The purpose of this report is to promote understanding of the initiatives the Sekisui House Group is taking to help realize a sustainable society and to improve those initiatives through communication with readers. It is produced with reference to the Environmental Reporting Guidelines 2007 of Japan’s Ministry of the Environment, and the Sustainability Reporting Guidelines (Version 3.0) of the Global Reporting Initiative.

**Main points of improvement in the Sustainability Report 2009**

- Measures taken and progress in fulfilling the nine promises made in the 2008 report are reported on. These promises relate to matters of particularly significant importance (materiality) to the Group’s businesses, as determined by the CSR Committee, which includes three external members.
- The matters discussed in the 2009 report and their relative importance were determined based on survey data from approximately 2,700 internal and external respondents asked about the 2008 report, and on a consideration of societal conditions. In response to complaints that the small font size made for difficult reading, the text has been enlarged and special care has been taken with regard to layout to make reading easier.
- The opinions of outside experts have been included as objective evaluations of Group initiatives. The 2009 report enhances quality of space for these opinions.

**Businesses covered by this report**

The scope of businesses covered by this report includes 63 companies, namely: Sekisui House, Ltd., and the following consolidated subsidiaries that are considered important in regard to CSR and environmental management: Sekiwa Real Estate, Ltd. (8 companies); Sekisui House Remodeling, Ltd.; Sekiwa Construction, Ltd. (44 companies); Landtech Sekiwa, Ltd. (2 companies); Greentechno Sekiwa, Ltd. (3 companies); SGM Operation Co., Ltd.; Sekisui House Umeda Operation Co., Ltd.; Sekiha, Ltd.; and Sekiwa Support System, Ltd. (A profile of the Sekisui House Group is provided on p. 3-4.)

**Business activities covered by this report**

This report covers the business operations of the Sekisui House Group, which includes the built to order housing business (houses and low-rise apartments), real estate for sale business (houses, condominiums and land for sale), real estate for leasing business, and other business (exterior, remodeling and RC contracts). There were no material changes in the types of business operations undertaken by the Group during fiscal 2008.

**For inquiries about this report**

Sekisui House, Ltd.
Corporate Communications Department
Corporate Social Responsibility Office
TEL. +81-6440-3111/FAX. +81-6440-3369
Environment Improving Department
TEL. +81-6440-3374/FAX. +81-6440-3438
Online inquiries
http://www.sekisuihouse.co.jp/english/contact.html

**Notes**

- Please note that this English report is an excerpt. The full Japanese version of the report, as well as further information, is available at our website.
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Working to Create Shared Wealth for People, Communities, and the World

The Sekisui House Group, as a leader in the housing industry, builds detached housing, condominiums for sale, and leased housing, and engages in such projects as urban development, with the overriding goal of making housing valuable for its ability to allow people to live in comfort. In doing so, we aim at offering daily life with a rich sense of humanity.

As Japan’s leading home builder, we have a great responsibility to society, the environment, and the future.

Built to Order Housing Business

We undertake the contracting, design, and construction of steel-frame detached housing and Sha-Maison, our low-rise apartments.

Subsidiaries and Affiliates

Sekiwa Construction Higashi-Tokyo, Ltd. and 43 other companies

Sekiha, Ltd.

Trading of housing-related construction materials.

Corporate profile (as of January 31, 2009)

<table>
<thead>
<tr>
<th>Corporation name</th>
<th>Sekisui House, Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head office</td>
<td>1-88 Oyodonaka 1-chome, Kita-ku, Osaka 531-0076, Japan</td>
</tr>
<tr>
<td>Date of establishment</td>
<td>August 1, 1960</td>
</tr>
<tr>
<td>Capital stock issued</td>
<td>¥186,554 million</td>
</tr>
<tr>
<td>Total number of shares issued</td>
<td>676,885,078 shares</td>
</tr>
<tr>
<td>Employees</td>
<td>22,254 (consolidated); 14,953 (non-consolidated)</td>
</tr>
</tbody>
</table>

Sales and Services Offices (as of January 31, 2009)

| Sales Administration Headquarters | 17 |
| Sales Offices                     | 141 (127 as of February 1) |
| Factories                         | 5 (as of April 1) |
| Customer Service Centers          | 65 |
| Subsidiaries and Affiliates       | 76 |

Financial data

The goal of the Sekisui House Group is to maintain a virtuous economic cycle in which it provides housing, with related support, that customers can comfortably live in over the long term, and returns gains to society. During fiscal 2008, worsening market conditions undercut business performance with regard to detached housing, but results in the Sha-Maison building contract business, real estate for leasing, remodeling business, and the Group’s other operations performed well, resulting in overall revenue equal to that of the prior fiscal year. The number of housing units sold came to 52,221. (Cumulative sales of houses: 1,959,210 houses)

Consolidated net sales by segment (Fiscal 2008)

- Built to Order Housing Business (houses and low-rise apartments) 682,862
- Real Estate for Sale Business (houses, condominiums and land for sale) 317,278
- Real Estate for Leasing Business 357,075
- Other Business (Exterior, remodeling and RC contracts) 156,955

Total 1,514,172 (Million yen)
Real Estate for Sale Business
Sales of detached housing, condominiums, etc., as well as urban redevelopment and sales of commercial buildings, etc.

Real Estate for Leasing Business
Block leasing/sub-leasing of Sha-Maison residential properties, and apartments and condominiums, leasing and management of other real estate.

Other Business
Contracting, designing, and construction of residential remodeling of houses, landscaping, exterior construction works, condominiums such as the RC framed, etc., and commercial buildings.

Subsidiaries and Affiliates
Sekiwa Real Estate, Ltd. and 7 other companies
- Real estate brokering and leasing
- Management of condominiums, commercial buildings, and other types of structures.

SGM Operation Co., Ltd.
- Master leasing and management of rental housing, etc.

Sekisui House Umeda Operation Co., Ltd.
- Shin-Umeda City outsourced real estate management, tenant support, etc.

Consolidated net sales

<table>
<thead>
<tr>
<th>Year</th>
<th>(FY)</th>
<th>(Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td></td>
<td>1,372,243</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>1,501,857</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>1,596,183</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td>1,597,807</td>
</tr>
<tr>
<td>2008</td>
<td>(FY)</td>
<td>1,514,172</td>
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</table>

Consolidated recurring income

<table>
<thead>
<tr>
<th>Year</th>
<th>(Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>77,316</td>
</tr>
<tr>
<td>2005</td>
<td>81,699</td>
</tr>
<tr>
<td>2006</td>
<td>114,822</td>
</tr>
<tr>
<td>2007</td>
<td>114,086</td>
</tr>
<tr>
<td>2008</td>
<td>77,072</td>
</tr>
</tbody>
</table>

Consolidated net income

<table>
<thead>
<tr>
<th>Year</th>
<th>(Million yen)</th>
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</thead>
<tbody>
<tr>
<td>2004</td>
<td>23,659</td>
</tr>
<tr>
<td>2005</td>
<td>43,029</td>
</tr>
<tr>
<td>2006</td>
<td>62,663</td>
</tr>
<tr>
<td>2007</td>
<td>60,352</td>
</tr>
<tr>
<td>2008</td>
<td>11,516</td>
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</table>

Consolidated employees

<table>
<thead>
<tr>
<th>Year</th>
<th>(FY)</th>
<th>(Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td></td>
<td>19,926</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>20,763</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>21,536</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td>22,309</td>
</tr>
<tr>
<td>2008</td>
<td>(FY)</td>
<td>22,254</td>
</tr>
</tbody>
</table>
Toward a Sustainable Society

In an effort to promote a shared awareness among all employees and to move forward in the best direction, Sekisui House advocates the Sustainable Vision as the foundation of its corporate philosophy, the core of which is a love of humanity. To promote concrete action aimed at achieving this vision, we have established 13 guidelines based on our four values.

Corporate philosophy (Established January 1989)

Long-Life Housing Concept — Always comfortable and enjoyable —

Release of the Medium-Term Management Vision, S-Project

A declaration aimed at achieving Corporate Social Responsibility via improvements in the satisfaction triangle of customer satisfaction, employee satisfaction and shareholder satisfaction.

Environmental Future Plan

1999

The establishment of an environmental charter and a basic environmental guideline aiming to achieve harmony between human beings, towns and the planet.

Corporate Philosophy and Vision

Environmental Value

Residential Value

Sustainability

Economic Value

Social Value

2005

Declaration of Sustainability

Aiming for a balanced management based on four values: the environment, the economy, society and residents.

Our four values

The Triple Bottom Line concept is beginning to gain wide social acceptance. This concept refers to the need to pursue balanced business management that includes consideration of the environment and society as well as the economy in order to realize a sustainable society. At Sekisui House, we have carefully reviewed the value we can provide to society through our highly socially oriented core business of creating housing environments, and added a unique bottom line element of our own-residential value.

2000

Long-Life Housing Concept — Always comfortable and enjoyable —

1996

• Adopted insulating multi-layered glass for use in CentrageΣ detached housing products.

1999

• Announced the Environmental Future Plan
  • Standardized our major detached housing products to meet next generation energy-saving standards
  • Established the Environment Promotion Department

2000

• Standardized multi-layered glass with airtight insulation qualities and insulation aluminum sash at all detached houses

2001

• Launched the Gohon no ki gardening concept

2002

• Achieved zero emissions at all Sekisui House factories

2003

• Met next-generation energy-saving standards for all detached houses

2004

• Authorized by the Ministry of the Environment to dispose of construction site waste across administrative boundaries

2005

• Declaration of Sustainability announced
  • Established the Urban Development Charter
  • Launched Action Plan 20
  • Achieved zero emissions at new house construction sites
  • Establish the CSR Office

2000

• The Housing Quality Assurance Act was enforced

2001

• Law on Promoting Green Purchasing was enforced

2005

• Kyoto Protocol came into effect
Sustainable Vision

A sustainable society refers to a society based on a balanced, global eco-system, in which all people can live in comfort. In addition to contributing to the establishment of a sustainable society through the provision of housing that satisfies all of our customers, Sekisui House aims to become a company that creates housing environments and maintains the lead in providing for the lifestyles in that society.

The Significance of Establishing the Vision

We have entered a period of tremendous social change, which makes forecasts about the future extremely difficult. We are in an era that presents companies with tremendous challenges making it necessary to have a vision that clearly outlines the direction the Company should head, without merely being swept along by events. In doing so, we seek to avoid taking haphazard measures and will endeavor to position ourselves toward achieving our goals. Guided by our vision of the ideal Sekisui House, we can validate the suitability and adequacy of our activities and more quickly achieve our aims.

2006

- Completed the Sustainable Design Laboratory, a next-generation housing research facility
- Achieved zero emissions in the after-sales service division
- Established the Global Warming Prevention R&D Institute
- Made declaration on Human Resources Sustainability
- Established the Diversity Development Team

2007

- Established guidelines for wood procurement and chemical substances
- Fully deployed EVERLOOP, repurchase of housing sold by the Company for reusing purposes
- Achieved zero emissions at remodeling division

2008

- Launched sales of the Carbon Neutral House
- Certified an Eco-First Company by the Ministry of the Environment
- Cooperated in constructing the Zero Emission House for the G8 Hokkaido Toyako Summit

Sekisui House Sustainability Report 2009
Contributing to realize a sustainable future through the formation of high-quality housing stock capable of serving the needs of multiple generations

Housing is at the heart of society, and that’s why our responsibility is great

The global recession that began in the fall of 2008 is encouraging Japan to move away from an export-oriented economy and has again highlighted the importance of expanding internal demand. The Japanese government has instituted an economic package focused on housing construction, which creates a huge ripple effect in the economy. More specifically, 19 trillion yen of housing investment boosts the economy by 36 trillion yen — nearly twice the size of investment. Much is expected from the high economic ramifications of housing.

Housing, in its essence, stands at the heart of society, and is intimately tied not only to the economy, but also to the global environment.

Residential CO₂ emissions are small compared to those of industry, but have increased 41.1% (fiscal 2007 bulletin figure) since 1990, the base year for the Kyoto Protocol, and a reduction must be undertaken by the country as a whole.

Housing also contributes to the healthy development of children, and to interaction among generations. Furthermore, collections of houses, in the form of communities, are a foundation upon which safety, education, and culture rest.

Housing is, indeed, at the heart of society and it can develop societies in positive ways. Sekisui House has traditionally pursued businesses based on this idea and will seek to further develop them in the years ahead.

Working to make Zero Emission House the norm for detached housing

The new administration in the US has put forth a “Green New Deal” policy as part of its effort to invigorate the US economy through environmental measures. The Japanese government, too, has established a goal of expanding photovoltaic power
generation forty-fold by 2030 and restarted subsidies for residential photovoltaic power generation systems in 2009 as a step toward achieving that goal.

For its part, Sekisui House established the environment as a key management concern 10 years ago, in 1999, when we announced our Environmental Future Plan. Furthermore, in 2005, we announced our Declaration of Sustainability. Since then, we have been working to increase our corporate value in a balanced fashion from four perspectives — the environment, the economy, society and residents. We have also been developing businesses that will contribute to the realization of a sustainable society.

Action Plan 20 is one example. Under this plan, CO₂ emissions from occupancy of newly constructed detached housing will be 6% lower in 2010 than they were in 1990. Action Plan 20 meets the next-generation energy-saving standards and standardizes high-efficiency hot-water supply systems. It also promotes the adoption of photovoltaic power generation and other systems in detached houses. We are also working to reduce the environmental burden of production activities, and, in our waste reduction efforts, have achieved zero emissions (generation of no landfill waste and no incineration without heat recovery) at all factories and new construction sites, in our after-sales service division, and, as of 2007, at the remodeling division. In addition, we are advancing initiatives to protect the global environment and ecosystems. The Gohon no ki gardening concept for creating gardens mainly with indigenous species is one example of our efforts in this regard.

In July 2008, the Zero Emission House constructed with the assistance of Sekisui House was displayed at the environment-focused G8 Hokkaido Toyako Summit, and received very positive feedback. The Zero Emission House represents a near-future housing concept that uses photovoltaic power generation, fuel cells, and other new technologies to produce zero net CO₂ emissions throughout its entire product lifecycle, from production to demolition. Sekisui House would like to improve environmental performance of all newly constructed detached housing to the level of the Zero Emission House by 2050.

Our mission: Accelerate the formation of housing stock as social capital

The average life expectancy of Japanese housing is approximately 30 years, well below comparable figures for European and US housing. One reason for this is the uniquely Japanese real-estate evaluation rule of thumb that buildings...
that have been in the market for 20 years are worthless in the secondary market because they occupy valuable land. As a result, resources and energy are repeatedly wasted in a cycle of construction and demolition, and the values to be had from continuously living in high-quality housing are sacrificed.

In response, Sekisui House has been working to develop integrated solutions. We have long used high-quality, highly durable construction frames, devised interiors and facilities that can adapt flexibly to changes in family structure or lifestyles, introduced in 2000 a 20-year construction frame guarantee and the U-trus house guarantee system for extending these guarantees in 10-year increments. We have also come up with other innovations in our quest to lead efforts to extend housing life expectancy.

In recent years, the Japanese government, too, has begun to change housing policy. With longer-lasting housing and development of the existing-home market, two concepts included in the Basic Act for Housing enacted in 2006, as basic policy directions, the Long-Term Quality Housing system will be implemented in June 2009. This system is consistent with the 200-Year Housing Vision, which calls for the formation of housing stock with earthquake resistance and durability properties as quality social capital.

Such long-life housing, as social capital, will not only enhance daily life and culture for ordinary people, but will also reduce the housing expense burden. Measures aimed at producing such results are already being put forth.

Our mission is to accelerate these developments. We have, for instance, developed numerous cutting-edge technologies like the SHEQAS seismic damping mechanism that dissipates seismic energy by converting it to heat. And we are advancing through exacting quality management in material manufacturing and construction the building of housing that can be lived in over the long term with safety and peace of mind. Since 2007, we have been promoting EVERLOOP, in which we repurchase homes from our customers, add value to them through revitalization, and sell them complete with warranties to new owners. This new business, which, it could be said, is made possible by our high-quality, long-life products, is contributing greatly to the formation of an existing-home market.

In accordance with its Urban Development Charter, we practice urban development by creating communities that become beautiful with time. For example, our new "n times richer" landscape design concept and urban development approach enriches daily life and the neighborhood living environment by connecting individual gardens and views in the local area. Through this and other such approaches, we are working to create value in the form of housing as social capital.

Lowering Residential Expense Burden* through 200-Year Housing (Trial calculation)

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Note 1) For an 11-story 65-unit (3 bedrooms, living room, dining room, kitchen) residential complex. Cost of land not included.
Note 2) The traditional case assumes reconstruction after 50 years (4 reconstructions over 200 years).
Note 3) The construction cost for 200-year housing is estimated to be 20% greater than for traditional housing. Maintenance cost is estimated to be 10% lower.

Source: “Future Developments Regarding Long-Term Quality Housing Initiatives and Model Enterprises,” published by the Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau

* House construction, purchase, and maintenance costs
Within the current economic downturn, we will speak out about tax and other reforms we believe are necessary to prevent national stagnation on the matter of creating a stock of high-quality housing. Paying particular attention to the fact that half of the country’s 1,430 trillion yen in personal financial assets are held by seniors, we intend to press the government to relax inheritance and gift taxes, take other steps to promote the intergenerational transfer of assets, and entice investment in high-quality housing construction.

Moving forward and taking responsibility for the future as an Eco-First Company

The Sekisui House Group, in announcing its Medium-Term Management Vision, clearly stated that the customer-oriented stance it has maintained since its founding is the pursuit of customer satisfaction, and proclaimed that it will meet its corporate social responsibilities (CSR) by increasing customer satisfaction, together with employee satisfaction and shareholder satisfaction, as three equal parts of a whole. Working to make this vision a reality, our CSR Committee, which includes three external members, has been continuously discussing CSR matters since its establishment in 2005.

The external members of the committee sometimes make points that are painful to hear, but our executives and employees have moved forward with CSR and compliance measures, making necessary corrections along the way.

Sekisui House was certified as an Eco-First Company by the Ministry of the Environment in 2008, and we regard this as the result of the persistent, steadfast efforts of our employees and the support we have received from the external members of the CSR Committee and countless others. It is also an indication of society’s growing expectations of the business strategies and policies we have advanced to date. Therefore, refusing to be satisfied with our certification as an Eco-First Company, our executives and employees working in unison are determined to bring all of our capabilities to bear in continuing to create rich living and living environments for the nation.

In this Sustainability Report, we provide updates on Sekisui House initiatives like those discussed above. We invite all of our stakeholders to frankly express their opinions on the content of this report and will use them to improve upon our activities.

Isami Wada
Chairman & CEO
The sudden economic pullback that began last year has had an enormous impact on Japan’s housing and real estate markets, and on our business. It is, however, exactly because of the current conditions that we must focus on meeting the Group’s CSR commitments.

My role as regards the Sekisui House Group’s CSR initiatives is to exercise leadership and boost employee awareness for CSR promotion within the Sales Division and other divisions, and consistently meet these responsibilities in our daily work. As such, I will provide a recap of fiscal 2008 CSR activities and clearly delineate directions for the future.

In fiscal 2008, the environment was a key focus of our business activities.

To begin with, we introduced and vigorously promoted the Carbon Neutral House in April 2008 to further advance our Action Plan 20. Carbon Neutral Houses use energy conservation technology and energy produced by fuel cells and photovoltaic power generation to completely offset CO2 emissions from occupancy.

In June 2008, Sekisui House was certified as an Eco-First Company by the Ministry of the Environment. And, as the social responsibility of Japan’s greatest supplier of housing, we made three promises: reduction of CO2 emissions in both the construction and occupancy of our buildings; promotion of ecological networks and biodiversity revitalization; and implementation of resource recycling. In the spirit of fulfilling those promises, we exhibited a Zero Emission House, a near-future housing concept, at the G8 Hokkaido Toyako Summit in July 2008. This exhibit was later moved to the Zero Emissions Center at our Kanto factory and was opened to the general public in November. Through these and other actions, we strengthened our activities aimed at promoting coexistence with the global environment.

Looking ahead, we will advance the use of our Green First environmentally conscious housing products equipped with photovoltaic power generation systems and fuel cells in our leading products within detached houses and Sha-Maison low-rise apartments. We intend to greatly expand adoption of these products, which are extremely effective contributors to efforts to prevent global warming.

In fiscal 2008, we responded to society’s needs for long-life housing by actively promoting awareness of EVERLOOP, repurchase of housing sold by the Company for reusing purposes, and sponsored the EVERLOOP Sankan-bi event. Moving forward, we will expand the scope of our remodeling business, which has so far covered only buildings we have constructed, to include all wood frame houses, and will expand our staffing in that connection.

Achieving success in these initiatives relies, more than anything else, on having employees realize the weight of their responsibilities as members of an Eco-First Company.
Toward that end, we will redouble our employee education activities to ensure that each individual understands the meaning of “Eco-First” and can communicate it to customers.

**Moving to devote even greater effort to ensuring thorough, far-reaching compliance**

Sekisui House has worked hard to ensure thoroughness in compliance, which serves as the foundation for CSR.

One Japanese saying goes, “without morals economics is a crime and that without economics, morals are meaningless.” Similarly, in business, it is important to pursue economic efficiency and benefits to society at the same time. When economic conditions are bad, as they are now, it is all the more important to avoid the reckless pursuit of profits and, instead, to increase customer satisfaction, and ensure social contributions to employees, local communities, and all other stakeholders.

To reinforce that awareness among all Sekisui House Group employees, we will tally results of the Compliance Awareness Survey and provide feedback for each sales office.

**Aiming to become a company where employees increase individual contributions to society**

It is necessary to innovate our business and adapt to market needs. Due to stagnation in the new-housing market, production at the Shiga factory was discontinued at the end of March 2009. Meanwhile, we have shifted many employees from there to the remodeling business, an area which is expected to grow.

Moving forward, we will continue to use such measures to create work that allows individuals to contribute to society as we realize work environments that give rise to a sense of pride and accomplishment.

We are aware that our company still has many issues preventing it from fully living up to its social responsibilities. It is particularly important, amid difficult economic conditions, that we do not sacrifice morals in pursuit of business objectives. And it is critical that we constantly pursue sound management by living up to our corporate philosophy.

Leading sound management efforts by example, I intend to make our corporate philosophy, which is rooted in “Love of humanity,” and our Code of Conduct, which tells us that “Each and every one of us is Sekisui House” and calls for “Using our originality to challenge the age,” real throughout the Group.

I ask for your ongoing understanding and support in this venture.

Toshinori Abe
President & COO

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**Our commitment**

- As measures for cutting the global warming impacts of home occupancy, we will work to encourage residential energy conservation and adoption of photovoltaic power generation systems and fuel cells by making overall upgrades in our Green first efforts. We will also promote education on ways to save energy in daily life. We will advance energy-saving measures for business activities.
- By providing safe, secure, and comfortable housing that takes into consideration universal design, health, and the environment, we will create high-quality housing stock.
- To support the continuous use of homes over the long term, we will promote our own unique warranty extension system and EVERLOOP, repurchase of housing sold by the Company for reusing purposes, and contribute to the formation of a new existing-home market.
- Working from the Gohon no ki gardening concept, we will make significant efforts to protect ecosystems, and continue to plant trees at the rate of one million a year.
- In accordance with our Urban Development Charter, we will nurture the development of rich environments and communities, and promote the development of communities that thrive over the long term.
- We will maintain zero emissions in production, construction, after-sales service, and remodeling. We will also continue efforts to reduce waste volume and to recycle.
- We will share a common aspiration with Group companies and partnering construction companies, collaborating on construction quality management and the development of young workers, and aiming for coexistence and co-prosperity.
- We will promote fair procurement based on our guidelines for the procurement of wood and chemical substances, voluntary standards that exceed the scope of standard laws and regulations, and cooperate with suppliers to expand activities including the fair procurement of wood.
- With support for women’s activities, we will actively support the development of diverse human resources and foster the next generation.
- We will thoroughly apply compliance in all operations, and forge ahead with improvements in employee awareness and the development of systems to promote fair business practices.
Working with customers to reduce CO₂ emissions from home occupancy

A house’s lifecycle from construction to demolition and disposal is about 30 years, during which occupancy accounts for approximately 70% of the house’s CO₂ emissions. As reducing these emissions also reduces global warming, Sekisui House and its customers are working to lower emissions from home occupancy.

To reduce growing residential sector CO₂ emissions: Action Plan 20 and the environmentally conscious Green First Product Line

Japan is the world’s fourth largest emitter of CO₂, and its residential sector continues to emit increasing amounts of CO₂, mainly from home occupancy. By source, facilities and lighting account for 40%; hot-water supply, 30%; and heating and cooling, 30%. Therefore, balanced reductions are necessary.

Since 2005, Sekisui House’s Action Plan 20 has aimed at cutting CO₂ emissions by more than 20% annually relative to the 2010 (FY) CO₂ emissions:

Current Principal Model

<table>
<thead>
<tr>
<th>Occupancy-related CO₂ emissions: 20% reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy-Saving Measures</td>
</tr>
<tr>
<td>Cooking: 177kg-CO₂</td>
</tr>
<tr>
<td>Heating and Cooling: 1,130kg-CO₂</td>
</tr>
<tr>
<td>Lighting, etc.: 1,479kg-CO₂</td>
</tr>
<tr>
<td>House Using Gas and Electricity</td>
</tr>
<tr>
<td>Annual heating and lighting expense simulation</td>
</tr>
<tr>
<td>• A 155m² detached house in Tokyo occupied by a family of four, with air-conditioning and heating loads calculated using SMASH thermal load software.</td>
</tr>
<tr>
<td>• Steam heaters and other heating appliances were assumed for an ordinary house.</td>
</tr>
<tr>
<td>• Hot-water supply was assumed for all houses.</td>
</tr>
<tr>
<td>• Utility expenses were calculated using the most economical rates offered by Tokyo Electric Power and Tokyo Gas for October 2008.</td>
</tr>
</tbody>
</table>

Current Recommended Model

<table>
<thead>
<tr>
<th>Energy-Saving Measures by Eco-Will</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy-Saving Measures by photovoltaic power generation</td>
</tr>
<tr>
<td>Energy-Saving Measures by fuel cell system</td>
</tr>
<tr>
<td>House Using Gas and Electricity</td>
</tr>
<tr>
<td>4.26kW photovoltaic power generation system</td>
</tr>
<tr>
<td>A similar All Electricity proposal is possible</td>
</tr>
</tbody>
</table>

(1) General application of next-generation energy-saving standards

Multi-layered glass combining crime prevention and airtight insulation qualities, and airtight insulated aluminum sashes are in all detached houses.

(2) General application of high-efficiency, hot-water supply systems

We recommend Eco-Jose systems and Eco-Will gas power generation and water heating systems in houses using gas and electricity. For all-electric houses, we recommend Eco-Cute systems.

(3) Recommendation of photovoltaic power generation systems

We can reduce fossil-fuel-based energy by using photovoltaic power generation. These systems are also useful as independent power sources during emergencies.

Prepared based on sector emissions data from the Greenhouse Gas Inventory Office of Japan

To prevent global warming

Sekisui House will put forth Life style of Low CO₂ Emissions Measures for reducing the global warming impact of home occupancy, work to encourage residential energy savings and adoption of photovoltaic power generation systems and fuel cell system, and promote education on ways to save energy in daily life. We will also advance energy-saving measures for business activities.
Reducing CO₂ emissions through remodeling: Action Plan R20

For the 800,000 homes built by Sekisui House all over Japan, Sekisui House Remodeling Ltd., is pursuing Action Plan R20 for existing houses. This plan focuses on repairing or replacing insulation around openings, which is highly cost-effective, and includes installation of a high-efficiency, hot-water supply and a photovoltaic power generation system.

In fiscal 2008, we supplemented Action Plan 20 with our Carbon Neutral House and Zero Emission House initiatives to fight global warming by reducing CO₂ emissions from home occupancy. Gaining acceptance of these initiatives depends on our success in providing advantages to customers while lowering the environmental impact and popularizing new technologies.

For fiscal 2009, our Green First house objective is to promote greater adoption of our products together with the use of alternative energy.

Sustainability in Action

Housing construction with built-in environmental performance

Kenichi Ishida
Head of Global Warming Prevention R&D Institute
Environment Improving Department

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For fiscal 2009, our Green First house objective is to promote greater adoption of our products together with the use of alternative energy.
To help the environment, we recycle plastic bottles and use bathwater for laundry. We regularly check our monitor and see how much electricity our house generates daily. The feeling that we are benefiting as well as doing something for the environment makes me happy. We look forward to receiving advice on the best ways to use energy-saving devices.

We love to see how much electricity is generated daily

Sekisui House’s Carbon Neutral House is contributing to the government’s efforts to build a low-carbon society and has been chosen among many by the Ministry of Land, Infrastructure, Transport and Tourism under a system that delivers subsidies to houses with excellent CO2 reductions.

The Kunizukas of Kobe have been living in their Carbon Neutral House since December 2008. Until recently, Mr. Kunizuka had worked in an area with significant snowfall and, for many years, he had noticed the declining use of snowplows. Although he was happy with less snow, he became more aware of global warming and that he should do something.

Although Carbon Neutral Houses cost more than houses built to standard specifications, the Kunizukas decided to purchase one so they could save on daily heating and lighting expenses. They liked the elaborate designs and the seasonal simulations and other detailed information.

The Kunizukas moved into their new home in the middle of winter and were impressed by its warmth. They give their new home high marks because it allows them to live in comfort, while enjoying reduced heating and lighting expenses. In this way, they are contributing to efforts to prevent global warming.

Carbon Neutral House Earns Awards

In 2008, the Carbon Neutral House won the Award for Excellence at “the Green Purchasing Awards,” sponsored by the Green Purchasing Network. It also won the Chairman of the New Energy Foundation Prize at the 13th Annual New Energy Awards, sponsored by the New Energy Foundation.
Sekisui House proposed that the property owner build a high-value-added apartment complex equipped with a photovoltaic power generation system. The extra power could be sold to an electric utility on an apartment-by-apartment basis. This complex was completed in 2008 and has a tenant waiting list.

Preventing global warming with profitable, environmentally friendly low-rise apartments

The Zero Emission House: Greater comfort in daily life and prevention of global warming

At the July 2008 G8 Hokkaido Toyako Summit, the Zero Emission House was exhibited by the Ministry of Economy, Trade and Industry to showcase Japan’s prefabricated housing and global warming prevention technologies. The house offers comfortable living and uses energy-saving and energy-generating measures to offset CO2 emissions from occupancy and at every life-cycle stage: production to construction and occupancy to demolition. The house has a photovoltaic power generation system; a fuel cell system; roof vegetation; the SHEQAS seismic damping system; high-strength, high-durability ECORDEC exterior walls; and SPACIA vacuum-insulated glass, among other cutting-edge technologies.

Most of the energy-saving and energy-generating technologies are applied in existing houses.

After the G8 Hokkaido Toyako Summit, the house was moved to the grounds of the Resource Management Center at our Kanto Factory, where it was opened to the public as a learning facility in the Ibaraki Next Generation Energy Park.

In fiscal 2009, Sekisui House introduced the Sha-Maison Ecstasy Green First Model, which uses all electric and high-efficiency hot-water supply systems and a photovoltaic power generation system. This model will be promoted throughout Japan.

Targeting 2050, high praise for the Zero Emission House

The Japanese government’s Action Plan for the Creation of a Low-Carbon Society, developed after the G8 Hokkaido Toyako Summit, includes a call to reduce greenhouse gas emissions to 60%–80% of current levels by 2050. Achieving these goals will require energy-saving and energy-generating measures to extend the useful lives of houses, and efforts by home occupants and the housing industry.

Sekisui House, which has endeavored to implement plans for new construction and remodeling, deserves high praise for having taken another step forward through its efforts in low-rise apartment and laying out a roadmap for making the Zero Emission House a construction standard by 2050.
Offering revitalization-oriented, long-term housing

The lifespan of Japanese houses is shorter than those in Europe and the US. In actual transactions, building values are less than 10% of their original levels after 20 years. With Japan transitioning to a society in which high-quality goods are maintained and used long term, in March 2007 Sekisui House initiated a process for home revitalization and distribution business. By doing this, we are adding value to the housing market by making homes available to new owners and extending the lifespan of houses, which is an effective use of resources.

In EVERLOOP, repurchase of housing sold by the Company for reusing purposes, we purchase Sekisui House detached housing and Sha-Maison low-rise apartments, revitalize them with retrofitting for current earthquake resistance standards, upgrade thermal insulation properties, and install up-to-date products by industry-leading manufacturers, before selling them to new owners. In addition to quality equal to that of new construction, these owners are provided with U-trus guarantees (10 years) and after-sales service through our customer centers, all of which add up to long-term peace of mind.

EVERLOOP is a proprietary appraisal system that begins with the estimated sale price, which permits homeowners to sell rather than demolish their homes. The system also gives new owners the opportunity to purchase a high-quality home at a price lower than that for new construction. EVERLOOP is supporting the existing-home market and helping to change Japan’s housing market from consumption to revitalization-oriented.

Through EVERLOOP, Sekisui House is forming a new market separate from markets for new and existing homes. We are also creating environmentally superior housing by upgrading insulation properties and striving for zero emissions. These and other measures will result in a pioneering business model that transforms our consumption-oriented society into one that recycles.

Invigorating the Market for Existing Homes through EVERLOOP

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Sustainability in Action

Aiming to form a new market as a pioneering model
Hironobu Seto
Head of House Purchase & Resale Department

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Expecting EVERLOOP to lead a new trend in Japanese housing

When Sekisui House was established in 1960, Japan had a severe housing shortage, with the number of houses far below the number of households. Now, the number of houses is about 20% greater than the number of households, and excess houses total several million. These figures are a reflection of the tremendous efforts made by the housing industry and a clear indication of a change in the housing environment.

There will be great demand in the housing industry to take care of existing housing stock and effectively use these houses as updated, enriched places to live. I give high marks to the industry leader, Sekisui House, for deciding to launch its innovative, timely EVERLOOP operation in which it repurchases homes that it has built, remodels them to meet present-day needs and transfers them to new owners. I have great expectations that this will start a new trend in Japanese housing.

My friends ask me whether my home is new, and one could easily think so. I enjoy my home as if it were new. Excellent insulation makes it very comfortable. In addition, large windows and ingenious design features to create open spaces allow for very relaxed living and make mine a comfortable house.

The other day, I watched a cicada emerge from a pupa on a tree in the garden, which was as left the previous owners, and I thought about them. While watching this cycle of life, I thought about the revitalization of housing and understood the significance of the EVERLOOP model.

In the beginning, Ms. M. compared an EVERLOOP home with new wood-frame housing offered by local construction companies. After touring a Sekisui House EVERLOOP home for sale, she saw that although the square footage and prices were similar, EVERLOOP homes clearly had more in quality and performance to offer.

We explained to Ms. M. that we had carried out a careful ground survey, which confirmed the soundness of the foundation and frame. We also showed her photographs of the extensive remodeling work we did to bring her prospective home up to next-generation energy-saving insulation standards. Eventually, she found the durability and livability of the home she was considering buying agreeable.

“I’m a new home, isn’t it...?”
Sharing the desire to restore natural conditions

Having a better-than-expected garden, I feel like I’m in a second house deep in the forest. I understand Sekisui House’s efforts to restore a balance with nature. In the future, I want to continue tending a garden that attracts birds and butterflies.

The term Satoyama refers to the natural environments traditionally preserved among tracts of land turned to human purposes. These environments are wooded areas used for resources like firewood and materials for fertilizer and are adjacent to rice paddies, fields for other crops, ponds, and streams. They also serve as complex ecosystems with various habitats. Taking cues from the Satoyama concept, Sekisui House is offering gardens suited to local climates and striving to revitalize natural ecosystems.

Gohon no ki gardening concept for creating gardens that emphasize both comfort and ecosystem protection

The Satoyama regions make up approximately 40% of Japan land area. These regions are home to a wide variety of plant and animal species, including endangered ones, and form ecosystem networks where wild animals live.

In recent years, declining Satoyama maintenance has resulted in the proliferation of bamboo grass and groves and the degradation of the quantity and quality of biodiversity. Consequently, the protection of Satoyama has become urgent.

Since 2001, Sekisui House, Japan’s leading homebuilder, has been advancing the Gohon no ki gardening concept for gardening and greenery activities that support biodiversity. This concept is based on the Satoyama example and involves housing-related activities in protecting the natural environment.

If gardens are created by relying not on non-native species chosen simply for their appearance, but mainly with indigenous species, mixing evergreen and deciduous varieties with ponds or other water resources in configurations like those in natural woodlands will attract birds, butterflies, and other insects. These, in turn, create a peaceful, relaxing atmosphere for homeowners, who come to appreciate, and communicate, the joy of living amid such a living environment. Gardens with a natural balance also require relatively little work by the homeowners.

In fiscal 2008, Sekisui House planted 850,000 trees. We will continue advancing the Gohon no ki gardening concept.

Mr. Y, (Hachioji City, Tokyo) who has built a garden based on the Gohon no ki gardening concept

Garden with an arrangement of sanbaseki (stones) and an artificial mound covered by undergrowth

A great tufted titmouse visiting the garden

Satoyama as a model for revitalizing the relationship between people and nature

The country will be categorized using five climate zones with representative indigenous trees selected for each zone. A single indigenous tree can support several hundred birds and other species.
In November 2008, Sekisui House and the Sharing Earth Association were awarded the Partnership Prize in “the 6th Partnership Grand Prix.” This prize is sponsored by the Partnership Support Center for biodiversity protection work based on the Gohon no ki gardening concept.

In April 2008, the Japan Business Initiative for Conservation and Sustainable Use of Biodiversity (JBIB) was established with 17 members (21 as of January 2009), including Sekisui House.

In May 2008, at the UN’s 9th Conference of the Parties to the Convention on Biological Diversity (COP9), held in Germany, 34 companies from six countries signed the Business and Biodiversity Initiative. Nine Japanese companies, including Sekisui House, backed the Leadership Declaration.

COP10 will be held in Nagoya in 2010, and international attention is now turning to the activities of Japanese companies.

Gardens, which look like bright thickets, are based on the Gohon no ki gardening concept. In the garden, the trees’ shapes and heights have been adjusted, the ground has been contoured, and other steps have been taken to make the garden appear deeper and more luxurious.

Gohon no ki trees from natural forests make a robust, insect- and disease-resistant garden with natural forms that support birds, which feed on destructive insects. These beautiful gardens require relatively little care.

Garden designs based on planning that benefits people’s lives are true sustainability.

### Actively participating in international biodiversity protection initiatives

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**Annual Tree-Planting Results**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Trees Planted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>750 thousand trees</td>
</tr>
<tr>
<td>2007</td>
<td>800 thousand trees</td>
</tr>
<tr>
<td>2008</td>
<td>850 thousand trees</td>
</tr>
</tbody>
</table>

### Biodiversity Conservation through the Business of Sekisui House

With the 10th Conference of the Parties to the Convention on Biological Diversity (COP 10) to be held in Nagoya in 2010 approaching, the number of Japanese companies developing activities for biodiversity conservation is rapidly growing. However, it is obvious that COP 10 itself cannot be the true goal. If a company were to make only superficial activities, it would lose reputation.

Meanwhile, Sekisui House has been making substantial contribution through their core business; Gohon no Ki gardening concept, a unique way to encourage their customers to assist in revitalizing and reviving local biodiversity, which was once lost or degraded. They also have developed and employed a very advanced policy on the procurement of timber. It was the first of this kind among Japanese house builders. Involvement of both customers and suppliers is the feature of their activities. I believe and hope that such activities will help Sekisui House’s proactive and enthusiastic attitude toward conservation of biodiversity to prevail.
Nurturing the development of thriving communities over time

For people to live comfortably in one place and thrive over the long term, they must have communities that enrich their lives. Sekisui House’s Urban Development Charter is the Company’s basis for engaging in urban development, with the aim of creating communities that become more beautiful with time and age well along with their residents.

Supporting the development of thriving communities: Common City Ina Gakuen Toshi (Saitama Prefecture)

1999 First sales stage started Supporting community development


Looking back happily at how the community has developed, Tetsuo Onoda, a resident since 1999, said, “It started from nothing, so the preparation of everything—the management agreement, building codes, committee rules—all of these fundamental things were left to Sekisui House. Since the community’s beginning, Sekisui House has been involved in its development and has supported the residents by, for example, planning events such as summer festivals and Christmas parties.

2002 Developing systems for managing the community

The management committee system was firmly in place and residents were holding monthly Board meetings. Sekisui House employees involved in the development of the community attend these meetings. We have assisted in negotiations with...
Ina Town for the maintenance and management of landscaped streets and Pocket parks (former street sections converted to parks). After many rounds of negotiations involving the Company, the management committee, and local government officials, this maintenance and management work was successfully transferred to Ina Town.

2008 Deepening residents’ attachments to their beautiful town

Community self-management in full gear

The management committee is now run independently by the residents. “The residents are very concerned about the environment and landscaping. In this fiscal year, flyers providing information on the chemicals used on plantings and their effects were distributed to every residence and to neighboring communities,” said Mr. Onoda. Regarding additional plantings of greenery, the Company received questions on whether they were in line with the building codes.

Looking to the future, Mr. Onoda said, “Ten years have passed since this community was created, and the residents have gotten to know each other quite well. We’re about ready to think about how we want our community to develop. It’s going to be important to give kids opportunities to learn about nature and to do more community events.” For its part, Sekisui House will support the community as it continues to mature.

I want to create a good community, while receiving advice along the way.

My friends who have visited Common City Ina Gakuen Toshi are surprised at how green and beautiful it is. That each of the 172 homes has a distinctive appearance that adds to the outstanding quality of this community.

Sekisui House has a great track record in town development. I look forward to receiving advice in the form of examples from other towns as we manage our development.

Mr. Tetsuo Onoda
Chairman, Management Committee
Common City Ina Gakuen Toshi

Communities linking through “n times richer” landscape design concept

“n times richer” landscape design concept, a design approach that links neighboring gardens and the surrounding environment, focuses on the placement of houses and greenery. Its underlying concept is to multiply by “n” times the comfort and richness enjoyed by residents who live in a series of homes (“Y” homes) linked to the natural surroundings.

Residents who have moved into “n times richer” communities have said that these are perfect places for raising children and that sharing landscapes is a very agreeable concept. The company holds seminars to offer suggestions to residents to improve their daily life. Examples include the placement of tattan blinds in windows and the adoption of nighttime thermal energy storage systems. One particular success is the realization by residents that raising their thermostats 2°C in the summertime does not make their homes less comfortable.

Recipient of a 2008 Good Design Award

In October 2008, the “n times richer” town development approach won a “Good Design Award” from the Japan Industrial Design Promotion Organization.

Three rules of “n times richer” landscape design concept

Weather

Link with the wind

Take advantage of the effects of greenery to reduce radiant heat and to cool the air, link each home’s greenery, and let comfortable breezes into interior spaces.

Land-scape

Link with scenery

Arrange greenery so that it is visually linked to the greenery on adjacent properties and in the nearby environment, thus providing green continuity in views from windows.

Access

Link with the town

Use wooden decks and other intermediating elements linking interior and exterior spaces. This extends the living area outside the house and promotes the formation of communities.

Thermography image showing greenery’s effectiveness in reducing thermal radiation and cooling air.

Sustainable Action in Numbers

Houses certified as “Environmentally Symbiotic”

<table>
<thead>
<tr>
<th>Year</th>
<th>Houses certified</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1,631 (Houses)</td>
</tr>
<tr>
<td>2007</td>
<td>1,743 (Houses)</td>
</tr>
<tr>
<td>2008</td>
<td>1,305 (Houses)</td>
</tr>
</tbody>
</table>

Sekisui House actively works to obtain “the Environmentally Symbiotic House” certification awarded by the Institute for Building Environment and Energy Conservation. Promoting the environmental coexistence of homes in town developments, all of the homes introduced at the Machinami Sankan-bi Housing Fair, held twice a year, have been certified as “Environmentally Symbiotic Houses.”
**First subdivision designated a “Landscape District”: Greenland Karayama (Gifu Prefecture)**

In 2008, Greenland Karayama became the first subdivision in Japan to be designated a “Landscape District,” when it received that distinction from Kakamigahara City, Gifu Prefecture. A Landscape District is an area that has undergone building modification and other regulations in accordance with the Landscape Act. Greenland Karayama, from 2005, has developed into a beautiful community. This development by residents has been guided by Sekisui House’s Urban Development Charter and Urban Development Basic Principles. Greenland Karayama has such features as a feeling of openness created by rules prohibiting fences between buildings and roads and the installation of utility poles or cables along main thoroughfares. The placement of greenery under the Gohon no ki gardening concept and local warashi stones has made Greenland Karayama more beautiful. Praise for these scenic touches and the cooperation of residents to protect the appearance and enhance the value of their community resulted in the Landscape District designation.

The Company and the residents of Greenland Karayama will continue to work together and make the most of the distinctive appearance of each house. These efforts will enable this community to develop in accordance with the Landscape Preservation Guidelines set forth when the Landscape District designation was received.

Mr. Takayoshi Yamaguchi
Executive, Self-governing Association Greenland Karayama

That we would be designated a Landscape District was explained to me ahead of time by Sekisui House, so I wasn’t surprised or overwhelmed when the designation was announced. Some people think this designation comes with too many rules and only makes things more difficult, but I want to make use of its benefits, like the availability of government assistance to remove dead trees, so we can keep this community green and beautiful forever.

Pursuing urban development unique to individual locations

**Common City Juo Shironooka** (Ibaraki Prefecture)

1999

Common City Juo Shironooka uses the land contours and woods, as well as the remains of a mountain castle, to create a local style incorporating black-tile gabled roofs and painted walls. In 2001, Common City Juo Shironooka became the first owner-occupied residential area to receive a Good Design Award.

2006

**Common City Hoshida** (Osaka Prefecture)

1994

Common City Hoshida was a planned community that will develop a certain image and age with beauty. This community received the 1996 Urban Design Award and the Minister of Land, Infrastructure, Transport and Tourism Award at the 2005 Urban Planning Design Contest.

2008

**Garden City Nagakura** (Niigata Prefecture)

Garden City Nagakura is a large-scale Sha-Maison Town apartment complex created with the agreement of its 11 owners. Plans call for using the exclusive appearance of the community, which reminds us of maison town and to populate common spaces with trees, which will create value that grows over time.

**Grande Maison Suginami Season** (Tokyo)

Grande Maison Suginami Season in Suginami-ku, Tokyo, is Sekisui House’s largest condominium complex. This development uses existing trees and buildings to create its scenic value. It won the 2007 Japan Association for Real Estate Sciences Achievement Award.
The Teriha Kids Growing Project, involves community activities aimed at supporting child-rearing and supported by Island City Teriha no Machi, received a “Kids Design Award” in the communication design category. Grande Maison Itami Ikejiri Literacity received a Kids Design Award as the winner of the architecture and space design category.

Island City Teriha no Machi
Island City Teriha no Machi is an urban development project surrounded by the sea, the verdant Teriha no Mori Forest, and other natural features that create a place for promoting the development of children as they learn about nature. Common spaces distributed throughout the development are settings for residents to interact.

Grande Maison Itami Ikejiri Literacity
Grande Maison Itami Ikejiri Literacity, Itami City, Hyogo Prefecture, which was completed in spring 2009, is a 368-unit condominium development that offers a rich daily life and living environment and a broad array of features useful for community development. Based on five concepts—protect, learn, play, relax, and connect—Sekisui House applied the “Seikatsu Literacy”* expertise it has developed in detached housing to emphasize the attractions of raising children within a community and produced plans and designs aimed at helping parents to raise and support children.

* Seikatsu Literacy is a Sekisui House trademarked term. It incorporates knowledge, culture, and expertise to enrich daily life and housing.

To ensure security, playgrounds were positioned within sight of balconies. Residents can also enjoy family time at facilities like a kids’ room provided with our unique play equipment.

Island City Teriha no Machi, a beautiful green island in Hakata Bay
Children experience nature at the Teriha no Mori Forest, the symbol of the community

Common rooftop garden with a biotope and space for growing vegetables
Lush, green entranceway based on the Gohon no ki gardening concept

“Kids Design Award” received for urban development and community activities focused on child-rearing

Further enhancing asset value
For people to live with peace of mind in these communities, enhancing and maintaining the value of their homes—their largest assets—takes on even greater importance. One aspect of enhancing and maintaining home values is proper maintenance and management. These activities require information on the conditions under which a house was built, how it has been developed, and its current status. That information must be properly collected and managed so that it can be put to effective use.

Another aspect of enhancing and maintaining home values is the development of the living environment. The appearance of a community—trees, residents’ activities, and other aspects of the environment develop over time. To improve the living environment, the community needs an environmentally conscious design, the establishment and self-sustaining operation of a management system, systems for ensuring that tasks are performed efficiently and economically, and a system for monitoring the overall condition of the community. I have great expectations for new initiatives aimed at developing housing and the community that result in greater value over time.

Dr. Hiroko Saito
Professor
Real Estate Studies
Meikai University
Dr. Saito specializes in the design and management of the living environment of detached houses and condominiums. She evaluates residential land at home and abroad.
Waste reduction and resource recycling

Our commitment
We will maintain zero emissions in production, construction, after-sales service, and remodeling, and move forward with efforts to reduce waste generation and to promote or urge recycling.

Working to refine our zero emissions activities

Various materials are used to make houses, and a large variety of waste products result from construction. Furthermore, because houses, unlike factory-made products, are completed at construction sites, waste emanates from locations throughout the country, which makes collection and recycling difficult. Sekisui House, by establishing waste sorting rules and setting up a waste collection system, has achieved zero emissions.* Even after having reached this goal, however, we continue to refine our systems.

* "Zero emissions" means no landfill waste and no incineration without heat recovery.

Zero emissions at new construction sites and concentrating on reducing waste and enhancing quality of recycling

In the past, material mill ends; packaging materials; consumables like sheeting, tape, and other materials used in construction; and other types of waste came from new construction sites. To reduce this waste, we are using materials precut at factories and employing returnable packaging materials. In addition, we have standardized construction techniques that make efficient use of gypsum board and wood—major sources of waste—and are using remaining materials for other purposes such as wood sheathing reinforcement. Our efforts have resulted in significant waste reduction.

For the waste remaining even after these steps are taken, we are implementing separation steps and recycling processes.

New Construction Site Waste per House

<table>
<thead>
<tr>
<th>Year</th>
<th>Gypsum boards</th>
<th>Wood waste</th>
<th>Total Waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>592</td>
<td>344</td>
<td>1,872 kg/house</td>
</tr>
<tr>
<td>2007</td>
<td>476</td>
<td>267</td>
<td>1,646 kg/house</td>
</tr>
<tr>
<td>2008</td>
<td>444</td>
<td>222</td>
<td>1,463 kg/house</td>
</tr>
</tbody>
</table>

* Equivalent for a 145m² house; includes materials with value.

Accelerating initiatives for zero emissions under the industry’s first multi-regional certification system

1. Cut waste generation (reduce)
   - Precut materials
   - Use returnable packaging materials

2. Sort waste into 27 categories

Record and manage waste generation amounts at each collection site (Test-basis use recovery system using IC tags at some offices)

The Shikoku Sales Administration Headquarters and its sales offices are united in focusing on resource recycling under the slogan, Sustainable Shikoku. We began using IC tags at all sites in February 2008 and have been working to improve construction site work efficiency and productivity.

Since embarking on zero emissions activities for new house construction sites, the Shikoku Sales Administration Headquarters has implemented various waste reduction measures. The details of each measure are worked out through trial and error with the cooperation of construction workers, all of whom are aware of the need to sort and reduce waste. Accomplishing that requires the presentation of objectives based on precise rationale, and that is why we have adopted the use of measurements and IC tags for all materials and products. Looking ahead, we will work to continue reducing waste and will advance zero emission activities that carry our role and responsibility as an Eco-First Company.

Next-generation zero emissions system using IC tags

On a test basis, we have implemented a next-generation zero emissions system that uses IC tags to enable the collection of detailed waste generation data and analyze separation.

In recognition of the Company’s efforts, in July 2008 the Japan Automatic Identification Systems Association presented the company with “the Fuji Sankei Business-i Award” at the 10th Automatic Identification System Grand Prix.

Sustainability in Action

Moving forward with improvements at the detailed level based on examinations of data from actual operations

Zero Emissions Promotion Committee
Shikoku Sales Administration Headquarters
In fiscal 2002, we ceased sending waste from factories for incineration or landfill disposal and achieved zero emissions—the recycling of all waste. Since then, we have been working to reduce the waste generated and to shift to approaches with a lower environmental impact. For example, the use of sawdust and other materials that can be converted to biomass for use in power generation facilities.

New product lines set up at some factories increased waste per house at production factories during fiscal 2006 and 2007. However, in fiscal 2008 we improved this level to 721 kg per house. Based on a system for comprehensive management including reduction of waste from new construction sites through zero emission activities, we will strive to achieve waste reductions by, for example, reducing sludge from factories, promoting the precutting of materials, and revising orders.

**Third-party comment**

**Building an efficient waste disposal system through thorough upstream separation**

Sekisui House’s Resource Management Center is a processing facility for waste from construction sites, but the sorting of waste takes place elsewhere. When waste is generated at a site, it is sorted into 27 categories, bagged, and sent to the Resource Management Center, where it is again separated into around 60 categories, which is truly amazing.

The person in charge of this process says that initial separation at the site is key. In other words, Sekisui House’s waste disposal system emphasizes upstream processing. This means, for example, that, when materials are unwrapped on site, packaging materials that are no longer usable are immediately sorted.

In the past, packaging materials and construction waste were gathered for sorting at a later time, often meaning no sorting. Sorting immediately, therefore, is more efficient. Seeing this process design, I realized that the design of waste sorting work must be performed at the same time as the design for processing and assembly work.

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**Expanding zero emissions**

Sekisui House embarked on its zero emissions plan in 2000 and has gradually headed toward zero waste in its operations. Since then, we have achieved zero emissions at all of our factories, new construction sites, after-sales service division, and in our remodeling division.

In 2008, we began looking at ways to achieve zero emissions at demolition sites.

**Waste Generation per House at the Production Factories**

*Equivalent for a 145m² house. Includes materials with value.*

<table>
<thead>
<tr>
<th>Year</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>661 kg/house</td>
</tr>
<tr>
<td>2007</td>
<td>798 kg/house</td>
</tr>
<tr>
<td>2008</td>
<td>721 kg/house</td>
</tr>
</tbody>
</table>

**Introduction of Material Flow Cost Accounting**

Material Flow Cost Accounting is a management approach in which the raw material and processing cost of wastage is made visible in quantitative and financial terms as “negative product cost” for the ultimate purpose of improving resource productivity and reducing waste.

In July 2008, we began testing this approach in the panel production process and have identified and rectified negative product costs. In fiscal 2009, we are moving forward with similar initiatives in key production processes.

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**Dr. Seiji Kurosu**

Professor
Waseda University Graduate School of Commerce
Specializations include production management, logistics, and system design methods
Cooperating with suppliers on sustainable wood usage

Every year, 13 million hectares of forest are lost to illegal logging and slash-and-burn agriculture worldwide, escalating the destruction of natural ecosystems that are the foundation for human life.

To enable the sustainable use of forests, Sekisui House promotes socially acceptable “FairWood” procurement. We are working with suppliers and nongovernmental organizations (NGOs) to improve wood procurement.

“FairWood” is advocated by the Global Environmental Forum and FoE Japan, an international environmental NGO.

New flooring material specifications to improve procurement

In April 2007, Sekisui House announced its Wood Procurement Guidelines that take into account a wide array of perspectives, ranging from legalities to biodiversity and the livelihoods of people living in logging areas. In following the guidelines, scores are determined for compliance with Ten principles and totaled to determine a wood procurement ranking of S, A, B, or C. The purpose of promoting “FairWood” procurement is to decrease the procurement of low C-ranked wood and increase the procurement of high S-ranked wood.

In fiscal 2007, we performed an examination aimed at elevating the procurement of flooring material, about 70% of which is comprised of wood at a low procurement level. In fiscal 2008, we began using our findings to switch tree species and use wood from certified forests* for approximately 70% of the flooring material we use.

We have also considered changing the species of tree used for stair steps with low procurement rankings, adopting plywood made of Japanese conifers for a portion of our needs, and examined possibilities for obtaining forest certifications for our wood-frame houses. Based on our findings, we have taken actions like changing tree species beginning in fiscal 2009. We will continue to take such actions to shift to higher procurement levels.

In fiscal 2007, we purchased 374,000 m³ of wood products, slightly less than 60% of which consisted of products with S- and A-level procurement rankings.

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 not 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.

Using total procurement guideline points, classify the subject products as S, A, B, or C level, with S being the highest. Establish a separate borderline for guidelines 1 and 4, which are particularly important.

Letter of gratitude about “Logging Promotion” from Director General of the Forestry Agency

In December 2008, Sekisui House’s efforts to promote the fair procurement of “FairWood” were recognized by the Council for Tackling Illegal Logging issue in its “Logging Promotion Awards.” The Company received a letter of thanks from the director general of the Forestry Agency in “the Logging Usage Category.”

Sustainable Action in Numbers

Sekisui House’s Wood Procurement Guidelines formulated in 2007 are expected by many inside and outside the Company to have a significant impact. Since these principles were formulated, we have held various briefings; made and implemented specific measures; and, together with the relevant internal departments and with suppliers, have steadily produced good results.

Now, the Japanese government is looking more closely at “FairWood Procurement,” and many are paying attention to Sekisui House’s actions regarding wood procurement.

Looking ahead, we intend to improve transparency and fairness in procurement, fulfill social responsibilities through procurement, and move forward with additional environmental initiatives.
Housing is an assembly industry that puts together a multitude of parts and members. In this industry, promoting environmental initiatives requires cooperation from numerous suppliers, and so communicating procurement policies is important.

In May 2008, we conducted a survey of primary suppliers of wood materials, asking them for information like the types of trees used in their products, geographic origins, volumes shipped, and documentation certifying legal harvesting. Afterwards, we held a briefing on our Wood Procurement Guidelines for approximately 100 representatives from 61 suppliers.

At this briefing, FoE Japan, an international environmental NGO, assisted with explanations of the social circumstances for suppliers regarding the procurement of wood products, and our Wood Procurement Guidelines. Suppliers were also asked for their cooperation in future initiatives. This briefing helped to strengthen ties with suppliers and has resulted in an increase in suppliers’ subjective proposals regarding wood products.

As part of our “FairWood” procurement education activities, we have produced a picture book, which addresses forest-related problems. We distribute these books at display homes and other facilities throughout Japan.

We developed our Chemical Substances Guidelines in fiscal 2007. In fiscal 2008, we focused on toluene, xylene, and hexavalent chrome and, with the ultimate goal of reducing the usage of these chemicals, interviewed suppliers to gather information on matters like technical issues and cost impacts. We are using the results of these interviews to pursue specific initiatives in fiscal 2009.

The keywords are “regional diversity”

I think the year was one of steady progress in promoting application of the Wood Procurement Guidelines. Progress was achieved not only internally. I realized through the briefings for suppliers and other communication initiatives that Sekisui House has again asserted its tremendous influence as the housing industry leader.

At present, the Company is advancing guideline initiatives focusing on avoiding risks on forest environments, so I expect it will eliminate purchases of low-procurement level, C-rank wood products in the near future. I also expect for the Company to do more in the way of purchasing wood products from domestic forests and products from certified forests and move one step higher in “FairWood” procurement. Furthermore, I want to see the “FairWood” concept promoted through its communications aimed at informing their customers of the Company’s actions.

We benefit in many direct and indirect ways from forests. I, therefore, want people to go beyond seeing wood products as only industrial products and make the effort to understand the different forest conditions and local social conditions encountered by its places of origin. It is important to vary procurement based on regional circumstances. I want housing to be functional and based on outstanding designs that appreciate diversity.
Supporting diversity in working styles

Our commitment: We will actively support the careers of women, other members of a diverse workforce, and the next generation.

Creation of work environments where employees can use their abilities long term

For the sustainable growth of employees and the Company, we declared Human Resources Sustainability to be its basic human resources policy in March 2006. With three primary objectives—career development for women, career development for a diverse workforce, and a healthy work-life balance—we are striving to create work environments in which employees are happy, approach their work with vitality, and feel that what they do is worthwhile.

Toward work environments in which women thrive more

In 2006, the Company established its Diversity Development Team to promote career development for women. The team is planning and recommending career development systems that support female employees' career, training, and success. We also have actively recruited women to management positions.

In 2007, we established our Women's Sales Support Committee to provide female sales staff with skill development and emotional support. Having set a goal of increasing females as members of our sales staff to 10%, we are actively recruiting internally and taking steps to provide more career opportunities.

As a female manager

As the first woman Branch Manager, I want to maximize customer satisfaction

During my first five years with the Company, I worked as part of the general staff, then I transferred to sales at my own request. I’ve worked as a store manager and achieved satisfactory results. I have been given opportunities and am now working as a branch manager. The Company has a history of promoting women to management positions, and I feel that the road to a management job is open to me. As a branch manager, I intend to create a working environment that will encourage everyone to do their best and will emphasize training for all of the branch employees.

Ritsuko Tomita
Branch Manager
Hyogo SHAWOOD-Home Branch

As a sales staff

I wish to use my perspective as a woman to win the hearts of customers

I’m constantly striving to apply my strengths as a woman to my work in housing sales. Wives often cast the deciding vote when it comes to choosing housing, and female customers often feel more comfortable talking to a woman sales staff. In addition, wanting to make recommendations that win the hearts of wives, I’ve earned professional qualifications as a Kitchen Specialist and Interior Coordinator. In the future, I intend to polish my skills, so I can present customers with the best recommendations.

Sustainable Action in Numbers

Total Employees 14,953 (as of end of Jan. 2009, Sekisui House Co. Ltd.)

Employees by Gender (%) refers to the number of management positions

<table>
<thead>
<tr>
<th>Users of the Child-Care Leave System (including short-term usage)</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Women only: 41</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>Women (43)</td>
<td>Men (24)</td>
</tr>
<tr>
<td>2008</td>
<td>Men (53)</td>
<td>Women (72)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Users of the Short-Time Working Hour System</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
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<tr>
<td>2008</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Work Category Transfer System Applicants</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>49</td>
<td>60</td>
</tr>
<tr>
<td>2007</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human Resources Recruiting System Applicants</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>120</td>
<td></td>
</tr>
</tbody>
</table>

Midori Ito
Manager, Corporate Management Planning Department
Diversity Development Team

In fiscal 2008, we held the second Women's Sales Representative Conference, gathering female sales staff from all branches to share information in a motivational environment. Meanwhile, each sales headquarters hold study groups and seminars to address real-life work issues.

Further comprehension was delivered by providing time for "utilizing women's abilities" at training for newly appointed leaders.

In fiscal 2009, we will create environments that allow the development and growth of independent business women.
<table>
<thead>
<tr>
<th>Support work-life balance</th>
</tr>
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<tbody>
<tr>
<td>For employees to sustainably demonstrate their abilities, we believe work environments must be places where they can work with enthusiasm. We also believe employees should enjoy life with enthusiasm outside the workplace. The Company, therefore, supports a work-life balance that allows employees to have time for themselves and their families. Accordingly, we allow employees to take child-care leave in excess of the time required by law, have enhanced various support systems and relaxed nursing care leave requirements, implemented an accumulated annual leave policy, and taken other steps to do everything we can to create work environments that allow every employee to show their abilities given their individual life circumstances.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Taking child-care leave</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Caring for, and spending quality time with my family before the birth our fourth child</strong></td>
</tr>
<tr>
<td>To help my wife give birth to our fourth child without worrying about our other three (ages 8, 5, and 3), I took child-care leave. As a construction foreman, I was very concerned about my work responsibilities. I arranged to deal with business by phone from home and went to work periodically. With the cooperation of the people I work with, I was able to take child-care leave. In the future, I’ll help others do the same.</td>
</tr>
</tbody>
</table>
| **Hiroyuki Sakurai**  
**Construction Section, Takasaki Branch** |

<table>
<thead>
<tr>
<th>Using the work category transfer system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taking on different work challenges to expand personal possibilities</strong></td>
</tr>
<tr>
<td>Having entered the Company as a general staff, I worked at display homes and other sections. However, I began to feel that I wanted to widen my job prospects and try other work, so I applied to the work category transfer system and switched my career track. After working in the General Affairs Section handling customer accounts, I am now representing a branch as a General Affairs manager and have seen an increase in opportunities to engage in internal and external negotiations. My responsibilities are heavy, but I really feel my work is worthwhile.</td>
</tr>
</tbody>
</table>
| **Satsuki Yamauchi**  
**General Affairs Manager, Toyohashi Branch** |

<table>
<thead>
<tr>
<th>Respecting personal wishes in applying diverse human resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>To create a work environment in which a diverse workforce can thrive, the Company has introduced a work category transfer system, retiree reemployment system, and human resources recruiting system, among others, and made it possible for employees to change career paths within the Company. The work category transfer system allows employees in the general staff and production areas to switch career track. The human resources recruiting system lets employees apply for open positions in particular operations or projects. Through these systems, we are aiming to be a company in which employees can do their work with enthusiasm.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As working parents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>We can choose the working style that meets our needs</strong></td>
</tr>
<tr>
<td>My husband is a sales consultant and I work for customer services in display homes. We both work at this Company, thanks to the understanding and cooperation of our branch managers, assistant manager, office managers, and office coworkers. It’s also true that we do our best to live up to everyone’s expectations. We are very happy that we can use the child-care leave, short-time work, and other systems to work at a company we like and raise our children. We are hoping that the system will be enhanced, so that there will be more working/lifestyle choices.</td>
</tr>
</tbody>
</table>
| **Tomoko Nagai**  
**Nagasaki Office, Niigata Branch** |

<table>
<thead>
<tr>
<th>Using the human resources recruiting system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Realizing excellent products without departmental barriers</strong></td>
</tr>
<tr>
<td>After joining the Company, I spent all of my time in design work, until at a certain point, I realized that the housing design system was inefficient in the planning of structures. At that time, there was a call for people wanting to work on the development of a new structure planning system, so I applied, saying that I wanted to be involved in hands-on development. Looking ahead, I want to be a part in creating better housing by applying my design experience in developing a new structure planning system.</td>
</tr>
</tbody>
</table>
| **Daisuke Tabuchi**  
**Product Design & Development Department** |
Researchers and Consumers Working Together to Develop New Housing Concepts

For a sustainable future, R&D focused on ways of living and environmentally friendly technologies make it possible for residents to enjoy safe, secure, and comfortable lives, which is the duty of a housing company. The Company listens to consumers’ opinions and applies the home-building expertise it has developed over many years. Its R&D endeavors are aimed at producing advanced energy-saving technologies and systems and new concepts for ways of living and housing that promote coexistence with nature.

Sekisui House’s Comprehensive Housing R&D Institute in Kizugawa, Kyoto Prefecture, consists of the Technology R&D Institute, the Human Life R&D Institute, and the Home Amenities Experience Studio. All three perform R&D and functional evaluations on next-generation housing and share their results. The Home Amenities Experience Studio, through approaches including experiential learning and dissemination of information on new housing ideas, is also a place where consumers and researchers can discuss what housing should be in the future.

In fiscal 2008, the Comprehensive Housing R&D Institute pursued R&D initiatives, including housing safety and security, comfort, and sustainability. For example, housing safety and security research focused on fire-detection technology aimed at early detection and investigated losses incurred by residential burglaries. Housing comfort research, meanwhile, examined the use of ceiling vibration dampers to improve acoustic insulation for floors.

In the area of housing sustainability, research efforts focused on the use of Racomitrium Bridel, which requires little care, if any, and adds vegetation to the pitched roof of an experimental house. The researchers examined the housing design, installation of Racomitrium Bridel, and other aspects of this technology. This work studied the viability of Racomitrium Bridel as an option for the north-facing roof vegetation of Zero Emission House and the effectiveness of this approach in offsetting the heat island effect and thereby lowering summertime indoor temperatures.

We are helping to create comfortable housing and ways of living through activities such as universal design, crime and disaster prevention, and other types of housing safety and security research, and by putting forth new lifestyle concepts that coexist with the environment and respond to the needs of residents.
The Sustainable Design Laboratory in Kunitachi, Tokyo, is dedicated to the study of daily life activities that incorporate urban nature and are friendly to the environment. This laboratory explores daily life activities that build on traditional Japanese ways of living and adjust to the changing seasons. The laboratory consists of the Sustainable Living Laboratory and the Waigaya Laboratory and pursues research under three themes: enjoying daily life in harmony with nature, efficient energy usage, and use of environmentally friendly materials. The laboratory suggests different ways of living that incorporate new-concept space designs and seasonal adjustments.

As one of the few housing industry’s facilities open to the public, the Sustainable Design Laboratory has welcomed 2,412 visitors since opening in 2006.

Since 1990, the Company has been a leader in initiating measures to address problems associated with formaldehyde. We have developed technology for measuring and evaluating indoor pollution levels, endeavored to identify and evaluate the pollution amounts of each construction material, and worked to improve overall building standards. We formulated chemical substance emission standards for construction materials (Chemical-less Care Standards) in 2004 and have worked to reduce emissions based on our Chemical-less Care Substances Guidelines. In recognition of our efforts, our Chemical-less Care Standards earned the second annual “Kids Design Award” (Product design category) in 2008.

In July 2008, Sekisui House embarked on a joint research project with Massachusetts Institute of Technology (MIT) in the U.S. For the MIT Advanced Japan Design Workshop, the participating teams consisted of young Sekisui House engineers and MIT graduate students. These teams will spend two years working under the guidance of MIT professors, identifying issues related to falling birthrates, societal aging and population declines, environmental problems, and community destruction. They will perform research on sustainable community designs and ideal housing from a global perspective.
CSR Policy and Structure

Sekisui House and Sekisui House Group companies conduct business based on a corporate philosophy founded on Love of humanity and the desire to earn the trust and understanding of society. With CSR as a management fundamental, we are fulfilling our responsibilities to our stakeholders.

CSR policy

In 1989, we formulated a corporate philosophy centered on the theme of Love of humanity. In formulating this philosophy, we received input from our workforce, and we have a vision of sustainability as our goal. Through our CSR program, we seek to raise corporate awareness and to be recognized as a trusted corporate citizen by stakeholders.

In 2004, reflecting our aim to become a sustainable company, we adopted this CSR approach as a central tenet of our S-Project, the medium-term management vision we established, in addition to Customer Satisfaction (CS), Employee Satisfaction (ES), and Shareholder Satisfaction (SS).

CSR committee and CSR promotion structure

The CSR Committee meets every three months, led by the Chairman and CEO, and has 23 internal committee members (all of the internal directors and some of the corporate officers), as well as three external committee members accomplished in their respective fields. With the input of third-party members, this committee enhances the Group’s CSR initiatives by setting new directions for activities while assessing the conformity of the Company’s present activities with societal norms and expectations. As determined by the CSR committee, the CSR promotion structure is as shown below.

Corporate governance and internal control system

To ensure solid stakeholder support, we have 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 is as shown below.

As part of our Internal Control System, we have established 10 basic policies, including one calling for the establishment of a system to ensure that Board members are performing their duties in accordance with national laws and Company bylaws, based on the Basic Policy Concerning the Development of an Internal Control System passed by the Board of Directors in May 2006. These basic policies serve as the foundation for our efforts to implement systems and ensure that they operate properly.

The J-SOX Promoting Office established within the Accounting & Finance Department will confirm strict groupwide compliance with, and enforcement of, the internal controls required by the Financial Products Exchange Law, which takes effect in the fiscal year ending in January 2010.
Compliance promotion

- Ideas on compliance
  Viewing compliance as not only acting in accordance with laws and regulations but also paying constant attention to CSR, we have positioned compliance as an ongoing management concern. Accordingly, we have established the Compliance Risk Management Group under the CSR Committee and are working to train employees on related matters.

  Working Committees head up efforts to resolve compliance promotion issues, while the managers throughout the country lead by example in resolving compliance issues.

- Compliance promotion activities
  The Company has established a compliance education system and is conducting group-wide training by job level and role, so that executives and employees can work to promote and ensure compliance.

  In fiscal 2005, we designated every October as a time for focusing on enhancing compliance (corporate ethics) and, since fiscal 2006, have required all employees to annually submit a “Corporate Ethics Compliance Pledge” and “Pledge to Help Stop Drunk Driving.” We also implemented e-learning on related topics in fiscal 2006.

  Sekisui House offices throughout Japan engage in readings of our Corporate Philosophy Booklet, discuss case studies, and prepare their own code of conduct.

- Compliance awareness survey
  We began conducting the Compliance Awareness Survey in fiscal 2005 to quantitatively measure awareness levels and degrees of understanding and to establish indicators for compliance promotion activities. Survey results are used to create a CSR Index (a management tool) for individual offices on an ongoing basis.

Internal reporting system and whistleblower protection
In August 2001, the Company established the SCS SYSTEM (Sekisui House Group Corporate Ethics Helpline). This internal reporting system helps to ensure employees are aware of violations of the law or corporate ethics.

  The guidelines for this system include clear statements on the protection of the privacy of a whistleblower, the confidentiality of a report, prohibitions against retaliation against whistleblowers, and other matters.

Protection of personal information
We collect customers’ personal information at display homes, sales offices, and other locations. We, therefore, have developed systems to meet the requirements of the Personal Information Protection Law and have appointed an executive to be responsible for the protection of personal information. In March 2005, we created our Guidelines for Handling Customer Information and established the full-time Customer Personal Information Management Office within the CS Promoting Department. This office considers policies and steps for protecting personal information, develops security measures, conducts employee training, and performs audits.

  In employee training, the office distributed a guidebook in fiscal 2005. The office conducted new e-learning training for all employees in fiscal 2008.

Compliance and risk management

Sekisui House’s risk management efforts are handled by the Compliance Risk Management Group, operating under the CSR Committee. Group companies cover risk management when training personnel at partnering construction companies.

  We produce all prefabricated structural components. At the construction sites, our subsidiaries, Sekiwa Construction companies, and partnering construction companies, work with us to make sure construction is properly managed.

  Regarding the environment, we have reduced risks by, for example, building a system for tightly managing construction waste. We have also identified risks related to soil contamination, natural disasters and other factors, and are putting into place systems to control them.

CSR Index Concept
The chart includes each business branch according to eight indices, and shows awareness levels for the Company as a whole, executives, ordinary employees, and other groups, as well.

  Compliance
  Human Resource Development
  Environment
  Work Environment
  Management
  CS
  Sekisui House Committee
  ES

  Branch Manager
  Others
  Sales Administration Headquarters Average
  Company-wide Average
### Social Targets and Actual Performance

#### Summary and outlook
Maintaining sound business operations requires more than simply imposing stricter internal rules and punishments. It is important to create an autonomous, self-checking organization characterized by strong communications.

In fiscal 2008, we worked to increase overall awareness by again conducting our Compliance Awareness Survey and examining multiyear trends. We have also developed standard multi-purpose, objective measures of office-level CSR activities and will continue to provide feedback to each business office. Sekisui House has positioned its Sustainability Report, which is presented by our CEO addresses outside the Company and key to other such partnerships, as a core educational tool.

In the lead-up to the 50th anniversary of our founding in 2010, we hope Sekisui House employees individually return to the Corporate Philosophy and the Code of Conduct, which connect us directly to our identity at the time of our founding and the conceptual foundation of our CSR activities, and approach their work proactively.

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### CSR policy and framework

#### FY2008 target
- To have the level of activities at each business office by implementing the PDCA cycle while using our CSR indices and the targets and actual performance.

**Fiscal 2008 Results and Commentary**
- Evaluated initiatives from multiple perspectives and provided feedback to each business office. Improvement activities were based on reducing gaps in activity levels of each business office.

**Evaluation**
- A

#### FY2009 target
- Use the CSR Index and targets and results for each business office to accelerate the PDCA cycle. Raise the level of initiatives from the bottom up and foster development.

**Fiscal 2008 Results and Commentary**
- Held training sessions to improve the skills of employees responsible for sexual harassment and abuse of authority consultation services at all offices.

**Evaluation**
- A

#### FY2009 target
- Promote the development of workplaces where people are free to exercise their capabilities and where human rights violations do not occur.

**Fiscal 2008 Results and Commentary**
- Created the Internal Control System, with full-scale operations, scheduled to begin in fiscal 2009. Strengthening risk management remains an issue.

**Evaluation**
- B

#### FY2009 target
- Bring the Internal Control System fully up to speed and continue building risk management systems.

**Fiscal 2008 Results and Commentary**
- Hosted workshops, and opinion-exchange gatherings at the Sustainable Design Laboratory, drawing participation from 412. Received 258 external visitors to the Zero Emissions Center. Used the Sustainability Report as a centerpiece of opinion-exchange meetings.

**Evaluation**
- B

#### FY2009 target
- Continue to build forums. Create opinion-exchange gatherings centered on the Sustainability Report, and offer other opportunities for dialogue with stakeholders.

---

### For our customers

#### FY2008 target
- Further strengthen communications with owners through all kinds of channels.

**Fiscal 2008 Results and Commentary**
- Began issuing a regular newsletter and conducting surveys of owners. Analyzed survey results and applied them in making improvements. Focused on referral rate as an indicator of customer satisfaction and noted a slight increase versus the prior year (0.05% increase to 47.6%).

**Evaluation**
- A

#### FY2009 target
- Strengthen communications with owners through Internet, magazine, and other channels. Increase the referral rate versus fiscal 2008.

**Fiscal 2008 Results and Commentary**
- Expand EVERLOOP, a business, focus on effective resource usage and extending the lifespan of houses, and help form a market for reconditioned houses.

**Evaluation**
- A

#### FY2009 target
- Establish Kansai Large Scale Experience-based facilities and take other measures to enhance innovative experimental learning facilities in multiple locations.

**Fiscal 2008 Results and Commentary**
- Visitors to experimental learning facilities numbered 30,266 at the Home America Store, 7,170 at the Large Scale Experience-based facilities, and 13,495 at other facilities.

**Evaluation**
- A

#### FY2009 target
- Build highly productive work environments overflowing with vitality.

---

### For employees

#### FY2008 target
- Implement flexible responses to the needs of female sales staff regarding marriage, childbirth, and childcare. Responses are based on discussions with employees and Diversity Development Team leaders.

**Fiscal 2008 Results and Commentary**
- 6 employees used the Work Category Transfer System to change to career track. 4 employees returned to work through the Reentry Reassignment Registration Policy/Policy. 125 employees applied for positions in one project through the Human Resources Reemployment System, and 21 successfully landed new positions. The employment rate was 94.3%, significantly higher than the government target employment rate of 80%.

**Evaluation**
- B

#### FY2009 target
- Make best use of a variety of human resources.

**Fiscal 2008 Results and Commentary**
- Strengthen remodeling business by concentrating on customer follow-up and cost-cutting.

**Evaluation**
- A

#### FY2009 target
- Implement flexible responses to the needs of female sales staff.

---

### For shareholders and the community

#### FY2008 target
- Further promote career development for women.

**Fiscal 2008 Results and Commentary**
- Promote diversity in human resources.

**Evaluation**
- B

#### FY2009 target
- Promote career development for women.

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### For the Shareholders

#### FY2008 target
- Keep annual dividends stable at ¥24/share and increase long-term dividend payout ratio as necessary to maintain a dividend payout ratio of 30% or more.

**Fiscal 2008 Results and Commentary**
- Hidé 117 Housing School Open Seminars for a total of 825 people, 215 Housing School Curriculum Committee Seminars for a total of 75 people, and 75 Housing School - Office Seminars for a total of 3,971 people.

**Evaluation**
- A

#### FY2009 target
- Distribute an annual dividend of ¥20/share, taking into account market conditions and economic recovery.

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### Improvement of Housing Culture, Cultural Education

#### FY2008 target
- Effectively use our facilities and know-how, together with Internet and other media, to focus on improving housing culture.

**Fiscal 2008 Results and Commentary**
- Further education education contribution activities utilizing experiential learning and other facilities. Create curriculum menus and accept more requests for course instructors and workplace experience opportunities.

**Evaluation**
- A

#### FY2009 target
- As a company connected to local communities, use our facilities and know-how to focus on improving housing culture.

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### Contribution to Society

#### FY2008 target
- Enhance the sharing and content of social contribution activity information.

**Fiscal 2008 Results and Commentary**
- 21,881 employees participated in 6,974 volunteer events. Employees contributed over ¥6.5 billion in disaster and other relief funds, over ¥44 million to charity events, and ¥950,000 in foreign currency to Children's Day charity for UNICEF.

**Evaluation**
- A

#### FY2009 target
- Enhance the sharing and content of social contribution activity information.

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### FY2008 target
- For the fourth distribution round, over ¥16.5 million is scheduled for distribution to 21 organizations.

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### Criteria for self-evaluation:
- A...Achieved numeric target for the year under review;
- B...Did not achieve but came close to target;
- C...Unable to improve toward target;
Environmental Targets and Actual Performance

Summary and outlook

Sekisui House’s pioneering environmental protection activities, such as the sale of Carbon Neutral House were recognized when the Ministry of the Environment certified the Company as an Eco-First Company. We displayed our near-future Zero Emission House at the G8 Toyako Summit, as requested by the Ministry of Economy, Trade and Industry, to very positive feedback and strong praise from both Japanese and foreign observers. Furthermore, through communication and cooperation with our suppliers we are making steady progress toward a sustainable society.

As a leader in the development of activities focused on the Gohon no ki gardening concept and other biodiversity-friendly initiatives and a prominent member of the housing industry, the Company advances CO2 reduction and resource recycling initiatives, and is moving forward with activities to protect biodiversity.

### Commitment 1. Actively promoting the reduction of CO2 emissions in both the construction and occupancy of our buildings

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2008 target</th>
<th>Results</th>
<th>Comment</th>
<th>FY2009 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced from occupancy of housing</td>
<td>newly installed photovoltaic power generation systems output: 8,006kW</td>
<td>7,736kW (2,071 units)</td>
<td>The Company succeeded in approximately doubling its performance in this regard, versus fiscal 2007. In fiscal 2009, we will work to further the adoption of photovoltaic power generation systems by expanding sales of Carbon Neutral Houses.</td>
<td>B</td>
</tr>
<tr>
<td>Adoption rate of high-efficiency hot-water supply systems at all-electric houses</td>
<td>74.1%</td>
<td>Though Eco-Cute adoption rates in all-electric houses had varied by locale, increased adoption in areas where rates had been low made it possible to achieve the target.</td>
<td>A</td>
<td>90%</td>
</tr>
<tr>
<td>Promotion of fuel cell system adoption in houses using gas and electricity</td>
<td>fuel cell system installations: 45 houses (units)</td>
<td>In fiscal 2009, through GreenFirst sales promotions we will advance the adoption of fuel cell system.</td>
<td>A</td>
<td>1,000 houses (units)</td>
</tr>
<tr>
<td>Promotion of energy-conservation remodeling of existing houses</td>
<td>Window insulation improvement area: 33.48m², High-efficiency hot-water supply system installations: 2,748 units</td>
<td>Upgrading window insulation alone was insufficient for achieving the target, but the combination of the measures noted above resulted in performance in excess of the prior year result.</td>
<td>A</td>
<td>Revision of highest priorities</td>
</tr>
<tr>
<td>Reduction of CO2 emissions from the factory production of housing 2% compared to the level for fiscal 2006</td>
<td>4.8% reduction</td>
<td>CO2 emissions per m² of product shipments were reduced 4.8% compared to the benchmark fiscal 2006 figure of 10.29kg CO2/m², achieving the target.</td>
<td>A</td>
<td>CO2 emission reduction of 3.5% for factory production (including transportation) compared to fiscal 2006</td>
</tr>
<tr>
<td>Reduction of CO2 emissions from the transport of housing components by 2% compared to the level for fiscal 2006 (Waste estimated per m² of shipments)</td>
<td>2.1% increase</td>
<td>Lower loading efficiency resulted in a 2.1% increase, to 5.93kg CO2/m², compared to the benchmark fiscal 2006 figure of 5.81kg CO2/m². Loading efficiency will be examined to achieve an improvement in fiscal 2009.</td>
<td>C</td>
<td></td>
</tr>
</tbody>
</table>

### Commitment 2. Actively promoting ecological networks and biodiversity revitalization

<table>
<thead>
<tr>
<th>Category</th>
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<th>Results</th>
<th>Comment</th>
<th>FY2009 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-impact eco-friendy wall paneling</td>
<td>Revised floor plank material specifications to help raise the procurement level for flooring materials</td>
<td>Requested the principal flooring material suppliers to change the flooring substrate, which is acquired in large quantities. Gradual conversion to certified materials and different tree species for flooring substrates began in fall of 2008.</td>
<td>A</td>
<td>Eliminate low procurement rank wood materials</td>
</tr>
<tr>
<td>Eco-friendly through planting</td>
<td>1 million trees for a year</td>
<td>Planted 850,000 trees in the year. The prior-year result of 800,000 trees was surpassed. In fiscal 2008, an average of 55 trees were planted for each house, 7 more than in fiscal 2007.</td>
<td>B</td>
<td>1 million trees for a year</td>
</tr>
</tbody>
</table>

### Commitment 3. Actively promoting implementation of resource recycling

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2008 target</th>
<th>Results</th>
<th>Comment</th>
<th>FY2009 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of waste from the production of electronic materials</td>
<td>4.8% reduction</td>
<td>Waste per m² of product shipments was reduced 4.8%, compared to the benchmark fiscal 2004 figure of 19.29kg CO2/m², achieving the target.</td>
<td>C</td>
<td>Strengthen ties between the production unit and offices to promote waste reduction</td>
</tr>
<tr>
<td>System construction and application preparations in progress</td>
<td>Adoption on a test basis in underway at sales offices, Isekiwa Construction, and factories, as system construction and application preparations proceed.</td>
<td>Achieve 100% adoption of electronic manifests during fiscal 2010</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Implemented material flow cost accounting for exterior panel manufacturing at the Shiga factory.</td>
<td>A</td>
<td>Achieve implementation for all major processes</td>
<td>A</td>
<td></td>
</tr>
<tr>
<td>Reduction of production waste from construction sites to 1,300kg/unit</td>
<td>1,463kg/unit</td>
<td>Reducing plasterboard, wood, and other waste at new construction sites, averaged less than 1,500kg/unit for the first time.</td>
<td>B</td>
<td>Establish reduction targets by type and achieve additional reductions</td>
</tr>
</tbody>
</table>

### Other

<table>
<thead>
<tr>
<th>Category</th>
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<th>Comment</th>
<th>FY2009 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conducted interviews to determine which among the highest priority substances should be addressed first.</td>
<td>Focused on toluene, xylene, and hexavalent chrome among the highest priority chemical substances and, for major applications, asked suppliers about possibilities for reducing usage.</td>
<td>Reduce usage of toluene, xylene, and hexavalent chrome</td>
<td>B</td>
<td></td>
</tr>
</tbody>
</table>

Summary only. Details are available in the Japanese report.