faithful to our corporate philosophy that centers on a "love of humanity." Looking back to our origins anew, we will reinforce employee training to further enhance our CSR activities.



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

Environmental activities

After the occurrence of the Great East Japan Earthquake, time seemed to pass by very quickly for us as we were kept busy with post-earthquake measures, such as confirming the safety of homeowners, conducting inspections and repairs, supplying temporary houses, and developing plans for and constructing houses and apartments for people affected by the disaster. I would like to express my heartfelt condolences to the victims of the earthquake anew, and extend my deep appreciation to our business partners who are working with us to expedite the restoration process and to construction personnel who are mobilized from all over Japan to work in the stricken areas.

The earthquake triggered a major shift in public awareness of energy use and lifestyles. In response to the emerging needs of society, we launched the "Green First HYBRID" smart house model in the summer of 2011. Incorporating the knowhow and technologies we developed as part of our "Green First" strategy, this new model is the first in the world to employ three different types of —cells—solar, fuel and storage—which are operated by a proprietary control system to ensure energy availability even in times of emergency. In ordinary times, the "Green First HYBRID" model allows residents to live with far less power consumption without compromising on comfort, while catering to the electricity needs of the neighborhood residents by serving as a power generation plant for the local community.

As a housing manufacturer, we are on a mission to deliver safe, stress-free, healthy and pleasant living environments to our customers by leveraging our environmental technologies in an optimal manner, while promoting community development focusing on abundance of greenery and neighborhood bonds. We have been striving to complete this mission under our "SLOW & SMART" motto that we adopted last year.

Under this motto, we are not only working for the evolution of individual housing products, but also promoting a large-scale "Smart Common City" development project as part of our comprehensive urban planning efforts. Starting from the Smart Common City Akaishidai created in the suburbs of Sendai, a district that suffered the effects of the earthquake, we are currently implementing this project all over Japan. By continuing the Smart Common City development, we hope that we can provide a vision of an ideal Japanese community to society.

Since the 1990s, we have continued efforts to reduce the use of chemical substances in houses to protect the health of residents, especially children. A milestone in the efforts is the "Airkis" high-quality indoor air system introduced in 2011. We will remain focused on demands for high-quality lifestyles that are both comfortable and environmentally friendly, and strive to facilitate the process to a sustainable society by fulfilling our responsibility as a leading company.

Editors' Note

The one-year period covered by this report flew by very fast for us, during which we were absorbed in answering the questions of how we could contribute to the restoration and reconstruction process in the areas stricken by the Great East Japan Earthquake and how we could better respond to the drastic changes in public needs and the public's sense of value.

Through the process of editing this report, we were able to discover that the invaluable partnerships with the Sekisui House Association members, and the Sekisui House Group personnel from all over Japan and the gratitude we have towards homeowners gave us the power and courage to take action in times of emergency. This discovery was really touching and moving for us.

Recently, an increasing number of companies have opted to publish their corporate information on their websites instead of in printed reports, but we, the editorial team, chose to stay with paper, placing importance on providing information in greater depth and breadth. As a result, this year's report contains ten more pages than the previous year's edition. In light of the ongoing expansion of our overseas business, we will have more and more information to report to our stakeholders. In producing a CSR report for the next year, we will continue to stick to our motto, "Offering information in a sincere and easy-to-understand and easy-to-read manner." We are aware that our report has much room to be improved. Therefore, your frank opinions and comments on this report are highly welcome and appreciated.

Last but not least, we would like to extend our deep gratitude to all the people who kindly cooperated with us in producing this report. Thank you very much.



Sustainability Report 2012 Editorial Team
Members of the CSR Office of the Corporate
Communications Department, the Environmental
Improving Department, and the IT Operation
Department

