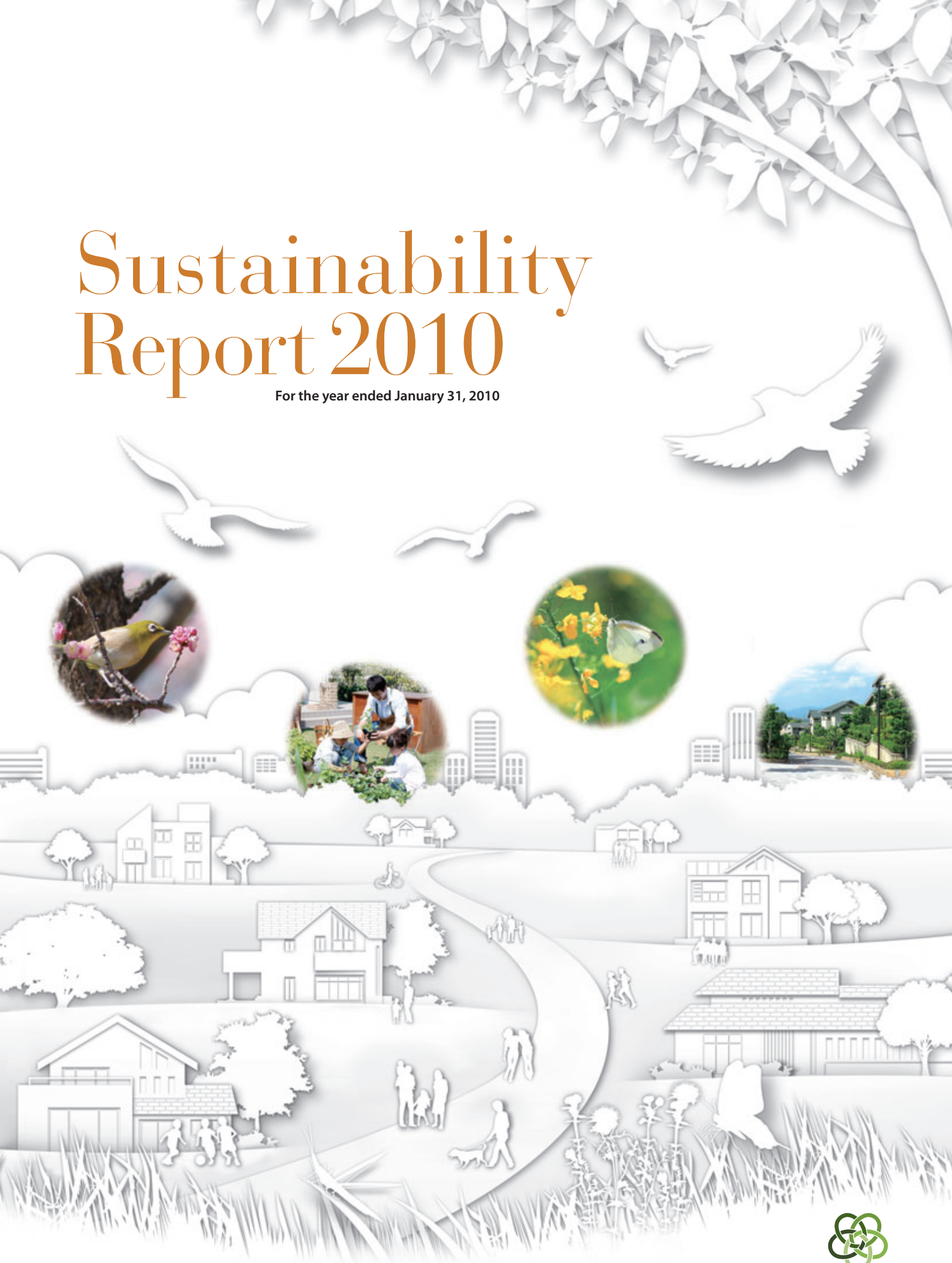


Sustainability Report 2010

For the year ended January 31, 2010



SEKISUI HOUSE, LTD.





Sustainability Report 2010

Editorial Policy

The purpose of this report is to educate a broad audience of readers about initiatives the Sekisui House Group is engaging in to help build a sustainable society as well as encourage reader feedback as a means to improve these initiatives going forward. This report is produced with reference to the 2007 Environmental Reporting Guidelines of the Ministry of the Environment of Japan, and the Sustainability Reporting Guidelines (Version 3.0) of the Global Reporting Initiative.

Main Improvements Made to the Sustainability Report 2010

- The content and materiality of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration survey responses to the Sustainability Report 2009 and social conditions received from 1,800 internal and external stakeholders.
- The five special features appearing in this report were selected after a review of topics that are acknowledged today to be urgent challenges facing the Sekisui House Group as well as society as a whole. The opening segment of these special feature sections enhances readability by concisely introducing the reader to the social issue and Sekisui House's related initiatives, seamlessly connecting with the details to follow.
- As an objective evaluation of Sekisui House initiatives, this report also features the perspectives of customers and external stakeholders.

About the Cover

Sekisui House believes that the generations-long experiences of people are the true building blocks of communities. That is why we are more than a simple provider of space, we also focus on the value of time in our pursuit to deliver customers and communities with safe, eco-friendly and comfortable value-added homes. Positive, fulfilling communities also benefit biodiversity and the environment, with the simple sight of birds in the trees of a front yard a key indicator of the revitalization of the natural environment. Sekisui House will continue to honor this spirit in the provision of its services going forward.



Scope of This Report

■ Businesses

The scope of businesses covered by this report includes 51 companies, namely: Sekisui House, Ltd., and the following consolidated subsidiaries that are principal actors in CSR and environmental management: Sekiwa Real Estate, Ltd. (6 companies); Sekisui House Remodeling, Ltd.; Sekiwa Construction, Ltd. (35 companies); Landtech Sekiwa, Ltd. (2 companies); Greentechno Sekiwa, Ltd. (3 companies); SGM Operation Co., Ltd.; Sekisui House Umeda Operation Co., Ltd.; and Sekiwa Wood Co., Ltd. (A profile of the Sekisui House Group is provided on p. 3-4.)

■ Business Activities

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

■ Period Covered

Fiscal 2009 (February 1, 2009 to January 31, 2010)

■ Date of Publication

This report is published annually in Japanese around April.

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<http://www.sekisuihouse.co.jp/english/contact.html>

Contents

Sekisui House Group Overview	3
Top Management Commitment	5
Commitment to a Sustainable Society	11

Special Features

① Global Warming Prevention	15
Delivering a Comfortable, Yet Carbon Neutral Lifestyle	
② Biodiversity Conservation	23
Conserving Forests and Biodiversity through our Homebuilding Practices	
③ Committed to Building a Recycling-oriented Society	31
Eliminating Waste while Using Resources Sustainably	
④ Safe and Secure Homebuilding	35
Focused on Quality and Longevity	
⑤ Building Communities That Grow Attractive Over Time	39
Building Vibrant and Enriching Communities	

Commitment to Employees Building a Better Workplace Together	43
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Housing Technology R&D Pursuing the Sustainable Homes of Tomorrow	45
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Sustainable Management CSR Policy and Structure	47
Social Targets and Actual Performance	51
Environmental Targets and Actual Performance	53
Third Party Review	55

Building Comfortable Generations-Lasting Communities

The Sekisui House Group, through its detached housing, low-rise apartments, condominium and urban development project businesses, is committed to building personable living environments where communities as well as homeowners thrive. In advance of our 50th anniversary in August 2010, we have become the first homebuilder in Japan to reach the 2-million home milestone, galvanizing our reputation as Japan's leading homebuilder. Going forward, we will continue to meet our obligations to society, the environment and the future with humbleness and poise.

Built to Order Housing Business

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



IS ORDER steel-frame detached house



M'Gravis Stage wood-frame detached house



Sha-Maison, Villace low-rise apartment



Biena Three-story steel-frame house



Yukari no le wood-frame detached house



Sha-Maison, Bereo low-rise apartment

Subsidiaries and Affiliates

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

Real Estate for Sale Business

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



Urban redevelopment project (Island City Teriha no Machi)



Multi-building condominium project (Grande Maison Atsuta no Mori)

Subsidiaries and Affiliates

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

Real Estate for Leasing Business

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



Sha-Maison Curavie U low-rise apartment

Subsidiaries and Affiliates

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

Subleasing Activities

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

Sekiwa Real Estate Sublease System

Set lease amounts / Solicit residents / Collect lease payments / Move-out settlement / Regular cleaning / Claim management, etc.

Corporate Profile (as of January 31, 2010)

Corporation name: Sekisui House, Ltd.
Head office: 1-1-88 Oyodonaka, Kita-ku, Osaka 531-0076, Japan
Date of establishment: August 1, 1960
Capital stock issued: ¥186,554 million
Number of shares outstanding: 676,885,078
Employees: 21,745 (consolidated); 14,120 (non-consolidated)

Sales and Services Offices (as of January 31, 2010)

Sales Administration Headquarters: 17
Sales Offices: 127 (124 as of April 1)
Factories: 5
R&D Institute: 1
Customer Service Centers: 65
Subsidiaries and Affiliates: 92

Other Businesses

Housing remodeling, landscaping, and exterior construction works, and the contracting, designing and construction of RC-framed and other condominiums and commercial buildings.



Detached house remodeling project



Exterior landscaping project

Subsidiaries and Affiliates

- **Sekisui House Remodeling, Ltd.**
...Remodeling contracting
 - **Sekiwa Construction Higashi-Tokyo, Ltd. and 30 other companies**
...Remodeling contracting
 - **Sekiwa Real Estate, Ltd. and 5 other companies**
...Remodeling contracting
 - **Greentechno Sekiwa, Ltd. and 2 other companies**
...Landscaping, exterior construction work
 - **Landtech Sekiwa, Ltd. and 1 other company**
...Land surveying, soil studies
 - **Sumai no Toshokan, Ltd.**
...Publisher of housing-related materials
 - **SEA, Ltd.**
...Publisher of housing-related materials, advertising agency
- 47 other companies**

Developing New Business Ventures with Sekiwa Construction

The Sekisui House Group is currently positioning itself to capture strong demand seen in the remodeling segment in Japan. In leveraging the industry-leading construction competencies of group company Sekiwa Construction, we are looking to expand our remodeling segment around both Sekisui House built and non-Sekisui House built existing homes. Also aware of the growing demand for small-scale built-to-order detached houses, we have entered the market with a quality wood-framed home by Sekiwa Construction. As we look to increase our share in the overall housing market, we will continue to provide comfortable and secure homes, both in the mid- to high-end as well as the affordable housing markets.



Traditional wood-framed house Sekiwa no Ki no no le

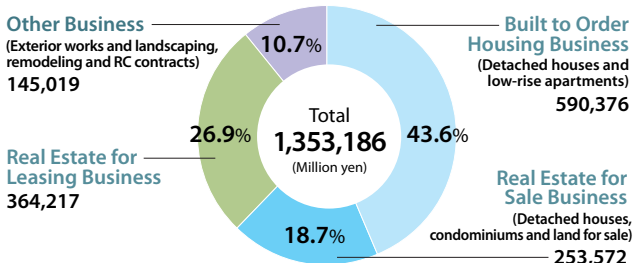
Enter Overseas Business

With the maturing of Japan's housing market, the Sekisui House Group has begun to focus attention on international markets, where it sees numerous growth opportunities. We look forward to exploring these markets further as we develop high-quality localized housing solutions around the world.



Condominium development project in Australia

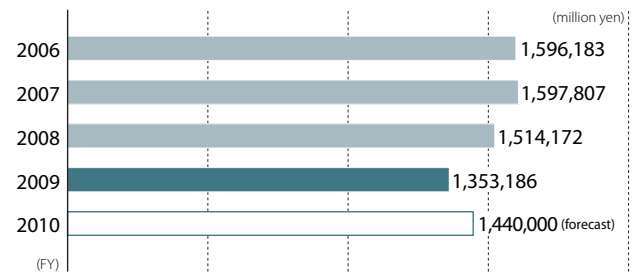
Consolidated Net Sales by Segment (Fiscal 2009)



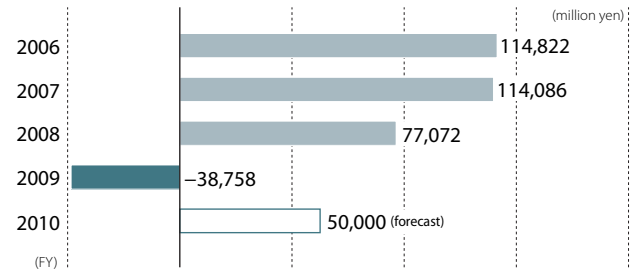
Financial Data

Sekisui House is committed to supporting local economies by giving back to society through the sales of our quality homes and ancillary services. In fiscal 2009 the detached housing segment in Japan was back on the path to recovery, while our real estate for leasing and remodeling business recorded strong performance. Net sales, however, fell 10.6% year on year due to inventory write-downs from falling land values resulting from the poor real estate market conditions in Japan. The total number of housing units sold in fiscal 2009 was 42,512, which pushed us past the 2-million home milestone to 2,001,722 units.

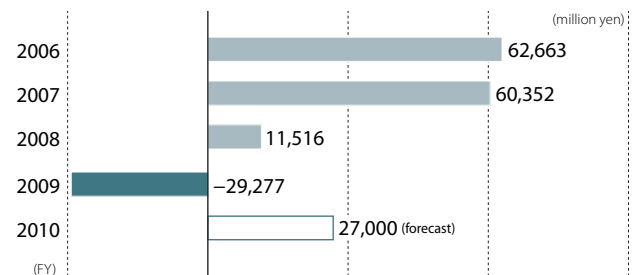
Consolidated net sales



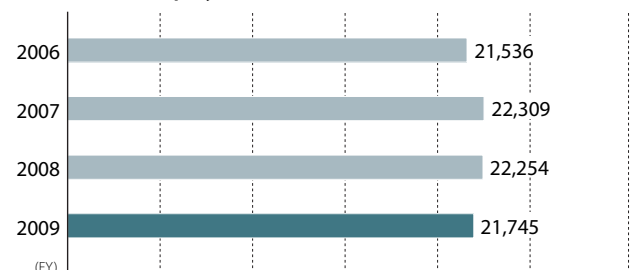
Consolidated ordinary income



Consolidated net income



Consolidated employees



Developing better housing to secure a sustainable future

Setting the Pace in Revitalizing the Housing Industry for the Good of the Economy

Housing has a major economic impact, and in Japan alone, the construction of 100,000 homes is said to contribute some five trillion yen to the economy. As a leading company in the housing industry, Sekisui House has continually urged the Japanese government to introduce initiatives that will encourage the transfer of assets from parents to their offspring, and attract investment into housing with superior construction.

Starting in 2008, the Japanese government began rolling out various housing initiatives designed to stimulate economic growth. These initiatives included an unprecedented tax break for housing loans and broader exemptions for capital transfer taxes, while reviving subsidies for residential photovoltaic power generation systems (PV systems) and launching a new housing eco-point system. We feel that our suggestions have had an impact in bringing about these initiatives. The Japanese economy today is showing signs that it is finally bottoming out after a prolonged economic recession since 2008, with the housing sector slowly but gradually improving. However, there is a need to further revitalize the housing market, in order to create even greater demand in Japan that spurs economic recovery and creates employment.

Housing is at the heart of society, and Our Duties as a Homebuilder

The impact of housing not only extends to the economy, but to society as a whole. Homes play an important role in terms of how we raise our children and build healthy communities, and on our culture. Homes are where generations mingle as families, and where we teach our children. Homes collectively form town, where residents can mingle with a sense of security as part of a culture. More than simply personal assets, homes are social assets that lie at the center of the diverse social challenges that we face today.

Sekisui House will celebrate its 50th anniversary in 2010. In half a century, we have built more than two million homes across Japan, forming a huge base of social assets that we have supplied to society. Clearly, there are certain social responsibilities that we must meet, both in terms of the housing we have supplied and will build in the future.



Isami Wada
Chairman & CEO

Showing Leadership in Addressing Global Environmental Issues

Global warming is a pressing international issue and one that is deeply intertwined with housing. We must take a close look at housing if we are to effectively address global warming. Finding ways to improve the energy efficiency of homes is crucial to reducing household CO₂ emissions.

In 2009, the Japanese government declared its commitment to the rest of the world to reduce greenhouse gas emissions by 25% compared with 1990 levels, to be achieved by 2020. Industry alone cannot achieve these targets. Emissions of CO₂ by industry are declining every year thanks to the efforts of the private sector, yet household emissions have continued to rise. Japan must work as a nation to pursue strategies for reducing CO₂ emissions.

Sekisui House has had the foresight to envision these trends in our environmental initiatives. In 1999, we unveiled our *Environmental Future Plan* with a future vision for sustainable housing.

Since then, we have been working on various fronts to reduce CO₂ emissions from housing, such as developing uniform next-generation energy-saving specifications and implementing our company's *Action Plan 20* initiative to achieve the commitments of the Kyoto Protocol. In 2008, we introduced a line of Carbon Neutral Houses equipped with PV and fuel cell systems, and partnered to build our Zero Emission House at the venue for the G8 Hokkaido Toyako Summit, drawing attention from around the world. The Zero Emission House provides a blueprint for future housing that reduces net CO₂ to almost zero throughout the life cycle of the home. In recognition of these and other achievements, Sekisui House was endorsed as an Eco-First Company in 2008 by the Japanese government, signifying industry leadership in the area of environmental

conservation.

In 2009, we launched our Green First line of eco-friendly homes, which achieve 60-100% reductions in residential CO₂ emissions. Green First homes meet our next-generation energy-saving specifications, and are equipped with features such as high-efficiency water heaters and PV and fuel cell systems. These homes show how we are one step ahead of the industry, offering the kinds of homes that the Japanese government is encouraging.

The Japanese government has also called on the citizens of Japan to achieve a 25% reduction of greenhouse gas emissions, under the Challenge 25 Campaign that kicked off in January 2010. Sekisui House has been asked to participate in this initiative as an Eco-First Company, and we will do our best to drive the campaign forward.

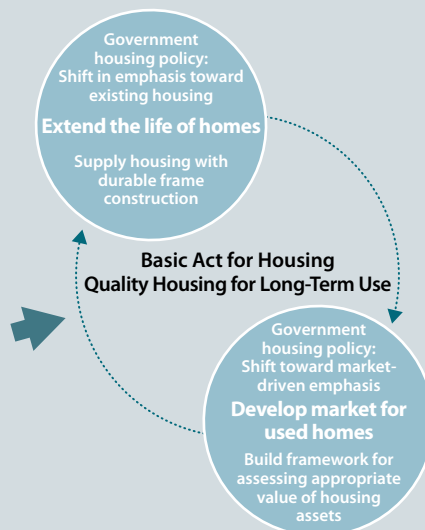
Green First Strategy—Spearheading Lower Household Carbon Emissions

Sekisui House has unveiled three Eco-First commitments, at the top of which is our commitment to reduce residential and construction CO₂ emissions. We are using the Green First strategy to spearhead our efforts to address the challenge of reducing Japan's household emissions, and expand our eco-friendly housing business.

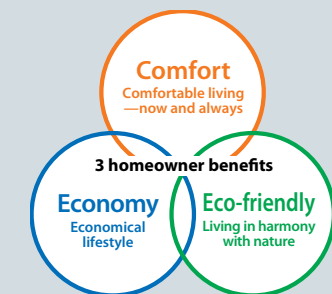
Many homeowners have shown interest in our Green First line of homes, which is making steady inroads into the housing market. We have secured orders for 870 of our Green First Premium homes equipped with both PV and fuel cell systems, indicating that homeowners clearly recognize the value of Carbon Neutral Houses.

In the medium- and long-term view, we envision Carbon Neutral Houses becoming the standard for Japanese housing by 2050. We are committed to seeing more and more homeowners

Creating Better Housing at the Center of Social Challenges



Recommendations by Sekisui House



Green First Eco-Friendly Homes

- *Gohon no ki* landscaping concept
- Sekisui House Urban Development Charter
- Everloop home repurchase program

choose Green First Premium homes, as we continue to set the pace in the housing industry.

Sekisui House has secured orders to build 371 of our Sha-Maison Green First line of eco-friendly low-rise apartment buildings, driven by strong interest among environmentally-aware building owners and tenants. One of the selling features is the ability for individual units to sell power to utilities, an innovation that came about through our negotiations with electric power companies.

Our commitment to reducing residential CO₂ emissions also extends to existing housing in addition to newly-built homes. Over the last 50 years, Sekisui House has built more than two million homes in Japan, and through our remodeling business we also install PV and fuel cell systems into existing homes. These systems offer homeowners the twin benefits of improved amenity and reduced CO₂ emissions.

Taking Action to Conserve Ecosystems and Biodiversity

Our second Eco-First commitment is a promise to encourage the revitalization of ecosystem networks. More and more corporations are talking about biodiversity today, with the groundswell of interest being fueled by the fact that Japan will host the tenth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 10) in 2010, taking place in Nagoya. In fact, Sekisui House has been addressing biodiversity for more than a decade.

We developed our own *Gohon no ki* landscaping concept, inspired by traditional Japanese landscaping approaches. Under the *Gohon no ki* landscaping concept, we plant yards with local tree species that are best suited to local climates, and have planted more than six million trees in Japan since introducing the concept. We also use this approach for landscaping in

development projects, to promote coexistence with nature and build communities whose landscapes grow more attractive over time. In 2008, we conducted a residential survey that showed an increase in biodiversity in our development business, with greater diversity of birds and insects.

We have also devised our own procurement guidelines for wood used in housing construction, and engage in FairWood procurement to conserve ecosystems by discouraging illegal logging and eradication of forests. In 2009, we were recognized for the first Japan Awards for Biodiversity from the AEON Environmental Foundation and Ministry of the Environment, in praise of our efforts. It is also worth noting that many of our initiatives in the area of biodiversity have come about through partnerships with non-profit and non-governmental organizations.

Contributing to a Sustainable Society

Third on our list of Eco-First commitments is a promise to actively engage in resource recycling. The housing industry manufactures and procures large quantities of components and materials in order to construct homes at building sites, which makes for unique challenges in terms of reducing waste. We have sought to develop ingenious solutions to reduce waste, guided by a “3R” approach to reduce, reuse and recycle waste. In 2002, we achieved zero emissions status at our manufacturing factories, and in 2005 expanded the zero emissions status to encompass new construction sites. In recognition of our efforts, we received the Prime Minister’s Award for the 2009 3R (Reduce, Reuse and Recycle) Awards program of the Ministry of Economy, Trade and Industry, which was a first for a company in the housing sector.

Moving forward, we are prepared to put even more effort into reducing waste from construction demolition, which is a major issue for the entire housing industry. In addition to avoiding

Zero Emission House —From Concept and Showcase to Future Green First Home



Zero Emission House reduces net CO₂ to almost zero, while achieving zero emissions of construction waste



Green First eco-friendly home

the production of waste in the first place, we are strongly committed to the sustained use of housing. One of our solutions is the Everloop program, under which we repurchase used Sekisui House homes and remodel them for subsequent sale with a new warranty.

We are also focusing our efforts on the home renovation business, to effectively extend the life of existing homes. Starting in 2009, we expanded the scope of our renovation services to traditional Japanese post-and-beam construction and other kinds of common residential construction, and low-rise apartment buildings. By doing more to enable the continued use of housing, we are having a positive social impact through the sustainable use of housing.

These initiatives are in line with recent legislative trends, such as the introduction of the Basic Act for Housing in 2006, which marked a major shift in legislative emphasis on quality over quantity for Japanese housing. Our initiatives are also aligned with programs and initiatives that the Japanese government has been rolling out since 2009 to encourage quality housing for long-term use. Through our initiatives, we will build a base of existing housing that can shelter multiple generations of citizens.

Delivering Amenable Housing for a Sustainable Future

Sekisui House has initiated a pilot smart house project to test new environmental technologies. The innovations include centralized management to optimize energy consumption throughout the home, using a combination of solar cell, fuel cell and storage battery technologies. We are also testing the use of direct current (DC) power in order to use power more efficiently.

These experiments are part of research we are conducting into smart grid technology, which has implications for delivering low-carbon energy services. Eventually, we hope to expand the

project to a larger scale as a pilot community project.

New technologies like these may see homes evolve from places where energy is consumed, to places that supply energy to a local grid and manage the local energy supply. Eventually, homes could become the focal point of our society for energy. We have also initiated research that will contribute to the enrichment of communities, through the creation of information networks that will diversely support the everyday lives of people, in ways not limited to energy.

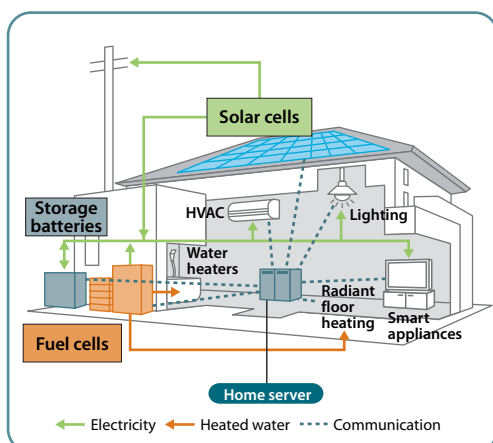
Sekisui House is spearheading a major global business thrust in 2010. We already have a residential development project underway in Australia, and have given the green light to commence projects in China and Russia. By bringing our residential environmental technologies to the rest of the world, we will contribute to environmental initiatives in other countries while putting our stamp on the world as a prime example of Japanese manufacturing.

All of us at Sekisui House are united in our commitment to develop amenable housing and bring about a sustainable future.

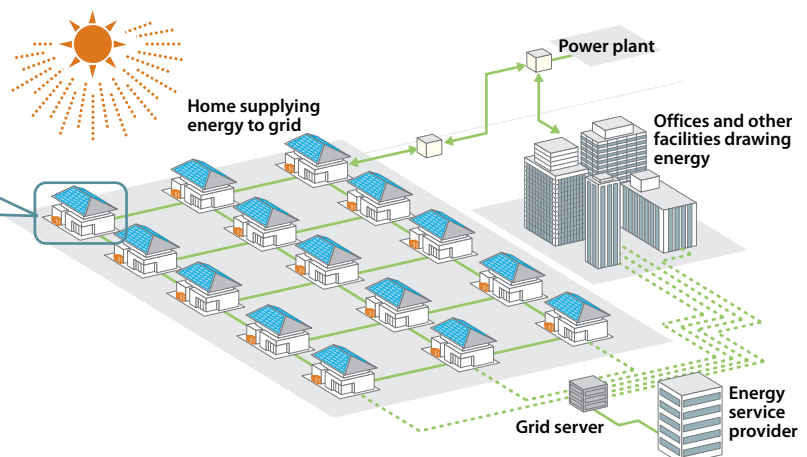


Isami Wada
Chairman & CEO

Smart House and Smart Grid Concept —From consuming energy, to supplying energy



Smart house provides integrated management of household energy, to optimize energy supply and demand



Smart grid optimizes energy supply and demand within the grid

Expanding Our Business and Meeting Our Social Responsibilities as an Industry Leader

Fifty Years in Business and Looking Ahead to the Next Fifty Years

In August 2010, Sekisui House will celebrate its 50th anniversary since the founding of the Company. The housing industry in Japan has changed significantly with the times, and the fact that we have remained in business for half a century is a testament to the confidence our customers have placed in us. It is you, our customers, who have made Sekisui House what we are now.

The 50th anniversary of Sekisui House is an opportunity to reflect on our origins as a company. We have also taken this opportunity to assemble a medium-term management plan that develops an initial vision for the next 50 years, with the aim of propelling further growth for the Company. Based on the medium-term management plan, we have set out to tackle new challenges with our Green First strategy for eco-friendly housing as the centerpiece of our efforts.

We faced challenging economic conditions in fiscal 2009, and for the first time since becoming a publicly-traded company, Sekisui House recorded an operating loss for the year. However, we are determined to turn the corner and set out on a new path of growth. The Sekisui House Group will work together to bring flexibility and good decision-making in responding to the diversification of the Japanese housing market, as we aim to secure sustainable growth.

Green First—Driving Our Business as We Reduce CO₂ Emissions

Our greatest challenge for securing future growth is to expand sales, and the Green First strategy is a major component of our sales drive. The Green First strategy was formulated one year ago, at the end of a process by our Corporate Social Responsibility (CSR) Committee to define the social responsibilities of the Company and explore ways of doing business that fully leverage our strengths in environmental technology.

In the spring of 2009, Sekisui House launched the Green First line of eco-friendly homes that deliver the highest level of environmental performance, offering models in the steel frame, wood frame and low-rise apartment building segments.

Driven by heightened market interest in eco-friendly housing, sales of Green First homes picked up in the second half of 2009. In fiscal 2009, we secured orders for 7,030 detached homes with PV systems, which easily surpassed our initial target of 6,000 homes. We also made significant strides in our environmental performance, achieving a 44% reduction in residential CO₂ emissions for all detached homes compared with fiscal 1990 levels, well above the 25% reduction target set by the Japanese government.

Looking ahead, we will further expand our Green First strategy and take advantage of favorable government initiatives such as a new housing eco-point system that has been introduced for fiscal 2010. We are determined to make a positive social impact, both in terms of the environment and through our business.



Finely Attuned to Needs in the Existing Home Market

Over the last 50 years, Sekisui House has built more than two million homes in Japan, creating a huge base of existing homes. We are endeavoring to expand sales to this market from a variety of angles, including our Everloop home repurchase program and through our remodeling business and special offers for double eco-points to homeowners who choose to remodel their Sekisui homes.

In 2010, the Sekisui House Group will make a concentrated effort to enhance the level of after-sales support that we provide from our customer center that services our homeowners across Japan. We will follow up with each homeowner to thank them for enabling us to be successful for the last 50 years, and collect data about their diverse needs. We will ask homeowners to rate their present houses and find out about their current family composition and future lifestyle plans. This data will help us to precisely meet the needs of our homeowner base, as we seek to enhance customer satisfaction and build stronger relationships with customers.

People as the Main Driving Force of the Company

Sekisui House is forging ahead with initiatives to reorganize the Company so that we can better adapt to today's fast-changing economic conditions. The direct impetus for these changes was our decision to suspend production operations at the Shiga Factory in 2009, which we seized as an opportunity to make changes that will better redirect our business resources.

Specifically, we have singled out the following areas for improvement: (1) Strengthen sales by enhancing customer support, (2) improve productivity through integration of manufacturing, (3) reorganize the Company by streamlining head office functions, and (4) better position the Company to secure profits by enhancing collaboration within the Sekisui House Group. We will leave no stone unturned in our quest to better transform the Company, through the concentrated effort of Sekisui House and the entire Sekisui House Group.

One of our critical challenges as a corporation is the need to develop human resources. The sweeping changes that are occurring today and impacting the housing sector necessitate human resources with the ability to devise solutions. Our employees are our greatest resource, and to further enhance their abilities we

are pouring more effort into training and development at every level, from upper management training to job-specific training.

Our corporate philosophy places a fundamental emphasis on love of humanity, and we ask leaders in every part of our organization to patiently commit to supporting the personal growth of their staff. This will build a stronger and more flexible organization that is able to best capitalize on the qualities and capabilities inherent in each employee.

Strengthening Compliance as a Cornerstone of CSR

Compliance is a cornerstone of our CSR initiatives, and we have made it a priority to strengthen compliance through employee training and attitude surveys, and by expanding the framework for securing regulatory compliance.

It is my belief that the fate of a corporation hinges on its ability to achieve a balance between economic function and social contribution. Corporations must not prioritize profits in the face of challenging business conditions, at the expense of their social contributions.

Excellent communication has always been ingrained in the corporate culture at Sekisui House. We will continue to emphasize communication and have secure checks in place across every aspect including our relationships with customers and business partners. Furthermore, we will keep striving to be a corporation whose employees bring a strong sense of awareness and pride in carrying out their given duties.

As the person with the highest responsibility for CSR at Sekisui House, I will remain conscious of the importance of meeting our social responsibilities, and set a good example for the entire Sekisui House Group to follow, including our affiliates and partner companies.

In 2009, The Nippon Foundation released its annual list of the top 100 companies in Japan displaying global leadership for CSR. Sekisui House was ranked No. 1 among all companies in Japan.

Looking forward, we will endeavor to expand our business and have a positive social impact, engaging in business that inspires the pride and passion of each employee paired with the drive to creatively address modern challenges, with a love of humanity as a fundamental part of our corporate philosophy.

Toshinori Abe

President & COO

Our Promises for FY2010

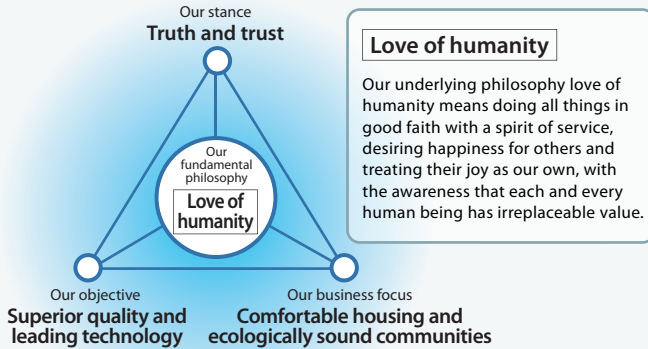
- Reduce residential CO₂ emissions through our Green First strategy to encourage energy conservation in homes. Deploy PV systems in 10,000 homes and fuel cell systems in 2,400 homes.
- Reduce the environmental impact of our manufacturing operations and other business activities, guided by the Japanese government's Challenge 25 Campaign.
- Provide housing that offers safety, security and comfortable housing, to create a base of high-quality housing stock emphasizing aspects such as seismic resistance, universal design principles, human health, and the environment.
- Support the long-term and successive use of housing in contributing to a vital secondary market for used homes, through the Sekisui House home warranty extension program and the Everloop program under which we repurchase and remodel homes for subsequent sale.
- Focus on conserving ecosystems based on a *Gohon no ki* landscaping concept, with the continuing goal of planting one million trees annually.
- Based on the Sekisui House Urban Development Charter, we will contribute to an abundance of nature, build communities, and support the development of towns that successive generations will call home to.
- Continue achieving zero emissions in the areas of manufacturing, construction, home maintenance, and home remodeling. Reduce the volume of waste produced and actively engage in recycling.
- Seek coexistence and co-prosperity by sharing common objectives in concert with our Group companies and partner building contractors. Collaborate on construction quality management and education of apprentices and early career development.
- Gain further adoption of our Wood Procurement Guidelines for sustainable wood use and Air Quality Standards. Work with our suppliers to expand FairWood procurement and reduce chemical substance use.
- Actively support diversity in human resources and development of the next generation of employees, including support for women in the workplace.
- Achieve strict compliance in all our business processes, and seek to raise employee awareness and have systems in place to encourage fair business practices.

50 Years of Comfort-Centric Homebuilding

People build homes and homes build people. This concept has formed the core of the Sekisui House approach to home and community building for the last 50 years. Over this time, we have earned the trust of and developed strong relationships with our customers, as evidenced by our track record in building over 2 million homes to date. Our approach to sustainable corporate development will be linked closely to our efforts in building a more sustainable society.

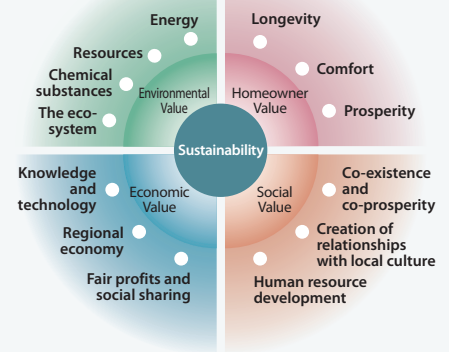
Sekisui House's Vision toward the Realization of a Sustainable Society

Corporate philosophy (established January 1989)



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

Sekisui House prioritizes an approach to homebuilding that balances the 4 key values of the environment, economy, society and residential homeowner needs. Through our 13 guidelines, we hope to realize this aim as we move to improve the sustainable nature of our corporate activities going forward.



Global Warming Prevention

1961 • Becomes the first homebuilder in Japan to use aluminum sash windows



House with aluminum sash windows



CentrageΣ

1996 • Begins using insulating multi-layered glass in CentrageΣ detached housing products.

1960

Sekisui House founded

1993

Achieves the 1-million home milestone

Safe and Secure Homebuilding

1961 • Launches production at company owned and operated factory

1964 • Establishes direct selling structure

1979 • Begins earthquake-resistance testing using actual sized home



Earthquake-resistance testing using actual sized home

1982 • Implements 10-year manufacturer's warranty program

1987 • Establishes customer center

1999 • Launches U-trust system



U-trust warranty

Foundation as a Sustainable Corporate Citizen

1990 • Establishes the Comprehensive Housing R&D Institute

1999 • Announces the *Environmental Future Plan*

1999 • Establishes the Environment Promotion Department

1960~

1970~

1980~

1990~

Stage 1—Start of Built to Order Housing

1973 ◦ Government launches Built to Order House Certification Program

Stage 2—Design, Functionality and the Environment

1980 ◦ Government enacts Energy Saving Standards

1980 ◦ Government enacts New Earthquake-resistance Standards

Stage 3—Enhanced Home Quality and Functionality

1992 ◦ Government enacts New Energy Saving Standards

1997 ◦ Kyoto Global Warming Conference (COP3) is held

1999 ◦ Government enacts Next-generation Energy Standards



The design features the traditional takara-musubi (treasure knot) pattern and the number 50, from our 50th anniversary, expresses our recycling-oriented homes, and the bonds between people and people and nature. The design is a tribute to the stakeholders who have contributed to our success.

Sustainable Vision

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

Commitment to a Sustainable Society

2010

Achieves the 2-million home milestone

- 2000** • Makes multi-layered glass and insulated aluminum sash standard on all new build detached houses
- 2003** • Makes next-generation energy saving features standard on all new build detached houses



All new build detached houses built to new energy efficiency standards.

- 2005** • Launches *Action Plan 20*
- 2008** • Launches sales of Carbon Neutral House
- 2008** • Partners to build the Zero Emissions House for the G8 Hokkaido Toyako Summit
- 2009** • Launches sales of its Green First line of homes



Green First



Zero Emissions House

Biodiversity Conservation

- 2001** • Launches the *Gohon no ki* landscaping concept



Yard landscaped using the *Gohon no ki* concept

- 2006** • Develops *Shin-Satoyama* in Shin Umeda City
- 2007** • Implements its Wood Procurement Guidelines



Shin-Satoyama



FairWood flooring materials

Commitment to a Recycling-Oriented Society

- 2002** • Achieves zero emissions at all Sekisui House factories
- 2004** • Authorized by the Ministry of the Environment to dispose of construction site waste across multiple prefectures



Sekisui House Resource Management Center

- 2005** • Achieves zero emissions at new build construction sites
- 2006** • Achieves zero emissions in its after-sales services
- 2007** • Achieves zero emissions at in its remodeling business



Everloop revitalized home

- 2003** • Announces seismically-isolated home



Seismically isolated bearing

- 2007** • Announces seismic damping system SHEQAS



SHEQAS

- 2002** • Announces its declaration on universal design
- 2005** • Announces its declaration on sustainability
- 2005** • Establishes its Urban Development Charter
- 2005** • Establishes the CSR Office
- 2006** • Establishes 13 guidelines based on its 4 values

- 2006** • Announces its declaration on human resource sustainability
- 2006** • Establishes the Diversity Development Team
- 2006** • Establishes the Global Warming Prevention R&D Institute
- 2008** • Certified an Eco-First Company by the Ministry of the Environment
- 2009** • Recognized for the best CSR practices in Japan through a review of 100 companies by the Nippon Foundation

- 2010** • Begins participation in the Challenge 25 Campaign



2000 ~

2010

Stage 4—Balanced Approach to the Environment and Comfort

- 2000** ◦ The Housing Quality Assurance Act takes effect
- 2001** ◦ Law on Promoting Green Purchasing takes effect
- 2005** ◦ Kyoto Protocol comes into effect
- 2006** ◦ Basic Act for Housing takes effect

- 2008** ◦ Japan hosts the G8 Hokkaido Toyako Summit
- 2008** ◦ Act on the Promotion of Dissemination of Long-term Quality Housing is passed
- 2009** ◦ Government launches the Long-term Quality Housing Certification Program

- 2010** ◦ Challenge 25 Campaign begins
- 2010** ◦ Nagoya, Japan will host the tenth meeting of the Conference of the Parties (COP10)

Green First—A Culmination of 50 Years in the Homebuilding Business

For the last 50 years, Sekisui House has approached homebuilding with the mentality that the customer comes first. What will the homeowners of tomorrow want in their homes? Although the answer to this rhetorical question inevitably varies by time period, some things do remain constant. With focus on our Green First line of homes, we will continue in our pursuit of the ideal home environment.

Our 50-Year Pursuit of Homebuilding

Sekisui House was founded 50 years ago as a venture business in the built to order housing segment. Having explored the many possibilities prefabricated homes offer, we have come a long way from our humble beginnings.

The times have also changed dramatically, as we have traversed a variety of economic landscapes, including the post-war years of spectacular economic growth, the bubble economy in the 1980s, and the economic recession. However, the one constant over the years has been our leading pioneer presence in Japan's homebuilding industry. The secret to our long-storied success has been our customer-first approach and the support we have received from our millions of satisfied customers.

The Building of a Sustainable Society is a Global Concern. Now is the Time for Sekisui House to Shine

Today, in our 50th year in operation, our answer to the rhetorical question posed above is our Green First line of homes, which offer living environments that feature comfortable and enriching spaces, and yet are eco-friendly and economical. Our Green First home represents the culmination of our 50-year pursuit of the ideal home.

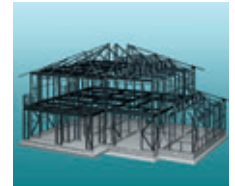
We are also developing a new generation of smart homes that control household energy use and supply electricity to the grid through the combination of PV, fuel cell and storage cell systems. We believe our 3 Eco-first Promises, which include stopping global warming, revitalizing natural eco-system network and promoting a recycling-oriented society, will enable us to contribute to the development of a more sustainable society. Although our 50th anniversary marks a key milestone for reflection, our pursuit of the ideal home and commitment to our customers remains unwavering.

Commitment to Comfort

Safety

Protecting homeowners and their families

- Earthquake-resistant structures
- Seismic-dampening structures
- Seismically-isolated structures
- Advanced fire proofing and resistance
- Anti-crime design
- Universal design



Earthquake-resistant structure



Universal design

Peace of Mind

Total homeowner support systems

- After-sales services
- 20-year warranty and U-trus system
- Remodeling to exacting standards
- Everloop revitalized homes
- Sekiwa Real Estate network



After-sales services

Homeowner Health

Premium healthy living environments

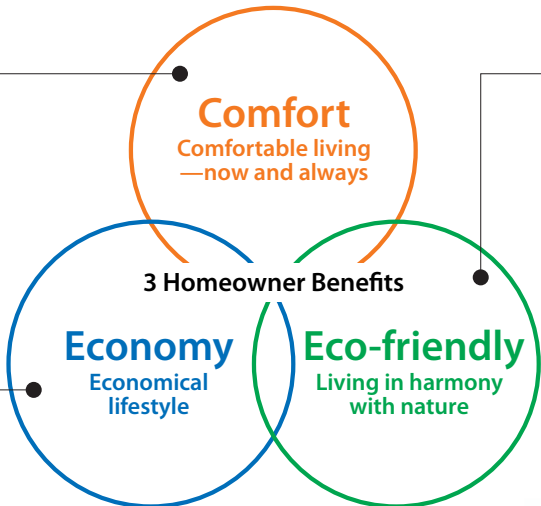
- Next-generation energy efficiency designs
- Environmental designs
- LED lighting solutions
- Ventilation system
- Chemicare designs
- Plasma cluster air purifiers



Ventilation system



Reduced chemical exposure risk



Commitment to the Economics of Longevity and Clean Energy



Long-term quality home

Long-Term Quality Housing

Cutting costs through enhanced durability and lifespan

- Extended lifespan
- High durability



ENE FARM fuel cell system

Reduced Gas and Electricity Costs

Cutting gas and electricity costs through the synergies of energy saving and energy generation technologies

- PV systems
- Fuel cell systems
- High efficiency water heaters
- Heat-insulated bathtubs

Commitment to Eco-Friendly



LED lighting solution

Reduced CO₂ Footprint

Actively engaged in reducing CO₂ emissions starting from the design and manufacturing phase

- Reduced CO₂ emissions
- Elimination of incandescent lighting



Gohon no ki landscaping

Zero Emissions

Recycle-oriented manufacturing that uses resources effectively and efficiently

- Expanded zero emission operations
- Multi-regional certification

Gohon no ki Landscaping Concept

Taking the initiative to revitalize local ecosystems through individual landscaping designs

- Gohon no ki landscaping concept

3 Homeowner Benefits

The Sekisui House Green First line of eco-friendly homes deliver customers with an unparalleled sense of comfort, lower gas and electricity costs and reduced CO₂ emissions. Green First represents a symbol of our long-standing efforts to bring homeowners the best balance of comfort, economics and environmental design.



Delivering a Comfortable, Yet Carbon Neutral Lifestyle



Actively promoting the reduction of CO₂ emissions in both the construction and occupancy of our buildings

Japan is the fifth largest producer of CO₂ emissions globally, with about 20 % of its emissions originating from residential homes. As a homebuilder, Sekisui House believes the reduction of home-related CO₂ emissions represents a key in the fight against global warming. As such, we are firmly committed to various environmental initiatives set out in each of our core business segments—detached housing, leased residences and remodeling.

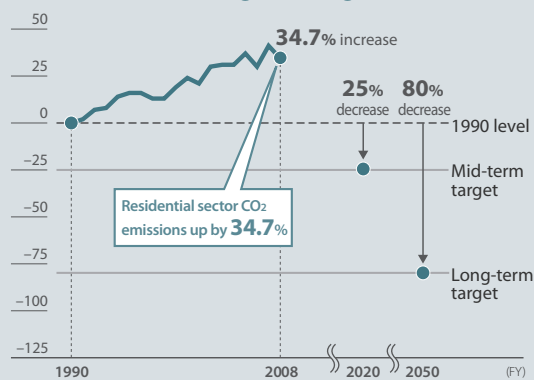
Social Issues Reducing Home-Related CO₂ Emissions Key in Global Warming Fight

The prime minister of Japan's address at the 2009 United Nations Summit on Climate Change restated Japan's commitment to reduce greenhouse gas emissions, including CO₂, by 25% of 1990 levels by the year 2020. As of 2008, however, compared to the positive progress made by the industrial sector, Japan's residential home sector has conversely seen an increase* in CO₂ emissions by 34.7 % over 1990 levels.

As Japan is a major industrial country where secondary industry accounts for nearly one-third of GDP, the country is limited by its ability to restrict industrial sector CO₂ emissions. Consequently, Japan is faced with the challenge of greatly reducing CO₂ emissions from other sectors to ensure adequate emission quotas for the industrial sector. Reducing CO₂ emissions from heating and cooling, water heaters, lighting and home electronics represents one viable solution.

* Quick estimation from the Ministry of the Environment of Japan report 2008 Greenhouse Gas Emissions

Residential sector CO₂ emissions and Japan's 2020 mid-term and 2050 long-term targets



Source: Graph created based on sector-specific data released by the Greenhouse Gas Inventory Office of Japan

Sekisui House initiatives

Pursuing eco-friendly designs in new

New Detached Homes → P19

Promoting sales of Green First homes

Built using highly functional insulation that clears next generation energy saving standards and featuring high-efficiency water heaters systems as well as PV system or the *ENE FARM* fuel cell system, Green First homes first went on sale in March 2009. Sekisui House plans to rapidly expand sales of these comfortable, economical and eco-friendly homes going forward.



(1) Standard for all new build homes



Insulation and draft-proofing compliant with next-generation energy saving standards



High-efficiency water heaters

(2) Green First features



PV system

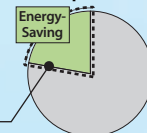
OR



ENE FARM fuel cell system

All new build homes post 2005

Occupancy-related CO₂ emissions **20%*** reduction



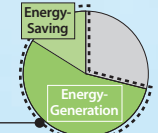
Energy-Saving: CO₂ reduction from energy saving measures

Energy-Generation: CO₂ reduction from energy generation measures

* Subject for comparison is ordinary residential detached house (wooden house built during the 1980s to former energy saving insulation standards)

Green First homes

Occupancy-related CO₂ emissions **60~80%*** reduction



Annual heating and lighting expense simulation

- A 155m² detached house in Tokyo occupied by a family of four, with air-conditioning and heating loads calculated using SMASH thermal load software.
- Kerosene heaters and other heating appliances were assumed for as heating source for ordinary residential detached houses, while heat-pump air conditioners and water-heated, in-floor heating (50m²) were assumed for other houses.

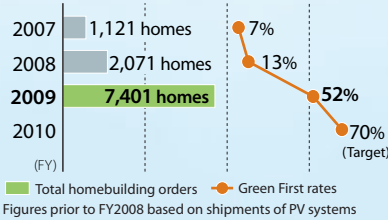
 Our Green First eco-friendly housing product was awarded an Eco Products Award by the Eco Products Awards Steering Committee.

 Our proprietary roof tile PV system was awarded a Good Design Award 2009 by the Japan Industrial Design Promotion Organization.

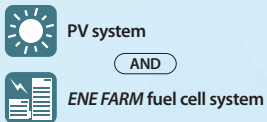
builds, leases and remodeling

Green First Sekisui House—Green First

Green First new build detached house orders and ratio

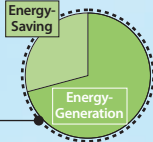


(3) Green First Premium features



Green First Premium

Occupancy-related CO₂ emissions
100%* reduction



Energy-generation using photovoltaic power generation



Energy-generation measures using fuel cell system

Next-generation energy saving standards

New Low-rise Apartments → P22

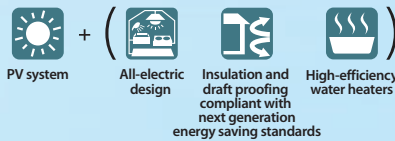
Commercializing PV-powered Sha-Maison Green First residences

Sales of Sha-Maison Green First apartments began in March 2009. Units feature an all-electric design powered partially by a PV system, providing the highest level of satisfaction to property owners and tenants alike.

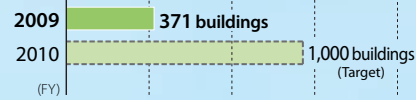


Sha-Maison Green First features

Recommended features



Sha-Maison Green First construction orders



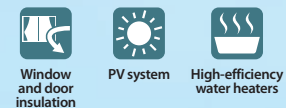
Remodeling → P23

Promoting eco-friendly remodeling designs

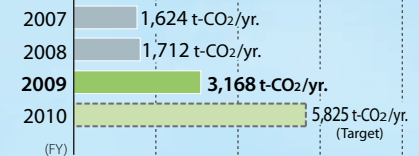
Beginning with existing build detached house and apartments, Sekisui House is actively engaged in promoting remodeling designs that incorporate energy saving and energy generation solutions, such as updating window and door insulation, installing PV systems, or upgrading to high efficiency water heaters.



Recommended Improvements



CO₂ reductions by eco-friendly remodeling



IS ORDER J
Green First Premium design



Raising Demand for Green First New Build Detached Houses

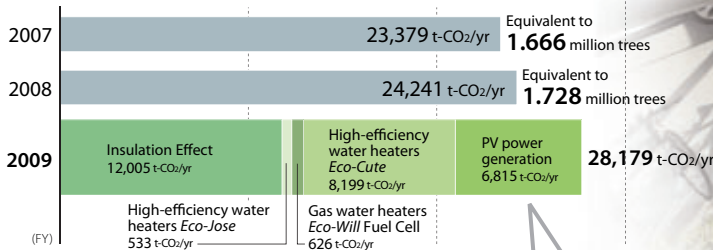
Broadening Sales of Green First Homes

The Sekisui House Green First homes, first available to homebuyers in March 2009, has received strong marks for its comfortable living spaces as well as economical and eco-friendly design.

Green First homes feature either the PV or the *ENE FARM* fuel cell system, which cut household CO₂ emissions by 60 to 80 % compared to ordinary detached house* built during the 1980s. Our flagship Green First *Premium* homes, which features both the PV and *ENE FARM* fuel cell system, can cut CO₂ emissions by up to 100 %, effectively making the home carbon neutral.

* Ordinary detached house refers to a 2-story wooden house built in the greater Tokyo metropolitan area during the 1980s to former energy saving insulation standards with a total floor area of 155 m² and occupied by a family of four. Average annual CO₂ emissions from such homes generally total 4,100kg.

CO₂ reductions in new build detached houses



CO₂ emissions effectively reduced equivalent to the amount absorbed by **2.008 million trees**

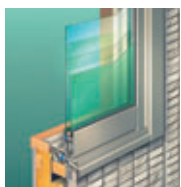


Green First eco-friendly features

Next-generation energy saving designs

Sekisui House has adopted a standardized approach to its energy saving and energy generation designs that exceeds the high levels set by the government of Japan for next generation energy saving standards in detached houses.

Furthermore, Sekisui House detached houses mitigate cold and provide a highly comfortable living environment with minimal dew condensation by using multi-layered



glass that features airtight insulation and crime prevention qualities and make it nearly 3-times harder to transfer heat than conventional single glass window panes and an airtight insulated aluminum sash secured by resin molded insulation.

High-efficiency water heaters

Sekisui House uses *Eco-Jose*, a high-efficiency gas water heaters, that increases efficiency by 15% compared to conventional units, and *Eco-Will*, a high-efficiency gas water heaters, in homes that use both gas and electricity, while *Eco-Cute*, water heaters nearly 3-times as efficient as conventional electric water heaters, is used in all-electric homes. These high efficiency water heaters greatly contribute to reducing a home's CO₂ emissions.

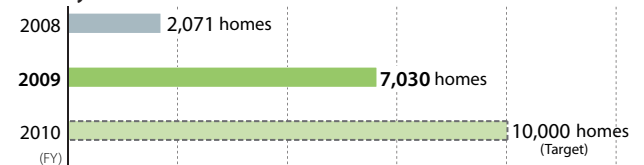


Recommendation of PV systems



The use of electricity produced from clean PV energy can greatly cut CO₂ emissions. Energy can also be produced independently off grid during times of emergencies or natural disasters. Additionally, the Sekisui House proprietary roof tile PV system that mimics the shape and design of clay roof tiles provides a clean appearance and naturally integrates into the design of the home and surrounding community.

PV system orders



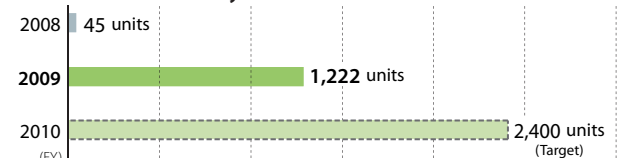
* FY2008 data based on shipments

ENE FARM fuel cell systems

The *ENE FARM* fuel cell is a highly efficient gas powered water heaters that minimizes energy loss by reacting hydrogen extracted from natural gas with oxygen in the surrounding air to generate electricity. The system also uses residual heat from the reaction to heat water simultaneously. The *ENE FARM* system and PV system come standard on all Green First Premium homes.



ENE FARM fuel cell system orders



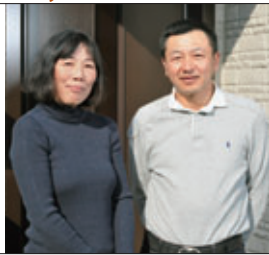
* FY2008 data based on shipments



Green First Premium homebuyer review

Mr. and Mrs. **Kawamoto**
(Saitama Prefecture)

Gas and electricity bills cut by two-thirds
More conscious of cutting back on energy use



Mr. Kawamoto, who recently became interested in PV power generation for the home, says, "my interest was also sparked in household fuel cell systems, which became a topic at the G8 Hokkaido Toyako Summit." After discovering Sekisui House was one of the first in the industry to offer PV and fuel cell systems, he jumped at the chance to have these systems installed in his new Sekisui House-built home.

Although Mr. and Mrs. Kawamoto say they are "used to the cold" since they hail from northern Japan, both are "not open to the idea of a cold interior." The solution was a gas water heated in-floor heating system for their living room, children's room and master bedroom. In addition, the house features window and door insulation and walls that meet next generation energy saving standards as well as an increased amount of insulation in the attic. The result is a house warm in the winter, yet at less than one third the cost.

Mrs. Kawamoto also explains she is now more conscious of cutting back on energy use because she can see firsthand the amount of power consumed and produced daily. She turns off lights when not in use and has also become more aware of her home's environmental impact in other areas, including garbage disposal and water use.

Sekisui House is proud that the Green First Premium home provides homeowners with a superior sense of comfort without sacrificing in terms of economics or the environment, as well as leads to a greater awareness of the environment by the homeowner.

Homebuyer in-home monitoring study

CO₂ Balance Monitor study

Shortly before fuel cell systems became available in February 2009, Sekisui House was one of the first in the industry to begin a monitoring study as part of the 2008 Model Project for Reducing CO₂ in Residential Buildings. The study comprised of customers from 30 locations nationwide who participated as monitors to assist in measuring generated electricity and the conversion efficiency from CO₂ Balance Monitors installed in homes with PV and ENE FARM systems.

Data obtained from the study is being used to study best practices for making homes even more energy efficient and comfortable going forward.



CO₂ Balance Monitor features intuitive, easy-to-understand depictions of CO₂ emissions (black smoke) and power produced.

Sustainability in Action

Emphasizing a homeowner's contribution to CO₂ reductions through owning a new build house

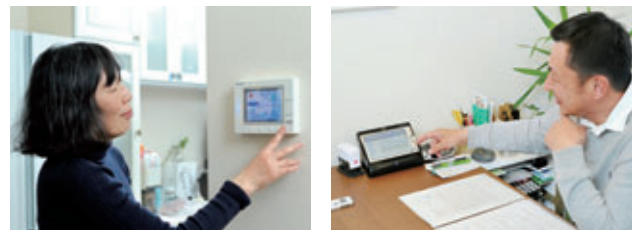
Akira Takaoka

Biena Ageo Model House Showroom,
Saitama Branch



As Mr. and Mrs. Kawamoto were looking for a superior cold-proofing solution for their new home, we provided upgraded insulation on top of standard insulation. They also requested Sekisui House to pick out suitable home furnishings and accessories that fit their new home, so we had our interior coordinator design the ideal interior living space to make Mr. and Mrs. Kawamotos' vision a reality.

Going forward, I want to help make the home-building process as care free as possible to ensure our customers are satisfied with selecting Sekisui House as their builder of choice. I also believe it is important to properly convey our corporate stance toward environmental protection and new environmentally friendly home building concepts to homebuyers. Nothing would make me happier than having our customers understand and experience firsthand how they can make a difference in reducing CO₂ emissions through owning a new-build home.



In-home monitor that displays changes in power generation and consumption using easy-to-understand illustrations. Mr. and Mrs. Kawamoto found the monitor "much more fun to view than number-only monitors."

Raising Demand for Green First New Build Detached Houses

LED Home Lighting Solutions

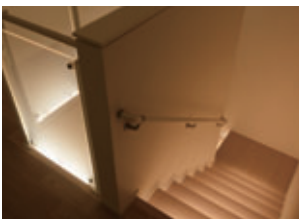
Sekisui House has selected LED as the lighting solution of choice for its Green First homes for its energy efficiency and long life. Employing LED lighting throughout the interior of the home can help cut annual CO₂ emissions by almost 78% compared to conventional fluorescent and incandescent lighting fixtures.* Moreover, with its compact design and easily manipulated high intensity light source, LED greatly expands the realm of lighting design possibilities.

In December 2009, Sekisui House opened a model home next to its Kanto factory lit exclusively with LED fixtures called the *Kurashi no Akari-kan*. In advance of moves to phase out incandescent lighting, Sekisui House plans to utilize this model home as a platform for promoting the use of in-home LED lighting solutions.

* Calculated based on a detached house in Tokyo occupied by a family of four with a 155m² floor area.



Kurashi no Akari-kan



Establishing LED as a viable primary lighting solution



Sekisui House is also striving to increase the prevalence of other energy-saving solutions, such as high-efficiency air conditioning units and other energy efficient home appliances.

PV and Fuel Cell Systems

Sekisui House encourages the installation of PV systems and the *ENE FARM* fuel cell system in Green First homes.

The *ENE FARM* system went on sale in May 2009, with first year sales of 1,222 units greatly exceeding the fiscal year target of 1,000 units, as Sekisui House accounted for nearly 40% of all *ENE FARM* domestic sales—the highest any homebuilder in Japan. In addition, the number of detached houses under order for PV system installation accelerated to outpace the initial sales target of 6,000 homes to reach 7,030 as a result of both national and local government subsidies and a Sekisui House rebate program launched in May 2009 providing 130,000 yen per 1 kilowatt of installed PV.

Looking Ahead: Other Sekisui House Environmental Targets

With the recent launch in Japan of an electricity buy back program in November 2009 and the eco point system for housing in March 2010, Sekisui House has set the following three targets for fiscal 2010.

- Install PV systems in 10,000 homes
- Increase the ratio of Green First homes to total new build homes to 70%
- Install 2,400 *ENE FARM* fuel cell systems

Going forward Sekisui House will study the viability of smart homes, which optimize the energy supply-demand balance by integrating household energy, and smart grids, which optimize this balance in regional units, with the ultimate goal to transform homes into net suppliers of clean energy.



Dr. Takao Kashiwagi

Professor, PhD, Integrated Research Institute (IRI), Tokyo Institute of Technology
Dr. Kashiwagi specializes in environmental and energy system engineering, refrigeration and cooling systems and applied thermal engineering. He is a principal member of various government-led energy committees and councils.

External stakeholder's perspective

Energy Generating Homes and Smart Cities

Large paradigm shift to occur in energy and housing leading up to 2020

Soon roof PV systems will become standard on new build detached houses, which will also feature fuel cell technology in place of conventional water heaters. In homes, a smart monitor with information and communication functions will allow users the ability to maximize control of natural energy use as well as link with mobile devices. The number of plug-in hybrid and electric vehicles will increase; followed by smart houses where homeowners can charge their vehicle using either surplus power from the fuel cell system or clean energy from the PV system. While at the time of peak energy use, electricity will be supplied to the house from the vehicle's rechargeable battery. With the spread of smart houses, residential neighborhoods will become suppliers of clean energy to downtown core business districts, marking the arrival of integrated energy network systems.

These smart cities, however, are unattainable without the building block of energy generating homes. I believe this is where Sekisui House has the opportunity to play an integral role going forward.

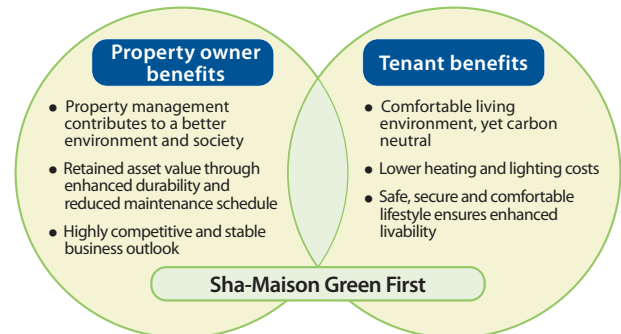
Cutting CO₂ Emissions with Sha-Maison Green First Low-Rise Apartments

Multi-Family Housing Balancing Economics with the Environment

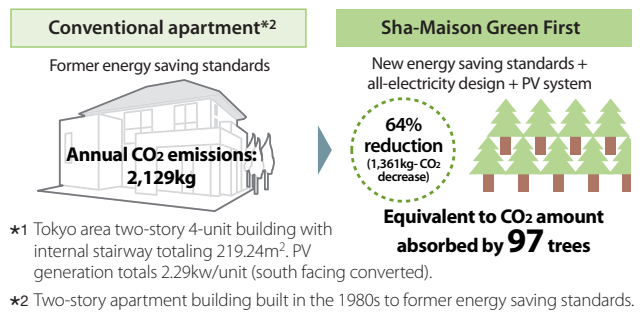
Although they account for over 40 % of annual housing starts in Japan, rentals have yet to see a substantial increase in on-site PV solutions. Sekisui House was the first in the industry to offer a product that combines an all-electricity powered design with an inexpensive energy rate plan and on-site PV system when it launched sales of its Sha-Maison Green First low-rise apartments in March 2009.

Sha-Maison Green First residences feature industry-leading environmental designs and greatly reduce heating and lighting costs for tenants through the sale of surplus electricity. Property owners also benefit from decreased maintenance requirements, retained asset values, and reduced initial investment courtesy of national or local government subsidies. As a result, Sha-Maison Green First low-rise apartments have commanded great attention from owner and tenant alike, as 371 buildings were sold in fiscal 2009.

Sha-Maison Green First benefits



Sha-Maison simulated CO₂ reduction *1



Sustainability in Action

Comfort, economics and environmental design are the new keys to attracting tenants

Yasuhiro Takeda
Hyogo Sha-Maison Branch



When I first started selling Sha-Maison Green First residences, most property owners could not recognize the need for or benefit of PV systems in rental housing. These same property owners soon came around, however, after a presentation marketing the benefits of differentiation from existing properties and emphasizing the future competitiveness and profitability of the Sha-Maison Green First product.

Recently, the key to lease property management has been how to attract new tenants. With a large supply of existing properties available, property owners cannot expect to retain asset value simply because the property is a new build. Both comfortable and economical, Sha-Maison Green First residences will attract tenants without doubt. Going forward, I look forward to actively marketing Sha-Maison Green First and increasing the prevalence of eco-friendly apartments on the market.

Sha-Maison Green First example images



Two-story low-rise "Village"



Three to four story "Bereo"

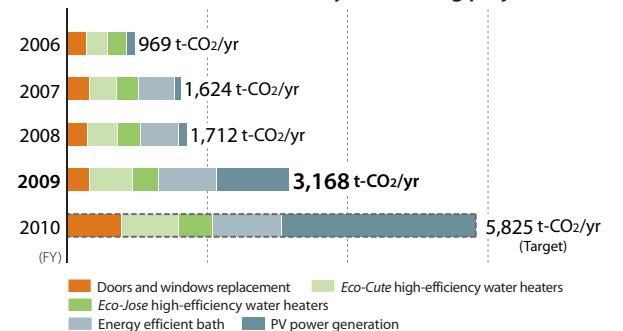
Eco-friendly remodeling

Cutting CO₂ emissions in existing detached houses

Group company Sekisui House Remodeling Co., Ltd. has completed remodeling projects for nearly 700,000 detached houses built by Sekisui House that have improved the environmental design, economics, and comfort to a point that they are comparable to a new build home. Sekisui House Remodeling has also established individual targets for upgrading window and door insulation, PV system installation and high-efficiency water heaters upgrades. Buoyed by accelerating demand for PV systems, we were able to reduce our homes' annual CO₂ footprint by 3,168 tons in fiscal 2009, or 7.5 times the amount from fiscal 2005.

Eco-friendly remodeling projects are also covered in the government of Japan-led Home Eco Point Program, which was started in March 2010. Viewing this as a key opportunity, Sekisui House Remodeling will launch the double eco points program that will match the number of government-issued points, up to a maximum of 150,000 points, for all remodeling projects commenced by December 31, 2010. In addition, Sekisui House Remodeling aims to reduce CO₂ emissions by 5,825 tons annually in fiscal 2010.

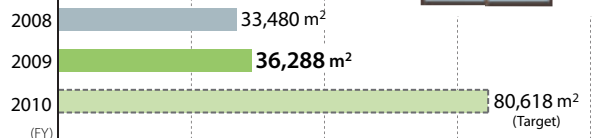
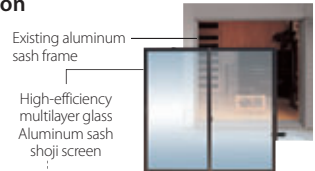
CO₂ reduction from eco-friendly remodeling projects



Eco-friendly remodeling solutions

Window and door insulation

In fiscal 2009, Sekisui House completed remodeling projects that replaced and upgraded window and door insulation on 3,601 homes and replaced a total window area of 36,288 m² with the latest multilayer glass panes.



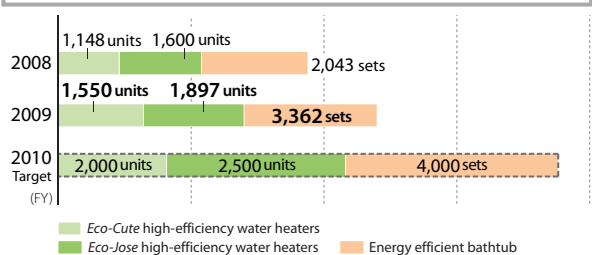
PV systems

After completing the installation of PV systems in a total of 718 homes in fiscal 2009, Sekisui House will further focus on marketing its proprietary roof tile PV system going forward.



High-efficiency water heaters and energy efficient baths

Sekisui House marketing initiatives, which combined high-efficiency water heaters upgrades with a 3-piece energy efficient bath set, resulted in the installation of 1,550 Eco-Cute units, 1,897 Eco-Jose units, and sales of 3,362 bath sets in fiscal 2009.



Pursuing energy efficiency in our business activities

Refer also to Environmental Targets & Track Record on page 53.

Our Commitment to the Challenge 25 Campaign

Reducing Production-Related CO₂ Emissions

Sekisui House initiatives in fiscal 2009 to reuse heat waste from dry kilns and boilers, introduce high-efficiency water heaters change over to inverters, streamline lighting and reduce shipment volumes helped the Company greatly reduce its production-related CO₂ emissions footprint.

Further, a decrease in production efficiency resulted in 10.03 kg of CO₂ emission per square meter of floor area shipment.

We have set a goal to reduce our CO₂ footprint by further 25% in fiscal 2010, and are actively making efforts to attain this goal, such as further increasing use of inverters and shifting to more environmentally-friendly fuels.

Pursuing Energy Efficient Offices

With the Revised Law Concerning Rational Use of Energy requiring reporting of energy use for all businesses, Sekisui House has embarked on a company-wide review to strengthen its internal framework for reducing CO₂ emissions.

Starting in April 2009, the Sekisui House Osaka head office improved the operating efficiency of its cooling systems, reducing CO₂ emissions by 120 tons annually. We will continue this effort in fiscal 2010 and beyond, as part of our broader company-wide commitment to conserve energy.

Sustainability in Action

Marketing economically superior PV solutions

Toshiya Fujimoto

Director, Kumamoto Remodeling Center
Kyushu South Sales Office
Sekisui House Remodeling Ltd.



When talking to customers considering a PV system, I make it a point to ensure they fully understand PV benefits by taking them through national government and Sekisui House subsidy programs and explaining the surplus electricity buyback program where electric power companies buy back surplus energy at twice the normal price. In addition, I always provide customers with a tailored proposal and cost-benefit analysis based on manufacturer and Sekisui House calculations.

Previous customers have told me how happy they are with actually getting paid each month for their surplus energy and how they enjoy checking the in-home energy monitor. Everyone is impressed they can reduce their energy use while also being paid for it. Recently, I also installed a PV system in my home, which has allowed me to expound the benefits of PV systems with a more personal touch.

Going forward, I hope to become more active in promoting eco-friendly remodeling solutions by marketing packaged solutions based on the age of a customer's home that include all-electricity designs, window and door insulation replacement and high-efficiency water heaters upgrades.

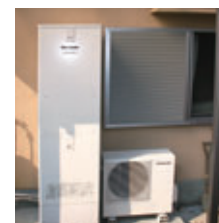
Group-wide remodeling business

The Sekisui House Group nationwide family of 31 Sekiwa Construction companies began offering remodeling solutions for non-Sekisui House detached houses and new builds starting in April 2009. Remodeling projects have focused on eco-friendly solutions, as we seek to reduce CO₂ emissions in non-Sekisui House detached houses by replacing window and door insulation, upgrading to high-efficiency water heaters or installing PV systems.

Sekisui House Group condominium management company SGM Operation Co., Ltd. provides remodeling services for condominiums on Rokko Island in Kobe where the Company played a key role in the area's urban development plans. SGM Operation also encourages replacing door and window insulation at remodeling-related seminars as a means to reducing a homeowner's CO₂ footprint.



Remodeled non-Sekisui House detached house



Installing an Eco-Cute unit



Junko Edahiro

Founder and President, e's Inc.

Ms. Edahiro is working to change people's perspective toward the environment through public speaking, writing, translating, and consulting. She was a committee member for the roundtable on global warming issues under the Fukuda and Asao administrations.

External stakeholder's perspective

Increasing the Number of Eco-Friendly Homes

Housing, in which we spend most of our life, is vital to a number of issues, including the environment, energy security, and human happiness. In aiming to achieve the challenging goal of a comfortable house with minimal (zero more ideal) environmental impact, I believe Sekisui House is changing the potential of global warming measures into reality by employing new break-through technologies based on sound development and verification practices.

I encourage Sekisui House to move forward in developing a standardized model for homes that greatly reduces environmental impacts subtly and at the same time improves people's awareness of the connection their lifestyle has with the environment.



Educational activities in energy conservation

Energy Conservation Seminar

Sekisui House actively conducts seminars around Japan targeting parents and children that address the relationship between global warming prevention and people's lifestyle through games and interactive experiments. Seminars focus on comparing different home insulation as well as energy efficient appliances to encourage participants to lead a more eco-friendly lifestyle.

In fiscal 2009, 19 classes were held with 332 children learning about energy conservation, while a further 20 seminars were held that promoted energy efficient lifestyles.



Many parents-children energy conservation seminar

Conserving Forests and Biodiversity through Our Homebuilding Practices



Eco-First Commitment: Encourage the revitalization of ecosystem networks

Sekisui House places great emphasis on biodiversity conservation through its landscaping initiatives and wood procurement practices. We understand our responsibility to conserve biodiversity, as a homebuilder that uses large quantities of wood materials and considering the unparalleled size of our landscaping projects in Japan. There is a groundswell of interest in biodiversity today, fueled by Japan's hosting of the tenth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 10) in 2010. Sekisui House will continue to take a leadership role in contributing to biodiversity conservation through our business activities.

Social Issues

Continuing Loss of Biodiversity

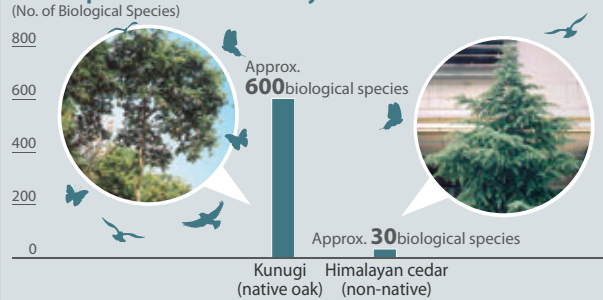
Biodiversity is an indication of an abundant and balanced ecosystem with diverse biological species and DNA. However, human activity is causing the loss of biodiversity, and today 12% of all bird species and 21% of all mammal species are under the threat of extinction.*

Biodiversity is being threatened in a number of ways, such as due to excessive logging in tropical rainforests that have rich ecosystems, and the import of non-native species that contribute to the destruction of native ecosystems. Further loss of biodiversity has the potential to threaten mankind's existence on our planet, as we are dependent on ecosystems for various needs such as food, clothing and shelter.

In Japan, we are witnessing a rapid loss of sustainable *Satoyama* landscapes that bring nature closer to us. *Satoyama* landscapes have long enabled sustainable human interaction with nature, giving rise to rich ecosystems. In today's world, there is a pressing need to revitalize our immediate surroundings in a way that will create rich natural ecosystems.

*Based on 2009 data from International Union for Conservation of Nature (IUCN).

Wood Species and Biodiversity



There are marked differences in the number of biological species that are attracted to trees, here comparing kunugi native oak that are typically found in Japan's *Satoyama* landscapes, and the non-native Himalayan cedar. The difference explains why *Satoyama* landscapes feature rich ecosystems.

Sekisui House Initiatives

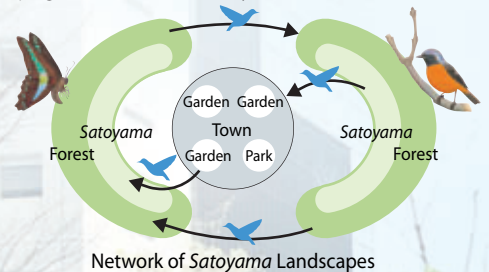
United with Our Group Companies,

Community-Building Initiatives through

The *Gohon no ki* landscaping concept → P27

Planting Native Species in Yards and Landscaping to Form Ecosystem Networks

Sekisui House uses the *Gohon no ki* landscaping concept in a wide range of community development projects from detached houses to apartments and condominium developments. We work with specialists from NGOs to select and plant native tree species that are best suited to regional climates, choosing trees that will attract many biological species. We plant these native tree species in yards and landscapes to form part of the larger ecosystem that also encompasses remaining *Satoyama* landscapes and forests, in effect forming a network of *Satoyama* landscapes. By helping to revitalize natural environments that are indigenous to the area, we are helping to conserve biodiversity.



Vegetable patch and rice paddy in Shin-Satoyama grounds

External Stakeholder's Perspective **Implementing Fundamental Initiatives for Biodiversity Conservation**

Corporations must endeavor to minimize the impact of their business operations on biodiversity and also help to revitalize biodiversity. Sekisui House has prepared its own Wood Procurement Guidelines to encourage supply chains that have a lower impact on biodiversity. This initiative is influencing suppliers to enhance their own efforts to conserve biodiversity, and reducing the impact of the housing industry as a whole.

Under the *Gohon no ki* landscaping concept, Sekisui House is working with customers to conserve local biodiversity, with the aim of revitalizing nature and ecosystem networks in a way that is similar to the traditional *Satoyama* landscaping approach. Sekisui House launched an ongoing biodiversity survey in 2008, targeting subdivisions where it has implemented the *Gohon no ki* landscaping approach. These surveys have shown concrete benefits from using the *Gohon no ki* landscaping concept, and reveal an increase in bird populations as trees and vegetation planted by Sekisui House grow and become fuller over time.

I hope Sekisui House will work to involve an even larger circle of stakeholders, while continuing to display leadership through the initiatives that fundamentally address biodiversity conservation through its business activities.



Dr. Naoki Adachi
CEO, Response Ability, Inc.

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

Suppliers and Society to Conserve Ecosystems and Biodiversity

Residential Development

FairWood Procurement → P30

Procuring Eco-Friendly Wood from Fair Sources

Sekisui House established its own Wood Procurement Guidelines in April 2007, based on discussions with environmental NGOs, to encourage the use of sustainable wood. The guidelines address issues such as illegal logging, biodiversity conservation, and the concerns of communities in logging areas. Sekisui House has enlisted the cooperation of many of its suppliers to implement FairWood* procurement, based on studies of tree species and logging areas.

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



Collaboration and Raising Awareness

Internal and External Education Activities

Sekisui House communicates the importance of biodiversity conservation through various initiatives including the distribution of nature education materials, implementation of extension workshops for elementary school students, and hands-on education at the *Shin-Satoyama* grounds.



Government and Inter-Industry Collaboration

Conservation of biodiversity requires a united effort rather than working in isolation. Sekisui House is involved in a number of international and Japan-based conservation initiatives, in partnership with governments and other companies.



COP 9 and 10

There is growing recognition today of the need for biodiversity conservation as a global-scale issue. At the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 9), the parties were united in their opinion that private companies will play a large role in biodiversity protection. As the host nation to COP 9, Germany spearheaded the creation of a Business and Biodiversity Initiative, which Sekisui House has pledged its support for by signing a Leadership Declaration.

Sekisui House is also involved as a trustee member of the Japan Business Initiative for Conservation and Sustainable Use of Biodiversity (JBIB), which was formed in April 2008 by forward-thinking corporations in Japan. JBIB carries out joint research from an international perspective, and engages in dialogue with stakeholders.



The *Shin-Satoyama* grounds attract many wild birds including this shrike



A dragonfly emerging from its skin (*Shin-Satoyama* grounds)

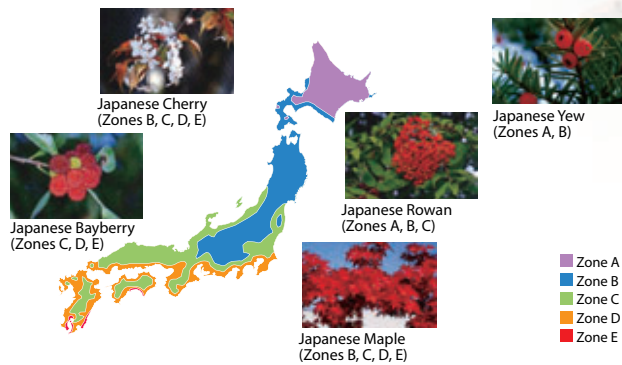
The *Shin-Satoyama* grounds are located in Shin Umeda City, adjacent to the head offices of Sekisui House, and spread across 0.8 hectares of green space. The grounds are mainly planted with native and local trees and vegetation, providing a home for a diverse variety of living creatures amid an urban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

The *Gohon no ki* Landscaping Concept—Revitalizing Our Relationship with Biological Species

Creating a Network for Planting Native and Local Tree Species

Sekisui Housing developed the *Gohon no ki* landscaping concept by drawing inspiration from sustainable Satoyama landscapes that have long been part of Japan's landscape. Under the *Gohon no ki* landscaping concept, we plant native and local tree species in yards and landscapes, guided by local geography and climate zones and through careful selection of tree species best suited to each climate. Indigenous trees attract many living creatures including wild birds and butterflies, which help to conserve ecosystems while at the same time creating a residential environment for homeowners to enjoy.

Native and Local Tree Species Selected for Each Area and Climate



Trees Planted by Sekisui House



Supplier's Perspective

Growing and Supplying Native Species to Enhance Residential Environments

Hironari Kobayashi
 President and Representative Director
 Kobayashiyoujyuen Co., Ltd.
 Tree grower supplying local and native tree species

Kobayashiyoujyuen supports the *Gohon no ki* landscaping concept by Sekisui House and its contribution to nature conservation, in our capacity as a tree grower and gardening contractor.

Japan features a varied geography and a diverse range of native species in each region. We try to capitalize on the characteristics of each region to reproduce a *Satoyama*-like environment for residential yards and landscapes. We are using gardening techniques to link together ecosystems that are in turn connected to communities.

We recognize the importance of increasing greenery as Sekisui House advocates, and will do our part to supply trees and gardening services that will help to create enhanced living environments.



Sekisui House has built a network that encompasses approximately 80 landscaping companies and tree growers across Japan. Our partners share our vision of sustainable landscaping and assist by growing trees to be planted in yards and landscaping under the *Gohon no ki* landscaping concept.

Biodiversity Survey Tracks Benefits of the *Gohon no ki* Landscaping Concept

Sekisui House in partnership with Eco-Planning Research Co., Ltd. initiated an ongoing biodiversity survey in September 2008, in order to track the benefits of the *Gohon no ki* landscaping concept. We study biodiversity before and after construction of residential developments that employ the *Gohon no ki* landscaping concept. The survey measures the benefits over time and in comparison with nearby environments. The surveys are conducted every summer and winter in six subdivisions, covering five areas ranging from Sendai in the north to Miyazaki in the south.

The preliminary data we have collected indicates that there has been an increase in both the quantity and variety of biological species in some subdivisions, both over time and in comparison with nearby environments. Sekisui House enlists the help of homeowners to collect data for the surveys, which makes homeowners feel more connected with the nature around them and raises awareness of the importance of biodiversity conservation.



Biodiversity Survey Participants

Iwamoto Family
(Ibaraki Prefecture)



Rediscovering Our Backyard

We first chose to take part in the biodiversity survey because of my son's interest in living creatures. He always impresses me with his keen eye for observation, and his backyard discoveries have included a praying mantis, stag beetle, and cabbage butterfly. He has also observed birds such as white wagtails, sparrows, and turtledoves visit our yard on occasion.

We have been helping with the survey since last summer, and look forward to the release of detailed information from the experts. It also gave us an opportunity to get to know our neighbors better and has sparked our interest in our yard and garden, as we even started planting vegetables. We are looking forward to putting more work into our garden and enjoying our home even more.

Sustainability in Action

Ongoing Biodiversity Survey Popular with Participants

Junichi Aizawa
Tsukuba Branch



The Iwamoto Family live in a subdivision that encompasses a large six hectare park and landscaping that employs the *Gohon no ki* landscaping concept. The goal of the development was to create an unparalleled residential community where residents can feel they co-exist with the surrounding ecosystem.

We initiated the biodiversity survey at this subdivision in September 2009, since the objectives were a good match for the concept. Eleven pairs of local residents braved the poor weather to help us collect data for the inaugural survey, focusing mainly on observing birdlife.

We received a lot of positive feedback from the participants, many of whom expressed an interest in joining similar events. We are also considering plans to build a stream and small pond in the community, to help attract various living creatures to the area.

Green Expert Program

Sekisui House runs an internal Green Expert program that trains employees in advanced gardening and planting techniques, and teaches them about biodiversity conservation. Since it was launched in 2005, 45 employees have completed the program.

Those completing the program provide technical support across the country, lead in-house training seminars, and direct the work of our gardening contractors. The Green Experts have earned the respect of customers and their colleagues for their valuable expertise.



Green Experts in training

Looking Ahead: Expanding Ecosystem Networks through Residential Development

Sekisui House is in its tenth year of implementing the *Gohon no ki* landscaping concept. We are endeavoring to provide homeowners with appealing yards and landscapes that incorporate the *Gohon no ki* landscaping concept, in order to encourage the widespread use of sustainable landscaping.

Sekisui House has set a goal of planting one million trees annually in Japan, but declining housing starts have prevented us from attaining this target. Nevertheless, we will press on in our effort to plant more trees.

We will also continue to collect data and track the benefits of the *Gohon no ki* landscaping concept, through biodiversity surveys that we launched in 2008 which involve ongoing field study and observation, and through online surveys.



Takao Ogawara
President & Representative Director
Eco-Planning Research Co., Ltd.

Eco-Planning Research provides consulting for fieldwork to study natural ecosystems, and for nature parks. The company also trains instructors for environmental education.

External Stakeholder's Perspective

Sekisui House's Biodiversity Survey

Research is being pursued today around the world to determine the role of common gardens and greenery on biodiversity conservation in urban areas. To examine the exact benefits of using the *Gohon no ki* landscaping concept in landscaping and residential development, Sekisui House started an ongoing biodiversity survey focusing on six subdivisions. The first step in conducting the surveys is to study the degree of biodiversity in nearby areas, and then assess biodiversity in the subdivisions.

Sekisui House recruits homeowners to help conduct field observations for the survey. The homeowners have observed wild birds such as the varied tit, Japanese white eye, and brown-eared bulbul, and insects such as the swallowtail butterfly. In the second-year, the survey has found an increase in bird and insect populations, and greater numbers of varied tits and turtledoves.

We will soon have two full years of data to analyze since initiating the surveys in 2008. The data will enable us to track the benefits of the *Gohon no ki* landscaping concept, both over time and in comparison with similar urban areas. The surveys are helping to spur homeowners' interests in biodiversity that exists in their own backyards, while contributing to residential development that benefits humans and biodiversity.



Raising Awareness for Biodiversity Conservation

Teaching Children about the Importance of Biodiversity Conservation

In addition to incorporating biodiversity conservation practices through its business activities, Sekisui House is actively involved in raising awareness about the importance of biodiversity conservation.

We have designed an environmental education curriculum with downloadable materials, that are available free of charge for educators to use in the classroom. We also conduct workshops for teachers and extension workshops at elementary schools, to teach students about the importance of ecosystems through the study of nature in their school grounds and immediate surroundings.

Sekisui House provides a *Gohon no ki* mobile phone website with a search feature for trees and wild birds. In October 2009, we launched a new website to educate the public about the importance of biodiversity and spotlight our biodiversity initiatives.

Sustainability in Action

Teaching Children about the Environment

Aya Kotani

Osaka North Office, Osaka Center
Greentechno Sekiwa Kansai Ltd.



I visited an elementary school in Sakai City to give workshops using the *Letters from Dr. Forest* environmental curriculum developed by Sekisui House. During the fieldwork, the kids try to find different species of leaves around their school grounds, shouting out when they find what they are looking for. It is surprising how well the children can remember the characteristics of different flowering plants.

Children learn about the relationship between plants and living creatures during their everyday play. It is a good reminder of the many ways that we can learn about the environment in our everyday lives.

TKids Have the Most Surprising Questions

Kenji Miki

Osaka Planning & Design Office,
Planning & Design Department



As an instructor for the *Letters from Dr. Forest* program, I lead extension workshops for elementary school students and for teachers and the general public. I am always impressed by how much the participants are interested in nature, across all ages.

The children always have the most surprising questions, which are sometimes difficult to answer, such as “Why are there so many trees in the forest?” and “Why do acorns have a cap?” It is always fun to teach the children and witness their inquisitiveness.



Letters from Dr. Forest is a hands-on environmental education curriculum designed by Sekisui House



Sekisui House Biodiversity Microsite (<http://www.sekisuihouse.co.jp/biodiversity/>)



Letters from Dr. Forest was designed for classroom use. Sekisui House also conducts extension workshops at schools.

Involving Employees and their Families in Biodiversity Conservation

An organization called the Shin Umeda City *Satoyama* Club organizes various activities out of the *Shin-Satoyama* grounds, including vegetable gardening and nature observation sessions. Involved in the club are people working in Shin-Umeda City and their families, including many Sekisui House employees.

In fiscal 2009, the club organized a field observation session for singing insects led by an insect expert, one of many educational activities conducted for biodiversity.



An insect expert teaches the participants how to distinguish between various insect sounds, as they learn about the ecology of insects.

FairWood Procurement Encouraging Sustainable Forestry Practices

Working with Suppliers and NGOs to Implement FairWood Procurement

Every year, thirteen million hectares of land are deforested around the world, for various reasons ranging from illegal logging and overdevelopment to the inappropriate use of “slash-and-burn” practices and man-made forest fires. Deforestation is destroying natural ecosystems and affecting people’s lives.

Sekisui House engages in FairWood procurement to encourage the sustainable use of wood. We unveiled the Wood Procurement Guidelines in April 2007, which outline ten principles that we use to score wood procurement, by assigning one of four ratings (S, A, B and C). We work with suppliers and NGOs to reduce the procurement of C-rated woods, in favor of more sustainable S-rated woods.

Wood Procurement Guidelines: Ten Principles

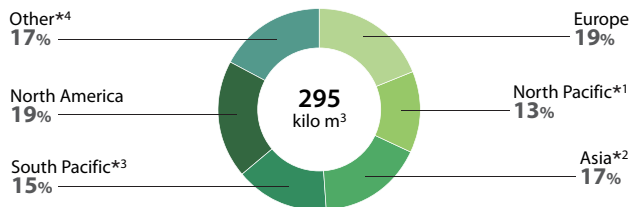
1. Wood products that are sourced from areas where there is low risk of illegal logging.
2. Wood products that are sourced from areas that do not form part of ecosystems recognized as having outstanding value.
3. Wood products that are not sourced from ecosystems that are severely damaged or areas where 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.

Procurement Levels: Determining procurement rankings

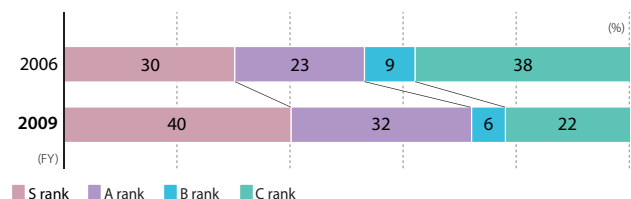
Total Points (maximum of 43 points)	Procurement Ranking	
34 or more	I	Using total procurement guideline points, products are classified as S, A, B, or C level, with S being the highest, while a separate borderline is established for guidelines 1 and 4, which are particularly important.
26 or higher but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

Wood Procurement Data

Logging area composition



Proportion of Procurement Ranking



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

Wood Flooring Sourced from Responsibly Managed Forests

Until recently, approximately 70% of the wood flooring used by Sekisui House had low procurement levels. To improve the situation, Sekisui House worked closely with flooring suppliers to switch to sustainable species and woods sourced from sustainable areas, and certified wood products. The move enabled our suppliers to gain valuable expertise in the manufacturing and installation of sustainable wood flooring, through the process of establishing new supply chains and switching to sustainable wood species. In fiscal 2009, our suppliers were able to provide certified wood flooring products right from the start, which helped us to improve the quality of our sustainable procurement practices.



Certified flooring product

FairWood Procurement Encouraging Sustainable Forestry Practices

Promoting Akita Cedar to Revitalize Forestry and Conserve Mountain Ecosystems

Japan today only sources about 20% of its wood from domestic sources, whereas this percentage was as high as 90% in 1960. Meanwhile, forests planted four of five decades ago have not been maintained adequately, which has led to the deterioration of ecosystems in Japan's mountain areas. Our Wood Procurement Guidelines emphasize the sourcing of domestic woods to revitalize the Japanese forestry industry and conserve ecosystems in mountain forests.

In some parts of the Tohoku region, Sekisui House has been offering homeowners the option of using laminated wood posts made from Japanese Akita cedar in their wood-framed homes. In fiscal 2009, we expanded this option to offer it for all wood-framed homes constructed in the Tohoku region. We are also switching to plywood made from Japanese woods, for use as a construction underlayment.

In fiscal 2009, Sekisui House's procurement of Japanese wood materials amounted to 44,000 cubic meters, or 15%, of total procurement for that year.

There are various challenges associated with sourcing Japanese wood products, such as the relative young age of the wood compared with imported wood products, which affects dimensional stability, and the difficulty of securing adequate volumes of domestic wood. Yet Sekisui House is committed to overcoming these challenges and increasing the use of Japanese wood products as part of our FairWood procurement strategy going forward.



Laminated wood posts made from domestically sourced Akita cedar

Educating Employees About FairWood Procurement

Sekisui House provides employees with information about the purpose of green procurement and the status of initiatives in order to advance FairWood procurement. The Company trains employees connected with the SHAWOOD line of wood-framed detached houses, so that they can effectively communicate the benefits of these houses to customers.

Under the program, employees observe testing procedures for structural integrity and learn about new development plans. The scope of the program was expanded in fiscal 2009 to brief employees about FairWood procurement and its policies and future direction. These initiatives are raising the awareness of employees toward FairWood procurement, and preparing them to better communicate the benefits of FairWood procurement to our customers.



Sekisui House employees learning about structural integrity testing

Looking Ahead: Enhancing the Level of FairWood Procurement

In fiscal 2009, Sekisui House continued taking steps to raise its FairWood standards for wood procurement, which earned us several awards. We will continue to explore ways to enhance our FairWood procurement, in order to meet the expectations of stakeholders outside the company.

One of the challenges we face is to raise the perceived added value of FairWood procurement and improve public recognition. We will continue raising awareness about issues in forestry and the importance of FairWood procurement, in order to gain widespread support and recognition for this important initiative going forward.



Awards for FairWood Procurement

Sekisui House Receives Award for Excellence at the Japan Awards for Biodiversity

In September 2009, Sekisui House was recognized at the first Japan Awards for Biodiversity by the AEON Environmental Foundation and Ministry of the Environment. We received the award in recognition of our Wood Procurement Guidelines in the category of product usage. The award is given to organizations and companies who make outstanding contributions by developing a product involving the sustainable use of biodiversity, or by implementing a product or service that contributes to such use.



Sekisui House Receives Green Purchasing Award

Sekisui House received the Award for Excellence at the Green Purchasing Awards in October 2009 for achievement in the area of wood procurement initiatives, from the Green Purchasing Network which organizes the awards. The award was given in recognition of Sekisui House's achievements in working with suppliers and NGOs to implement FairWood procurement of eco-friendly wood from fair sources.

The organizers cited Sekisui House for several achievements including for the superior execution of green purchasing for wood products, and the level of objectivity of our green purchasing guidelines implemented in partnership with environmental NGOs. Sekisui House was also praised for collaborating with suppliers to advance green purchasing efforts, and engaging in public education through the publication of a children's book that stresses the need for FairWood procurement.

It is the second consecutive year for Sekisui House to win the Award for Excellence at the Green Purchasing Awards, after receiving a 2009 award for our Carbon Neutral House.



Satoyama Tours Educate Customers About the Importance of Using Domestic Wood

Using domestic wood is actually important from the perspective of protecting Japan's mountain forests from inadequate management. We have adopted the Long-term Quality Housing Leading Model Project instituted by the Japanese government. The program is designed to encourage greater demand for quality and durable housing with longer life cycles by ensuring proper maintenance and repair practices.

Under the program, Sekisui House has developed a plan to enhance homeowners' attachment to their homes. The plan incorporates the use of building materials made from domestic broadleaf trees, as part of our overall strategy to encourage the use of domestic wood.

Sekisui House also organized two *Satoyama* tours in Saitama and Shiga that enabled customers to experience Japan's mountain forests up close in order to raise awareness about the importance of using domestic wood and encourage customers to choose building materials made from domestic broadleaf trees.



Sekisui House receiving the Green Purchasing Award

Sekisui House Distributes Educational Material in Support of FoE Japan

Sekisui House has prepared a children's book titled *Kurara no Mori*, that is designed to communicate the importance of FairWood procurement. We distribute the book through our display homes and at environmental events to raise awareness about FairWood procurement.

FoE Japan* is an international environmental NGO that engages in the community fundraising project *Mori no Present* (presents from forests), which is a program for the maintenance of forest in Japan. The thinning lumber removed during forest upkeep is then used to make wooden benches that are donated to kindergartens and elementary schools.

Sekisui House is a proud supporter of this initiative. In support of the program, we donated copies of *Kurara no Mori* to schoolchildren in conjunction with the donation of wood benches by FoE Japan to six kindergarten and elementary schools.

* Calculated based on a detached house in Tokyo occupied by a family of four with a 155m² floor area.



Reading *Kurara no Mori* to schoolchildren

Facilitator's Perspective Long-Term Perspective Needed for FairWood Procurement

In just three years, Sekisui House has gained solid support for its FairWood procurement initiative, encouraging Japan's major building materials manufacturers to conform with the Wood Procurement Guidelines developed by Sekisui House. It is certainly a pioneering initiative in Japan.

At the same time, serious progress is being made to encourage sustainable wood procurement in other parts of the world. For example, in Europe, only imports of certified or legally authenticated forest products are allowed, while in the United States, trade in illegally logged wood products is subject to strict government penalties. As demand for wood products rises in developing countries and deforestation continues, it will become increasingly difficult to source wood products from outside of Japan. Three suppliers who participated in the roundtable discussion have set procurement targets for 2011, but in the medium- and long-range view, corporations need to take a serious look at adopting a distributed model for procurement and manufacturing of wood, that involves using local wood products in the area where they are harvested.

At the roundtable discussion on FairWood procurement, one of the suppliers raised the valid point that a certain amount of expenditures are required to properly manage our domestic forests and procure wood products from these forests. Sekisui House must work to educate everyone from its customers to its own planning, design, sales and interior design staff about the importance of FairWood procurement, in order to implement the initiative on an even broader scale.



Kenichi Nakazawa

Director, FoE Japan Forest Program International Environmental NGO

FoE Japan tackles problems such as global warming, deforestation, and development aid to developing countries from a global level. Kenichi Nakazawa served as a facilitator for the roundtable discussion.

Eliminating Waste while Using Resources Sustainably



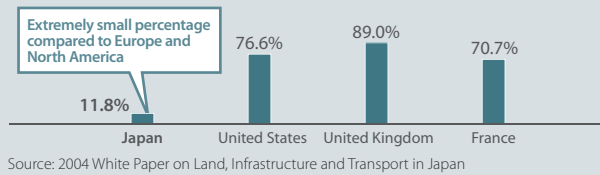
Eco-First Commitment: Endeavor to promote resource recycling and reuse

Today, the challenge of building a sustainable recycling-oriented society has become a shared global obligation. Sekisui House, in maximizing the sustainable and responsible use of building materials, actively employs zero emission-focused initiatives aimed at resource conservation, including lengthening the lifecycles of homes and reducing waste products during the manufacturing process and at our construction sites.

Social Issues Changing Nature of Housing Inventory in Japan

Japan's housing market is unique compared to Europe and North America, as existing home inventory rarely changes hands, and comparatively newer buildings are often demolished in favor of new builds. By addressing the need for longer-lasting homes, Sekisui House is committed to helping increase housing inventory in Japan for the betterment of the environment as well as market.

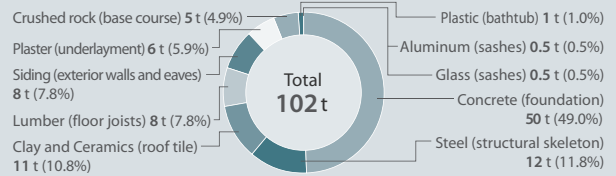
International Comparison of Existing Home Sales as a Percentage of Total Home Sales



Social Issues Reducing Waste at Factories and Construction Sites

A single detached house uses large volumes of various natural and synthetic resources during construction. Sekisui House believes construction companies and homebuilders have a shared responsibility to reduce waste materials and encourage recycling during all phases of a home's lifecycle, from the manufacturing of components and building materials to new build construction, after-sales service, remodeling projects and demolition work.

Natural and Synthetic Resources Used in Home Construction (per Sekisui House Steel-Framed Detached House)



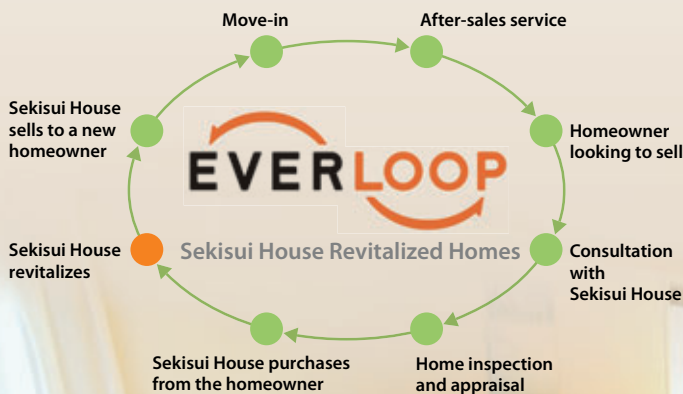
Sekisui House Initiatives

Everloop Homes → P34

Zero Emissions → P35

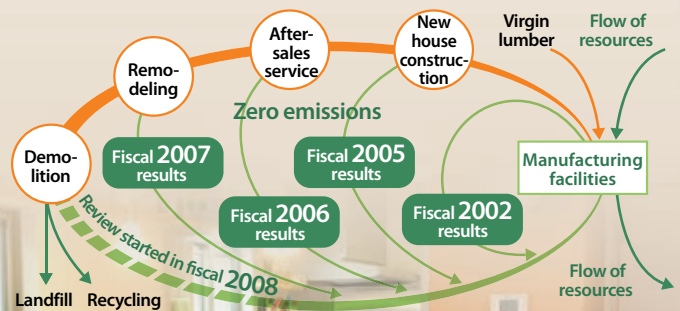
Creating Markets for Revitalized Homes

An Everloop home is an existing Sekisui House-built home bought back from the homeowner by Sekisui House, completely renovated, and then resold. The Everloop home features the same superior livability standards, insulation and earthquake resistance as our new build homes, and forms one of our key platforms in promoting recycling-oriented lifestyles in Japan.



Recycling 100% of Factory and Construction Waste

Sekisui House has achieved zero net emissions of waste at its manufacturing facilities as well as construction sites, including new builds, after-sales service and remodeling projects. This means zero waste material is sent to landfills or processed at waste incineration plants without thermal recovery systems. We continue to actively reduce waste byproducts and sort as well as separate all waste materials to ensure 100% reuse and recycling. We are also working to achieve zero emissions at our home demolition project sites as well.



Encouraging Recycling-Oriented Lifestyles with Everloop Homes



Everloop homebuyer review

Mr. and Mrs. **Aizawa**
(Kanagawa Prefecture)

Enjoying the Superior Comfort of a New Build Built on the Existing Frame



The Aizawas were looking to purchase a home prior to their wedding, but could not find a new build that met their needs. Sekisui House stepped in to recommend an Everloop Fujisawa / Karasawa home in Kanagawa prefecture.

The home, which retains the existing 30-year old structural frame, includes all new walls, window sashes and other features, reducing the need to use new natural or synthetic resources. When looking for the first time, the Aizawas were shocked because every feature in the home was just like a new build. The home was also ideally located within a ten-minute drive from their respective workplaces, but perhaps more importantly was the home's close proximity to the beach, as Mr. Aizawa is an avid beach tennis player. The standard new build features and 10-year manufacturer's warranty helped seal the deal, with the Aizawas purchasing the home two weeks after the first showing.

The Aizawas point out, "Our parents and friends love our new house and visit quite often. Once the benefits are more widely known, we expect more and more young couples our age to seriously consider the revitalized home option." Next on the Aizawas' agenda is to install a PV system for their new home.

Pre-revitalization



Gutted leaving foundation and structural skeleton



Post-revitalization



Plumbing installation

Sustainability in Action

Revitalized Homes Benefit Greater Society

Naoki Sato (left),
Technology Head
Hiroyuki Sato (right),
Sales Planning

House Purchase & Resale Department
Tokyo Office



We were looking to design the Everloop Fujisawa / Karasawa home to target first-time homebuyers.

Using a bright and open floor plan, the living room, entryway hall and staircase are divided using a moveable room divider, rather than doorways, which allows the floor plan to be adjusted to different lifestyle patterns. We were happy to see the needs of the new homeowner match perfectly with this unique concept.

The home, located in a subdivision previously developed by Sekisui House, is surrounded by homes that are over 30 years old. We hope the surrounding community will feel more rejuvenated at the sight of the home as well as become motivated to remodel their own homes.

An Everloop home offers many benefits for the previous homeowner, including the fact their beloved home will live on intact, the home sale process is carefree and the move out date is negotiable.

We look forward to pioneering the market for revitalized homes precisely because of the many benefits offered to the homebuyer, the neighborhood, the seller, the environment, as well as society as a whole.



A completely transformed bright and airy living, dining and kitchen space.

Looking Ahead: Offering Enhanced Eco-Friendly Features for Revitalized Homes

Sales of Everloop homes have posted an upward trajectory since going on sale in 2007, while homeowner feedback has also been consistently positive.

Over 95% of participants in an after-sales survey of Everloop homeowners responded that they were fully satisfied with their home. The survey also showed most homebuyers purchased an Everloop home after considering a new build.

Based on their comfortable living standard and contribution to increasing housing inventory, Everloop homes have been selected as a Quality, Long-term Sustainable Housing Leading Model Project by the government of Japan.

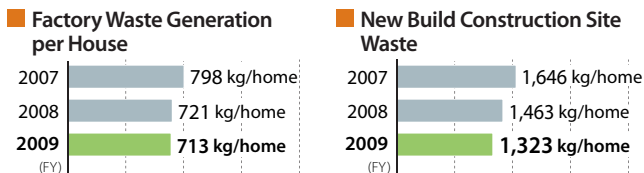
Sekisui House plans to begin introducing new more eco-friendly Everloop models as a means to spur market demand going forward.

The Next Step in Zero Emission Initiatives —Resource Recycling and Reuse

Cutting the Amount of Manufacturing and Construction Waste

Sekisui House achieved zero net emissions at its manufacturing factories in 2002. Later in 2004, we were the first in the construction industry to acquire multi-regional certification under the Waste Management and Public Cleansing Law, which allowed us to achieve zero emissions in our new build sites, after-sales service and remodeling projects as well as a 100% rate of waste recycling leading up to 2007. Since then, we have shifted efforts to reducing the volume of waste.

In fiscal 2009, the per home volume of waste byproducts totaled 713kg at our manufacturing facilities and 1,323kg at our new build construction sites. Going forward we will continue efforts to reduce natural and synthetic resource waste to a minimum.



* Multi-regional certification represents a special exemption designated by the Minister of the Environment of Japan to companies that have established systems for the collection and recycling of waste products effectively easing restrictions under the Waste Management and Public Cleansing Law. Multi-regional Certification also allows companies to bypass the approval process of individual local governments required for the transport of waste products across multiple prefectures.

Advancing Recycling with IC Tags Next-Generation Zero Emissions System

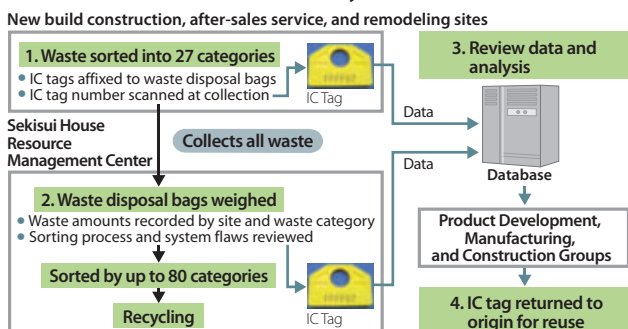
Sekisui House began trials of its IC tag-based next-generation zero emissions system at new build construction sites in January 2007. The system collects, analyzes and evaluates the volume of construction waste by using IC tags affixed to waste disposal bags that are sorted into 27 categories. The system allows us to share individual house data between our product development, product design and manufacturing groups as well as our construction sites, encouraging better recycling practices and improving traceability during the waste disposal process.

During fiscal 2010, we plan to move ahead with necessary data analysis and infrastructure improvements to launch the system nationwide in November 2010.



Scanning an IC tag

Next-Generation Zero Emissions System Overview



Developing and Utilizing a Mix of Recycled Products

Sekisui House recycles 100% of waste heat and materials from its production facilities and construction sites. In fiscal 2009, we recycled 82.8% of all materials, which are reused in a variety of different applications and products.

Example Applications for Recyclables



Waste packaging used in the shower-room doorframe of Sha-Maison low-rise apartments

Wood waste recycled into decking material

Broken roof tiles used to make exterior concrete fencing

Sustainability in Action

Recycling Plasterboard Waste into Field Chalk

Hirotsugu Mishina
Production Line Technology Department
Kanto Factory



The largest source of construction waste at new build sites is plasterboard, as the amount collected at our Kanto Factory alone totals 4,000 tons annually. Although several years were spent studying potential recycling methods, the disposal and processing of all plasterboard waste had to previously be consigned to our supplier.

Later, however, it was discovered that a mixture of crushed plasterboard waste and egg shells offered a viable alternative to field chalk. As a result, the Resource Management Center will begin manufacturing a proprietary blend of field chalk starting in spring 2010. We expect this product to be used widely at sports fields throughout Japan in the near future.



Platama powder field chalk



Zero Emissions Center Offers Public Viewing of Our Construction Waste Recycling Process

The Zero Emissions Center located at the Sekisui House Kanto Factory educates visitors about various environmental technologies for the home. Since the Center opened to the public in November 2008, a total of 32,160 patrons have visited, with 9,413 also visiting the Resource Management Center where they can view construction waste sorting as well as the volume reduction, crushing and separated into around 80 categories. In this sense, the Center also acts as a key platform educating the public on our recycling efforts.

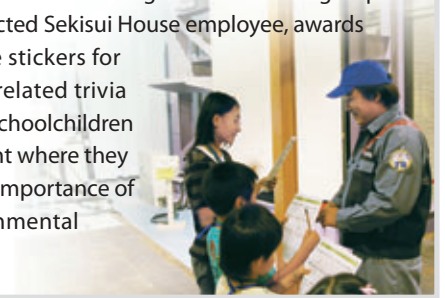


Resource Management Center

Recycling Education Programs

Sekisui House offers educational outreach programs on recycling that invite schoolchildren of all ages to visit and tour its production facilities.

The program features interactive games where the group leader, a carefully selected Sekisui House employee, awards students with unique stickers for answering recycling related trivia questions, providing schoolchildren with a fun environment where they learn more about the importance of recycling and environmental protection.



Taking the Next Step in Zero Emission Remodeling

Sekisui House has established separate internal disposal standards and criteria governing construction waste originating from the demolition phase and installation phase of remodeling projects. As is the case with new build homes, the Resource Management Center collects and recycles all construction waste from remodeling sites.

Complex waste products, such as tatami mats, window sashes or appliances, disposed of during the demolition phase are dismantled into manageable sizes prior to recycling.



Taking apart *tatami* mats

Ensuring Appropriate Disposal Practices during Demolition Work

Sekisui House consigns the disposal and processing of construction waste from demolition work to a selection of carefully screened intermediate disposal partners. However, we feel there is also a need to establish an added level of accountability in the form of a system to verify that our partners dispose of demolition waste properly.

As a result, we are currently developing our own internal evaluation system for our intermediate disposal partners that also reviews their potential for compliance with our strict zero emission standards.

Looking Ahead: Advancing Zero Emission Activities Further

Sekisui House is firmly committed to maintaining its zero emission policy for manufacturing, construction site, after-sales service and remodeling project related waste. Our goal is to increase the material recycling rate to 90% and further improve waste traceability and volume management through our new IC tag-based zero emission system.

In addition, we will continue to work toward achieving zero emissions at our demolition sites as well.



Teruo Takahashi PhD

Honorary Professor
Waseda University

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

External Stakeholder's Perspective

The Importance of People in Environmental Protection

When I was a child, I once took a wood scrap from a construction site and tried to use it for my shop class homework. At the same time, though, I gazed at the piece of wood and thought, "what a waste."

I believe the Sekisui House Resource Management Center represents a viable attempt to collect and reuse construction waste systematically. The very process of converting construction waste into reusable products, though, is a major leap forward, indeed. People at the Center clearly understand their role, and are driven to sort and separate. They handle a broad mix of waste products, which makes it difficult to automate and requires a human touch, illustrating the Center is not viable without its workers. This underscores the importance of people working together with pride toward the common goal of preserving a sound environment for future generations. In this sense, I hope the Center can become a model for the rest of the world going forward.



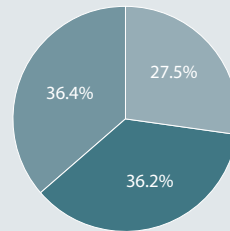
Focused on Quality and Longevity

The most important role of a home is the protection of a homeowner's life and assets. Sekisui House implements strict quality control practices in each stage of the homebuilding process, from the manufacturing of building materials to construction and after-sale services, to fulfill its commitment to provide customers with a comfortable home that will be enjoyed for generations.

Social Issues **Strong Demand for High Quality, Safe and Secure Homebuilding**

Homeowners are becoming more aware of the importance of a safe and secure home, and with the Law Concerning the Promotion of Long-term Quality Housing taking effect on June 4, 2009, which encourages building longer-life homes that retain value and quality, industry and social trends are quickly moving in the direction of increasing housing stock and promoting homes that are more durable. As the top homebuilder in Japan, Sekisui House will continue to exert its best efforts in improving home quality to meet these challenges going forward.

Survey on Safe and Secure Housing

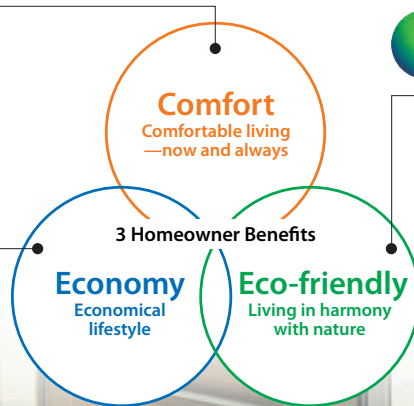


Source: Ministry of Land, Infrastructure, Transport and Tourism "Study on Consumer Feelings toward Diversification in Housing"

Sekisui House initiatives

Delivering Safe and Secure Homes Without Sacrificing Comfort

- Well-built shelter protecting family and property
 - Total homeowner support system in place
 - Healthy lifestyle in high quality living space
-
- Quality home that reduces costs and will last for generations
 - Reduced gas and electricity costs courtesy of eco-friendly features



- Home design and manufacturing stages actively reduce CO₂ emissions
- Landscaping that collectively attempts to revitalize the local ecosystem
- Strict recycling-focused manufacturing process that uses resources effectively



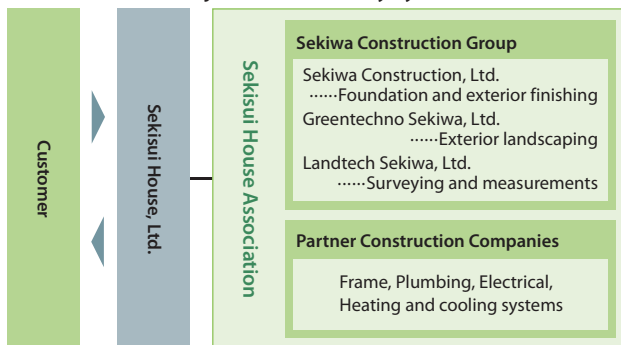
Quality Control System Covering All Phases of the Homebuilding Process

Providing Peace of Mind with Process-Wide Accountability

A high quality home cannot be constructed with flaws in onsite construction quality, no matter how superior the construction materials.

In order to ensure the highest possible quality in construction, Sekisui House created the Sekisui House Association, which consists of wholly owned group company Sekiwa Construction (31 companies) and other carefully screened partner construction companies. All phases of construction are implemented under a centralized framework of responsibility, with strict guidelines stipulated in a complete project manual, which allows us to further enhance quality assurance throughout the entire project.

■ Sekisui House Project Accountability System

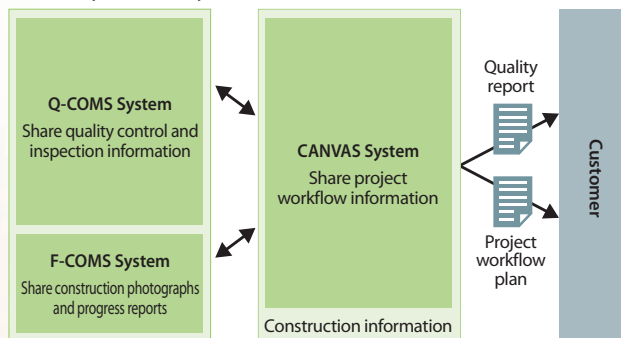


Uniform Company-Wide Quality Control System

Sekisui House centrally manages site inspection records, construction management reports and other relevant data using its internal IT system. By linking quality control information with photographs and construction drawings to encourage visualization (identifying problems to bring them to the forefront), Sekisui House is able to both oversee construction quality for the entire company and improve internal controls.

The Sekisui House quality control system is also used to generate the project workflow plan provided to customers and quality report with photographs, fulfilling its duty of accountability as well as improving customer trust.

■ Quality Control System Overview



Sustainability in Action

Our Quality Control System Has Brought Me Closer to the Customer

Masakazu Okawa
Deputy Chief Manager
Kagawa Branch



The Kagawa Branch first began using the company-wide construction quality control system in 2008. Previously we had focused on explaining about the high precision of our construction, but the information we can now provide using the system has truly brought us closer to the customer.

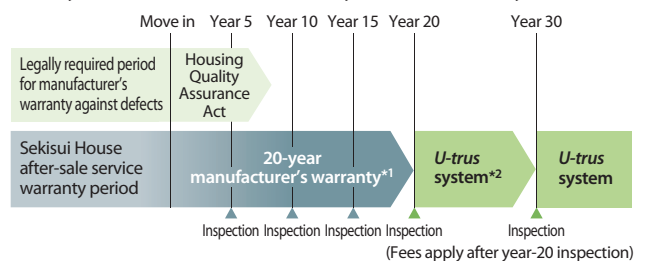
With the system in place, I also feel more aware of quality and our responsibility to the customer, as I am now visiting our construction sites regularly to take photographs for the quality report. Naturally, this also means I have the chance to develop closer working relationships with our customers. The results speak for themselves, as the level of customer satisfaction is very high, and I know our efforts have improved our service competencies and relationship with the customer.

After-Sale Services that Ensure Longevity and Durability

Sekisui House has 65 customer centers positioned throughout Japan that employ expert staff who address home maintenance-related inquiries. We also provide a 20-year manufacturer's warranty against defects,^{*1} or twice the required term under current law. After 20 years, the warranty can be extended for additional 10-year intervals provided the required inspections and maintenance schedule is completed at the homeowner's expense. (*U-trus* system).^{*2}

Homeowner data is centrally managed in our IT system, which enables us to generate a detailed house history report that includes design, regular inspections, home and fixture maintenance schedule as well as replacement schedule. This data is also used when remodeling, allowing us to market tailored solutions that also address changes in homeowner lifestyle.^{*3}

■ 20-year manufacturer's warranty and the U-trus system



*1 20-year manufacturer's warranty applies to structural, frame and rainwater-proofing components. Requires free inspection and regular maintenance and repairs be made in year 10 at the homeowner's expense.

*2 *U-trus* system provides extended manufacturer's warranty at 10-year intervals after the initial warranty expiration if the required inspection as well as maintenance and repairs are completed at the homeowner's expense.

*3 Applicable to detached houses ordered after May 1, 2009.

Tailored Solutions Aligned to Customer Lifestyle



Example of consulting-based approach

Mr. and Mrs. Itoh
(Shiga Prefecture)



Improving Homeowner Accessibility through Organic Innovations

"I want to make my home more comfortable, welcoming and wheelchair accessible for my wife." With this request in mind, the Sekisui House sales and design teams came up with several possible solutions, devoting an entire year to finding the best design for the Itohs' needs.

First, a total remodeling of the home's entryway was in order. Previously, Mrs. Itoh needed separate wheelchairs for accessing her home from the garage and in-door use. The design team decided to divide the existing sliding entryway door in the garage into a wheelchair accessible doorway and normal doorway. Today, Mrs. Itoh can now access and use her home directly from her car using a single wheelchair. The team also positioned the mailbox lower, allowing her to check the mail without leaving the home.

The design of the bathroom also needed to be addressed. The individual in charge of design visited the Itohs' house to measure the bathroom area, and discuss their exact needs, with the result a separate entryway for husband and wife, enabling easy access for both.

As for the interior, the Itohs wanted their home to match a natural wood dining table they saw at a furniture store, so the team proposed a design that used all natural wood beams. Extremely satisfied with the result, they stated, "our house has been completely transformed, and we now feel comfortable inviting friends over."

Nearly a year after moving into their new home, the Itohs provided additional positive feedback saying "the many design proposals and simulations yielded truly amazing results, enhancing the comfort level of our home tremendously." The Itohs also noted that "if any issue happens to arise, we have the peace of mind that we can take advantage of Sekisui Home's great after-sale service program."



With its all natural wood beams, the living room has become a place for the Itohs to relax and unwind.



With the garage entryway sliding door divided by use, Mrs. Itoh can access the home from her car with a single wheelchair.

Sustainability in Action

Comfortable Housing Aligned to Homeowner Needs

Hiroyuki Miyagawa

Real Estate Sales Store, Kyoto Branch



The Itohs had shopped around for a homebuilder, so I decided to focus on our noted high-strength steel-framed structure and easy-to-maintain schedule for exterior walls. I also shared my experience in universal design housing. Based on this and previous discussions, the Itohs chose Sekisui House for their remodeling project.

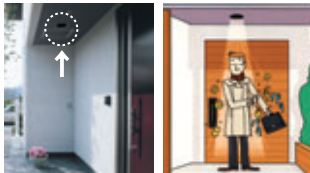
Design staff with expertise in universal design homes reviewed the project from a variety of angles to arrive at the ideal solution, with the width of hallways as well as position of light switches and electrical outlets adjusted by the centimeter. This consulting-based approach is necessary to construct a safe, secure and comfortable home. Going forward, I hope to apply this experience to develop the ideal solution for other homeowners.



An in-door sunroom constructed in place of the deck includes a floor flush with the house, allowing for easy wheelchair access.

Launch of Chemicare Home Line

In 1990, Sekisui House began addressing the issue of formaldehyde exposure in homes. In 2007, Sekisui House introduced the chemical substance emission standards for construction materials (Chemicare Standard) for measuring chemical diffusion in building materials. We have also made efforts to reduce chemical exposure levels in our homes based on our own set of guidelines for chemical substances. The Chemicare line of homes, which went on sale in November 2009, features building materials with lower risk of chemical-dispersal and that absorb formaldehyde as well as proprietary ventilation systems that improve overall airflow. In addition, other features that improve air quality include pollen-proofing solutions and plasma cluster air purifiers.



Pollen-dispersing air shower



Grading Chemicare building materials



Sekisui House was awarded a Kids Design Award 2009 in the Construction and Spatial Design Category by the Kids Design Association, marking the third consecutive year since 2007 we have received this award. See below for a selection of our winning designs.

Functional Children's Spaces

Movable wall partitions and storage solutions that enable simple and easy floor plan alterations to match the changing needs of growing children.



Child-proof Sliding Door

Child-proof sliding doors that prevent finger injuries are now installed standard on all new detached houses.



Mobile Device-Linked Home Operating System

Mobile devices can be used in place of a traditional key to open the front door, operate lighting and air conditioning, and provide photo confirmation of a visitor at the front door.



Solutions for Dual-Income Families

Sekisui House has launched a new line of housing targeting the growing number of dual-income families.

Using the results of a survey on dual-family households, ideas on spatial design and home features were systemized into five core categories: efficient laundry spaces, concealable kitchens, a home that works when the family is away (self-ventilates, generates electricity, etc.), separate sanctuaries for husband and wife, and café-like spaces. Utilizing these categories, we are working to build comfortable, safe and secure homes for dual-income families that serve to bring the family closer, yet also provide separate spatial retreats.

Looking Ahead: People-First Homebuilding

Today homebuyers are looking for more than just earthquake or wind-proofing construction or the right number of rooms or features in a home. With aging populations in Japan and other developed nations, demand is expected to grow substantially for durable homes that are comfortable for family members of all ages and that carry a strong manufacturer's customer support system. In addressing the declining birthrate and increasing elderly population, tailored solutions for multigenerational households will represent a key homebuilding segment in the years to come. As a result, Sekisui House will continue its commitment to focus on people-first homebuilding going forward.



Kiyonori Miisho

President, Architectural Laboratory for Systems Environment Development Co., Ltd.
Honorary Professor, Shibaura Institute of Technology

Mr. Miisho is a specialist in urban planning focused on construction and construction method research.

External stakeholders' perspective

Creating the framework for easy maintenance and housing longevity

Finally the time has come for homes that are built specifically for multigenerational households. For example, a home that can be passed down from parents to children to grandchildren; or a 60-year old home that is so appealing that it makes the owner want to hand it down to future generations of his or her family. Legislation has even been passed to this effect that encourages long-term quality housing.

These homes will require a strong and well-built foundation and frame as well as carefree maintenance and replacement schedule for appliances and fixtures in the bathroom, kitchen and heating and cooling units. These homes will also require standard maintenance as well a detailed house history for the peace of mind of the future homeowner. Sekisui House has implemented a company-wide construction quality control system and home history record-keeping program that allows design drawings and other data to be centrally managed, which has positioned the company to play a major role in improving the future housing stock situation as a leader of Japan's homebuilding industry.

Building Vibrant and Enriching Communities



Actively promoting ecological networks and biodiversity revitalization

In 2005, Sekisui House introduced an Urban Development Charter in order to fulfill its social responsibilities to build towns that successive generations can call their home. The idea of town beautification encompasses homes whose attraction only increases with the passing of time. Sekisui House is tackling the challenge of nurturing communities that build bonds between kin, with community, and through shared interests. We are committed to building towns that transcend generations, and that grow and mature together with the residents who live there.

Social Issues

Building Towns-Creating Living Environments Beyond Individual Homes

The emergence of the nuclear family and declining birthrates combined with an aging population are today weakening the bonds between residents. This is creating greater challenges for communities, in areas ranging from improvement of public safety and disaster planning to support for the elderly and disabled, and children's safety and the environment. Sekisui House is working closely with communities to build towns based on the idea of fostering local communities that address these issues. Our goal is to contribute to building a positive society for future generations to inherit.

Major Issues Facing Communities (%)



Source: Survey report on rebuilding and creating communities in metropolitan areas, released by the Ministry of Land, Infrastructure, Transport and Tourism

Sekisui House initiatives

Building towns for future generations

Sekisui House Urban Development Charter

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

Environmental Management

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

Consider the environment

Protect livelihoods

Livelihood Management

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

Economic Management

- Maintain and enhance asset value
- Revitalize local economies
- Manage costs appropriately
- Cost management from a long-term perspective
- Balanced management of costs and value
- Build sustainable local economies
- Use local resources

Enhance value

Build communities

Town Management

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

Basic Principles of Town Development

Community Visit Day

Each spring and fall, Sekisui House conducts a nationwide campaign to promote its residential developments that feature appealing landscaping and environmental planning consistent with our Urban Development Charter. Among the features we promote are the *Gohon no ki* landscaping concept and our certified environmentally symbiotic house. We are committed to building quality residential developments that have a positive social impact and establish a town character or branding.

Assisting the Growth of the Community Over the Long Term



President of Skyrail Town Midorizaka Neighborhood Association
Katsushi Takaguchi
 (Hiroshima Prefecture)

Sky Rail Town Midorizaka— Building an Enriching Community with Town Spirit



1997: Start of Subdivision Development

Building the foundations for a community boasting Japan's first Skyrail.

The community of Skyrail Town Midorizaka is located high among the hills of Hiroshima. Construction of the subdivision development began in 1997. One of the major characteristics of the town has been its active development of new infrastructure, notably with the integration of Japan's first Skyrail suspended monorail system as part of the public transportation network, and the launch of a website for residents connected by optical fiber. The website provides a forum for residents to share information, and also streams images from Web cameras located on school routes to prevent crime.



Web cameras are placed throughout the community to help prevent crime

Sekisui House has actively sought to open lines of communication in this community. Our employees participate in events with residents who have moved here, and we have organized open houses for residents to provide feedback. Today, almost every household is a member of the Skyrail Town Midorizaka neighborhood association, which plays a central role in organizing community events.

"The association was formed about 12 years ago, with the idea of building the kind of community where residents are always happy to greet each other," says Katsushi Takaguchi, who is the second president of the neighborhood association. "My wife says that she has met many of our neighbors by participating in events such as the summer festival organized by our association and the Christmas wreath-making workshop organized by Sekisui House."



Entrance to the Skyrail Town Midorizaka



Blending in with the rich natural surroundings



Communication is everywhere, as a resident stops to chat with children on their way to school

2005–Present

Residents work to attract stores and encourage the building of schools, as wish turns to reality.

As president of the neighborhood association, Takaguchi helps organize numerous events to encourage interaction between residents. He is also active in ensuring that the community has the necessary infrastructure, such as working to attract a supermarket, or encouraging the building of a preschool and elementary school to meet the needs of the growing number of young families in the community. Sekisui House also lent a helping hand to the neighborhood association, in lobbying the municipal government to secure land and property for needed infrastructure.

His efforts paid off when a new preschool was opened in October 2005, followed by a new supermarket in December 2006. In addition, the municipal government decided to open a new elementary school in April 2011. Takaguchi has already set his sights on building an assembly hall for residents living within the boundaries of the new school. "After the assembly hall opens, we will use it to pass on Hiroshima's cultural traditions and encourage greater interaction across multiple generations."



Winter festival organized by the neighborhood association



Preschool built to support the growing community



Supermarket that the neighborhood association worked to attract



Takaguchi and a Sekisui House employee discuss plans to enhance the community



Tagakuchi also wants to see the new school named “Midorizaka School” after the name of the town. “At last year’s summer festival, we had a great time singing and dancing to the Midorizaka Ondo dance that the residents created. If more people develop an attachment to the name ‘Midorizaka’ and our town, it will unite our town spirit even more.”

Sekisui House will continue to assist in building communities where residents understand one another and feel thankful to be living in a great community.

Sustainability in Action

Serving as a Link Between Residents and Sekisui House

Shinji Sakuma

President
Sky Rail Service Co., Ltd.*



When I worked for Sekisui House, I was involved in planning for the development of Midorizaka, in collaboration with the neighborhood association. In 2008, I started working for Sky Rail Service, but one thing has remained unchanged. That is my wish for Midorizaka to be the kind of community in which the children who grow up here can be proud to call it their hometown.

As president of the Sky Rail Service, I get to interact with our users and listen to their needs. I will continue to do my part for the development of Midorizaka, serving as a link between the residents and Sekisui House.

* Sky Rail Service Co., Ltd. is a subsidiary of Sekisui House that operates the Skyrail Midorizaka Line running between JR Seno Station and Skyrail Town Midorizaka.

Assisting Growth to Build a Community for Generations to Come

Tsutomu Sasai

General Manager of Planning, Hiroshima Branch



The Hiroshima Branch of Sekisui House and Sky Rail Service Co., Ltd. meet monthly, and through our discussions and from witnessing the day-to-day growth of the community, I have come to understand that town development is a continual and ongoing process.

As a planner, my job is to create a vision of this town for future generations, by listening closely to the residents. It is my job to assist the growth of the community, so that the children of Midorizaka will grow up and hopefully decide that they want to raise their own children here.

Common City Hoshida Residents Spearhead Town Improvements

Common City Hoshida is a residential subdivision in Osaka. The first residents moved here in 1991, and within three years formed a building code management committee. The committee engages in public relations activities and activities for beautification of the environment. In recognition of the committee’s efforts to enhance living conditions for residents, the committee received the Land, Infrastructure, Transport and Tourism Minister’s Award in 2005, under the Urban Planning Design Contest.

In 2009, the residents formed a new committee with the aim of addressing issues relating to the aging population and demand for home remodeling.



A neighborhood of Common City Hoshida



Kids Design Award Received for Community Security Plan

Refre Misaki Nozomizaka is a major residential subdivision in Osaka that began construction in 2002. The subdivision recently had the distinction of receiving the Kids Design Award 2009 in recognition of its community security initiatives. The town development incorporates security measures that revolve around home, town and community, in order to keep children safe.

The measures include patrols by security staff on duty 24/7, and the use of Web cameras installed at parks and other locations. The cameras stream images accessible to residents on their home computers. These measures provide a constant watch over children, earning the subdivision special distinction for its community security.



Security personnel ensure that children are safe on their walk to school



A neighborhood in the Refre Misaki Nozomizaka subdivision

Looking Ahead: Neighbors Day* Helps Build Bonds Among Residents

Sekisui House envisions local communities as collections of residents who, as members of their towns, take an active interest in creating a better place to live.

In fiscal 2009, we organized Neighbors Days for the first time at a number of our residential developments, in an effort to build community spirit. In fiscal 2010, we plan to add more activities that help build towns that residents can be proud to call their home.

* Neighbors Day (La Fête des Voisins) was started by French citizens in 1999, as a way for neighbors or co-workers to get together to enjoy food and drinks brought by participants.

Town Development Across Japan

■ Haibara Hinokizaka (Nara)—Community-Maintained Park Enhances Traditional Community



The Hinokizaka neighborhood features generous use of natural brick and cypress coniferous trees, which are designed to make the town grow more attractive with time. The neighborhood also features a park that incorporates the site of an ancient burial mound. This park is entirely maintained through the volunteer efforts of the community.



1990



2008

■ Common City Funabashi (Chiba)—Residents' Landscaping Maintenance Sets Example for Other Communities to Follow



This residential development was created with a master landscaping plan in place. Over the last 25 years, the residents have continued to maintain the landscaping through organized maintenance, whereby residents volunteer their time to prune and weed. The landscaping has grown considerably today, lending the community an even more vibrant appearance. Common City Funabashi is setting an example for other communities to follow in achieving beautification over time, having created a warm community through the initiative shown by residents to maintain their town.



1984



2008

Building Communication Among Residents

■ Sun Disk Younandai (Shimane)

Sekisui House organizes various events for residents, such as barbecues at Biotope Park, Christmas parties and tree-planting events.



■ Common Stage Sumiyoshinomori (Nagasaki)

Sekisui House organized a Neighbors Day for residents to gather and share drinks and food, helping to encourage communication among neighbors.



■ Common Garden Nakamachidai (Kanagawa)

Sekisui House organized a gardening committee for residents to jointly maintain and manage community landscaping. Members gather in each other's yards to learn planting and pruning techniques.



Preserving the Character of Neighborhoods



■ Common Square Minami Osawa (Kyoto)

A walkway splits the north and south areas of the development, providing open light and space for the community to gather. The pedestrian-only walkway is closed to vehicle traffic.



■ Park Place Oita (Oita)

The subdivision layout and landscaping were designed to integrate with the surrounding environment, offering many broad expanses.



■ ANDANTE (Saitama)

The child- and pet-friendly Sha-Maison apartment complex incorporates an exterior design plan, for the seven buildings and 30 rental units in the development.



■ Grande Maison Higashitotsuka (Kanagawa)

This award-winning* condominium development is known for its integration with the surrounding environment and biodiversity measures, with the aim of encouraging coexistence between residents, town, and nature.

* Received the Ministry of Land, Infrastructure, Transport and Tourism Award in the 29th Green City Awards organized by the Urban Green Space Development Foundation.



Dr. Hiroko Saito

Professor of Real Estate Studies
Meikai University

Dr. Saito specializes in design and management for living environments such as detached houses and condominiums. She is involved in residential land assessment in Japan and abroad.

External stakeholder's perspective

Importance of Framework to Assist Residents' Efforts to Care for Their Towns

There are three elements to the ideal town. The first element is caring what others think. When you see a town that looks attractive, it is because the neighbors are considerate of each other. Neighborhoods that are attractively designed inspire pride and attachment to the neighborhood, which in turn makes residents want to improve their neighborhood. The second element is interaction. Towns that are enjoyable to live in have infrastructure for people to interact, share in enjoyment, help each other out, and live with peace of mind. It is important to have appealing common areas and community facilities, and have organized events. The third element is learning from each other. The essence of a community is to function as a place for people to learn from each other. In order for towns to mature, the people living there must also grow by tackling local issues.

Towns revolve around their residents. However, once the residents have moved in, it is difficult to integrate attractive designs, together with appealing facilities and spaces and a management framework. It is also difficult for the residents themselves to manage these things on their own. That is why it is important to have the infrastructure in place from the beginning, and why it will be of increasing importance for developers to assist residents in their efforts to take care of their towns. I hope to see the development of more towns that are full of caring.

Building a Better Workplace Together

Sekisui House is firmly committed to building a positive workplace where employees have the freedom to grow and utilize their skills and abilities. We believe this represents a key to providing sustainable value to society through our business activities. Based on Human Resources Sustainability, our basic personnel policy, we are moving forward with measures that focus on diversity in the workplace, greater work-life balance and support for female careers.

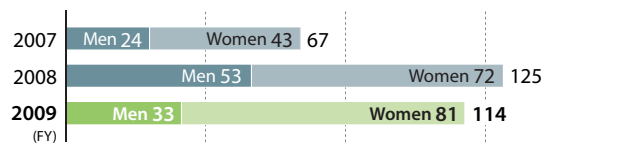
Developing Workplaces that Value the Skills and Long-Term Contribution of Women

In 2006, Sekisui House established the Diversity Development Team to develop training programs and company policy that assists the career development of female employees. We have also actively hired female sales representatives and promoted females to managerial positions.

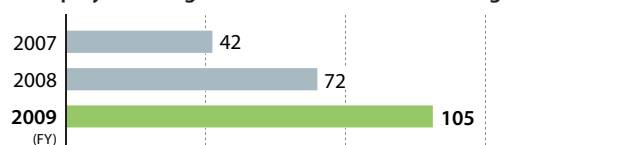
In fiscal 2009, 21.6% of newly hired graduates for sales representative positions were 43 women, while at the end of fiscal 2009 there were a total of 304 women sales representatives employed at Sekisui House. At the same time, the number of women in managerial positions has grown from 15 in 2006 to 23 in 2009. Going forward, we will continue our active hiring and promotion of females as we work to build a work environment that values the skills and long-term contribution of women in the workplace.

Sekisui House has also been accredited as an active supporter of employee childcare by the government of Japan.

■ Employees Taking Parental Leave (including short-term usage)



■ Employees Using the Shortened Work Hour Program



Comment from the Diversity Development Team

Moving on to the Next Phase—Developing Better Work Environments

Midori Ito
 Manager, Corporate Planning Department
 Diversity Development Team

Over the past 5 years, Sekisui House has encouraged the active hiring of women sales representatives, and today, the number of these new hires taking parental leave is on the rise, as 10% are now married. As life experiences, including marriage, childbirth or childcare, better prepare our sales reps for developing winning relationships with our customers, Sekisui House is firmly committed to supporting its employees in balancing work with their personal lives. Yet, we also need to alleviate employee concerns about taking leave by building better work environments and cultivating more role models in the workplace. In fiscal 2010, Sekisui House plans to further strengthen communication between the head office and its branches to meet these goals.

Sustainability in Action

Achieving a Work-Life Balance



Ai Tajima
 Plaza SW Store, Maebashi Branch

Initially, I worked for Sekiwa Construction where I was in charge of CAD for exterior structures and cost estimation, but after I received my first-class registered architect, I was recruited to be a sales rep for Sekisui House.

I had recently married and was concerned whether I could balance work with home, but everyone at my new workplace was understanding of my situation which made it easier to leave work before my colleagues when I did not have prior work-related commitments. Additionally, I normally have Tuesdays and Wednesdays off, but I am also able to change one of these days to Sunday once a month. With the amount of time I spend at work reduced, I find that I have improved my efficiency and focus, yet still have been able to increase sales.

At first, I was reluctant to be the one who always left first, but the support of my coworkers has made the transition easier. Being married has expanded my sales talk, and now that I am expecting to give birth soon, I believe this experience will also bring me even closer to our customers. I'd like to set an example for other female sales reps undergoing the same transition, getting married, having a baby and returning to the workplace.

Creating Better Workplaces as the First Female Remodeling Manager



Akiko Ota
 Manager, Hanshin Sales Office
 Sekisui House Remodeling, Ltd.

I was hired at a local remodeling firm when my child was in the first grade. Three years later, I joined Sekisui House with ambitions to move my career forward. At the customer center, I discovered my passion for remodeling and so later decided to join Sekisui House Remodeling where I would become a store manager and the first woman manager in August 2009.

As manager, my focus has been on developing the future generations of Sekisui House employees. To this end, I have started workshops that feature lecturers from our head office. Going forward, I look forward to working to create a work environment where all employees can truly shine.

Providing Sustainable Value through Human Resource Development

Companies are only as strong as their employees are. Sekisui House is firmly committed to developing the skills and abilities of its employees, beginning with product and service training programs conducted systematically based on employee work category and occupational competencies, whereby ensuring

the highest standards of customer satisfaction.

Our core philosophy governing employee development is happiness and job satisfaction. Employees who are happy and satisfied with their jobs are better positioned to assist us with earning and cultivating the trust of our customers and broader society.

We need to develop leaders in our branches and improve management competencies if we are to remain competitive and capitalized on our core strengths, including environmental technologies. We are also focusing efforts on training programs in leadership for new managerial appointees as well as follow-up programs to spur awareness so that they understand their responsibility as management.

Human Resource Programs that Support Flexible Work Methods

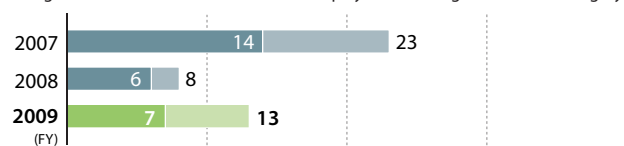
Sekisui House believes in the importance of supporting a broad mix of work methods so that its employees can leverage their core competencies in a sustainable manner.

Although we hire new graduates under three separate work categories, we have implemented the Work Category Transfer Program that allows employees to switch work categories during their career from either production or general administration to career track sales. We also have developed the Internal Open Recruitment Program that allows for voluntary transfers between departments or group companies where recruited.

In addition, the Rehire Program was rolled out in 2006 which allows employees who had to leave the company to return to work for Sekisui House at a later date. We also offer a full range of flexible employee leave programs, including the Voluntary Leave Program and the Accumulated Leave Carryover Program where employees can carryover holidays for more than two years.

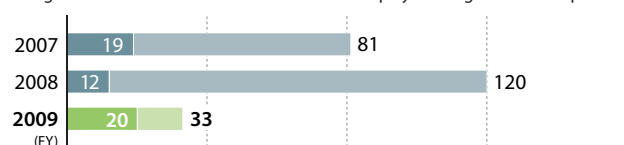
Employees Applying for Work Category Transfers

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

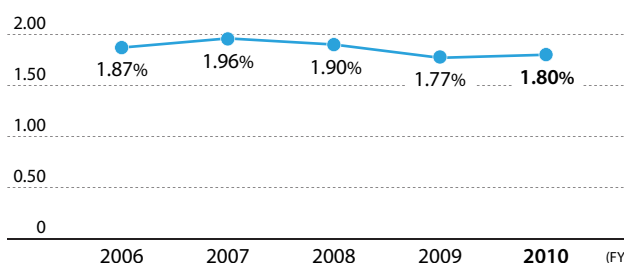


Employees Applying for Open International Recruitment

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



Ratio of hires with disabilities



Sustainability in Action

Taking Advantage of the Rehire Program



Yukiko Kawabata
Saga-Kurume Customer Center

After joining Sekisui House, I was involved in back office work for sales and model home displays. I envisioned myself working for Sekisui House for the foreseeable future, even after getting married, but my husband was transferred, forcing me to leave my job. At the time, I learned about the Rehire Program and signed up without hesitation.

I was able to rejoin Sekisui House at a customer center located near my new home, and feel grateful that I found a job that leverages my previous work experience with the Company.

Switching from Production to Career Track Sales to Get More Involved with Factory Operations



Nobumitsu Tanaka
Ironwork Department, Yamaguchi Factory

After working in the production of steel components for 7 years, I was assigned to back office administrative duties within the same department and responsible for drafting production plans.

I had wanted to get more involved with factory operations, so in 2008 I took advantage of the Work Category Transfer Program to switch to career track sales. This greatly broadened the scope of my role, leading to cost pricing and negotiations with suppliers. Later, I was promoted to a team leader position, which has motivated me even more as an employee and supervisor.

Ensuring Employee Health and Safety

Sekisui House believes in the importance of maintaining the highest possible standards in employee health and safety as a primary means to sound and sustainable business operations. In addition to annual physical exams, all employees have access to specialist mental counseling services free of charge and training programs aimed at improving awareness of mental health issues. We are also working to improve the work environment, which includes long overtime hours, by holding training seminars for managers on appropriate over-time management practices.

Furthermore, construction site safety, which includes employees of our partner companies, is considered to be of the utmost importance. As such, we provide safety education training and institute measures to prevent workplace accidents under annual plans that are reviewed yearly.

Pursuing the Sustainable Homes of Tomorrow

Sekisui House R&D facilities actively engage in the research and development of new housing technologies to provide our customers with safe, secure, comfortable and long-lasting homes that are also eco-friendly.

Launch of Smart House Test Homes

In contrast to Europe and North America, where large photovoltaic arrays, or solar power plants, generate renewable energy at one location and supply this energy to individual homes,



Annex Laboratory Smart House test home

Japan has taken the opposite course by promoting the use of PV systems in individual homes. As a result, Sekisui House has begun the development of related technology solutions that generate energy for the home, making it a net supplier of electricity.

However, the supply of natural energy, such as solar power, is largely subject to weather patterns. Consequently, smart grids*1 that control the supply and consumption of energy and smart homes that link up with this technology are required to safeguard a stable supply of natural energy.

From October 2009 to March 2010, Sekisui House and Osaka Gas teamed up to conduct experimental trials in such new home technologies at the Osaka Gas Torishima Test Site in Osaka and the Sekisui House Comprehensive Housing R&D Institute in Kyoto.*2 These experimental trials studied ways to enhance the stability of a combined PV and storage battery system and increase the supply of electricity through the addition of a fuel cell system. In addition, the trials developed an early warning system that alerts the homeowner during peak energy usage, encouraging energy saving practices. Thus, the energy needs of the entire home can be centrally controlled by properly managing energy usage with generation and storage.

*1 A smart grid optimizes regional energy use, including renewable energy, by using advanced computers and IT systems.

*2 This initiative is part of the Smart House Test Project commissioned by the Ministry of Economy, Trade and Industry of Japan for which Sekisui House is working under the Mitsubishi Research Institute, Inc. as a subcontractor.

Home Server (Alert Screen)



Encourages reduced use of energy during peak hours to achieve the energy savings goal for the household

Home Server (Status Update Screen)



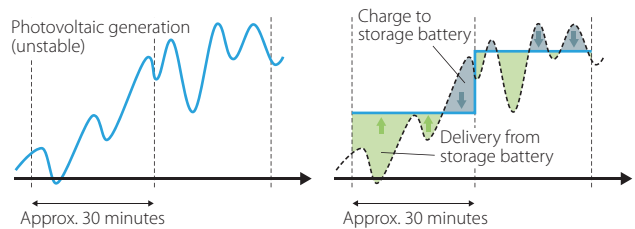
Notifies the user of the balance of energy

■ Linking with Smart Grids

- Cities consist of buildings that are net users of energy, such as office buildings, and a distributed energy system of buildings that are net suppliers of energy, such as homes.
- A smart grid, or microgrid, for example, determines energy generation demand in 30-minute intervals, purchasing electricity from larger grids when necessary to cover shortfalls.
- Energy management protocol
 - 1) A smart grid uses advanced computer and IT systems to link with all homes and office buildings in the city to assess energy demand and supply capacity. Using this data, it determines the amount of energy to be generated or purchased from larger grids.
 - 2) Electricity is then supplied based on the computer forecast. (An overview of smart grids and smart houses is provided on page 8)

■ Controls for Stable Electricity Supply

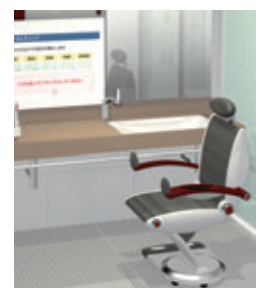
- As it remains unstable, photovoltaic power generation is not suited to citywide supply systems without modification. By using a small storage battery, however, photovoltaic power can be supplied steadily over 30-minute, even when power is not being produced.
- Strict management of a home's energy consumption, although, is required to produce such stable supplies of photovoltaic power.



Joint Research on Robot Technology for Senior Citizens

Sekisui House, together with Chiba Institute of Technology, is working on the research and development of robot technologies for the home targeting the areas of health management and support systems for senior citizens.

This system allows older adults to independently monitor and manage their health while at home, which also serves to reduce the workload for caregivers. In addition to automatically measuring body temperature, blood pressure, and pulses, the robot dispenses health advice using speech-recognition. Our future goal is to position this system as an interface connecting those needing medical assistance at home with healthcare practitioners. This project is commissioned by the New Energy and Industrial Technology Development Organization (NEDO).



Conceptualized image

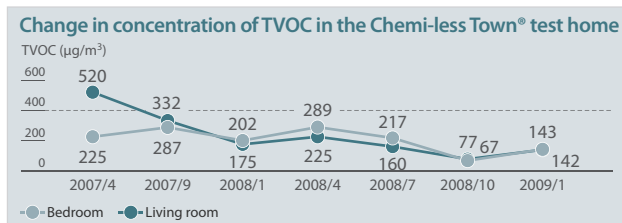
Chemi-less Town® Receives Prototype Certification

As part of the Chemi-less Town® project,*1 Sekisui House constructed a unique detached house free from sick building syndrome (SBS) at the Chiba University Center for the Environment, Health and Field Sciences. Together with Chiba University, we are conducting research to eliminate SBS to safeguard future generations.

At the detached house test site, the levels of 116 chemical substances are measured quarterly to ascertain seasonal changes in the concentration of interior airborne volatile chemical substances. Our research has greatly reduced airborne total volatile organic compounds (TVOC) in the bedroom and living room to constant year-round levels that fall far below provisional targets (400µg/m³) set by the Ministry of Health, Labour and Welfare of Japan. As a result, the Chemi-less Town® test home has received prototype certification.*2 The next phase of testing will be to have a child test subject who is suspected of suffering from SBS to reside in the home with their family for a short duration to verify the affects.

*1 Chemi-less Town® is a registered trademark of the Center of Environmental Health Science for Future Generations (NPO)

*2 Detached houses with airborne TVOC under 400µg/m³ are applicable for certification. As it is not a commercialized home, however, the test home received prototype certification.



Results show that the TVOC concentration measured in the test home is lower than the provisional target specified by the Ministry of Health, Labour and Welfare, even during summer where indoor temperatures are high.



Chemi-less Town® Research Partner Comments

Promoting Chemi-less Town® Overseas

Dr. Chisato Mori, M.D.

Professor, Graduate School of Chiba University
Head of the Center for Preventive Medical Science, Chiba University

This project, conducted as a joint effort between industry and academia in hopes of promoting its widespread application in society, aims to build a healthier living environment for our future generations. I believe such industry and academia joint efforts are needed in the sense that a significant development not available on the market is meaningless. The research targets for this project include: town building from the perspective of preventative medicine; development of an eco-universal design that focuses on precise standards that protect unborn children; and, sustainable long-term town building, homebuilding and community building.

Sekisui House has already made significant progress at its Comprehensive Housing R&D Institute. I hope that the Company can translate this progress into success internationally with the Chemi-less Town® concept.

Sustainable Design Laboratory Providing a Vision for Future Homebuilding Practices

The Sekisui House Sustainable Design Laboratory is a test home research facility open to the public in Kunitachi, Tokyo built to explore ideal living environments that incorporate natural air and light as well as traditional Japanese lifestyle elements. The home is also site of research on the future vision of nature-linked homebuilding practices, including tests on comfort levels and character. 4,472 people have visited the test home since it opened in 2006.



Sustainable Design Laboratory

Sekisui House Technology Selected for the Long-Term Quality Housing Lead Model Project

Starting in fiscal 2008, the Ministry of Land, Infrastructure, Transport and Tourism of Japan launched the Long-term Sustainable Housing Lead Model Project, with the purpose of enhancing homebuilding practices in Japan. In fiscal 2008, the Sekisui House Social Asset Low-Rise Apartment Advancement Technology was selected for the project under the testing category. Trial construction was completed on a prototype home at our Kanto Factory between April 2009 and March 2010.

During testing, we developed and assessed technologies promoting easier maintenance and renovation solutions, such as making it easier to adjust and update exterior components, interior layouts and fixtures. In addition, we also conducted market research on Social Asset Low-Rise Apartments in order to verify potential and market needs based on long-term renovation plans, property management simulations and opinion surveys of owners and tenants.

Sekisui House has also been selected under this project for its new build and existing home renovation technologies.

Independent Exterior System

The Sekisui House independent exterior system designs exterior passageways and balconies as independent structures, ensuring that updating and replacement of exterior components with differing service life is comparatively easier.

Pre-renovation



Post-renovation



CSR Policy and Structure

Sekisui House considers CSR to be an important management principle and is committed to actively engaging in CSR in its daily business operations, with the promotion of CSR activities involving company-wide coordination between all group companies, departments and employees. Sekisui House also believes in reflecting outside perspectives in its CSR initiatives, and as such appoints external stakeholders to its CSR Committee.

CSR Policy

The Sekisui House corporate philosophy of love of humanity, first established in 1989 after company-wide employee discussions, forms the foundation of its CSR policy. CSR activities are considered an important means to reforming corporate mindsets, fulfilling our duties to stakeholders with honesty and integrity and as a goal to attaining our vision of sustainability. Our corporate philosophy also forms the backdrop for a separate corporate code of conduct established in 1990 that focuses on employee expectations, efforts and attitude.

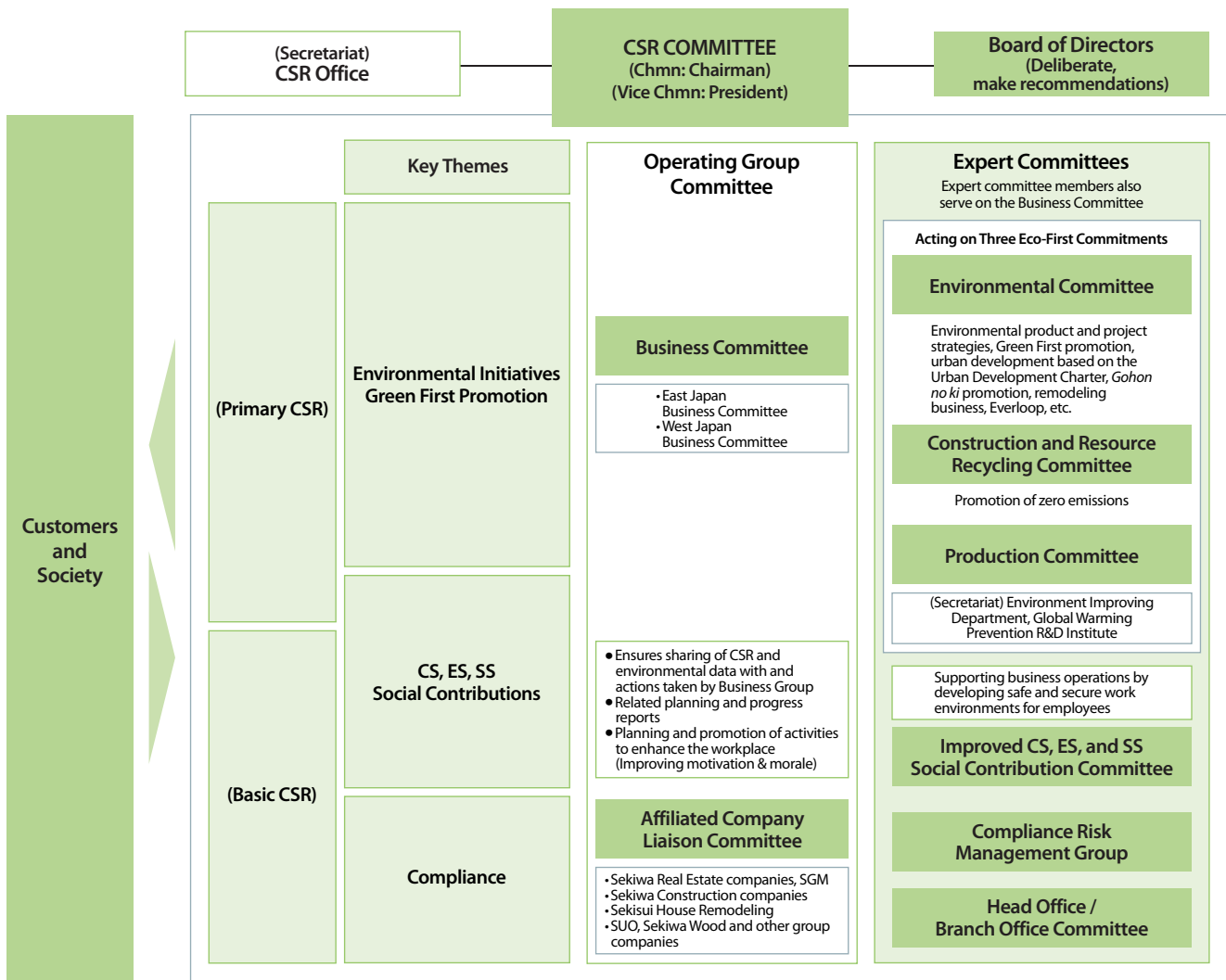
CSR Committee and CSR Promotion Structure

Incorporating the viewpoints of external stakeholders, the Sekisui House CSR Committee acts as an organ to develop CSR policy and verify whether current CSR activities are consistent with social norms and expectations so that company-wide CSR initiatives are relevant and effective.

Led by our Chairman & CEO, the CSR Committee, which consists of board members, a selection of executive officers and three external stakeholders, meets once every three months. CSR Committee members are appointed by the board of directors. Based on our principal CSR promotion needs, the three current external stakeholders include an environmentally forward-thinking corporate manager, business management expert, and compliance specialist.

Previously, Expert Committees, in charge of planning, and the Working Committee, in charge of operations, operated

CSR Promotion Structure



under the CSR Committee, but the structure has since changed as the result of a large-scale restructuring in fiscal 2009 to further strengthen company-wide cooperation based on predetermined CSR themes. The new CSR structure positions the Business Committee as the focal point of CSR initiatives and activities, from planning and proposals to

progress reports and monitoring. In addition, CSR promotion officers are also located at each of our business offices.

Under this new committee structure, we have positioned environmental initiatives and Green First promotion as key themes for fiscal 2010. In achieving this, Sekisui House will take steps to enhance employee motivation and morale, improve customer satisfaction (CS), employee satisfaction (ES) as well as shareholder satisfaction (SS), and promote compliance best practices going forward.

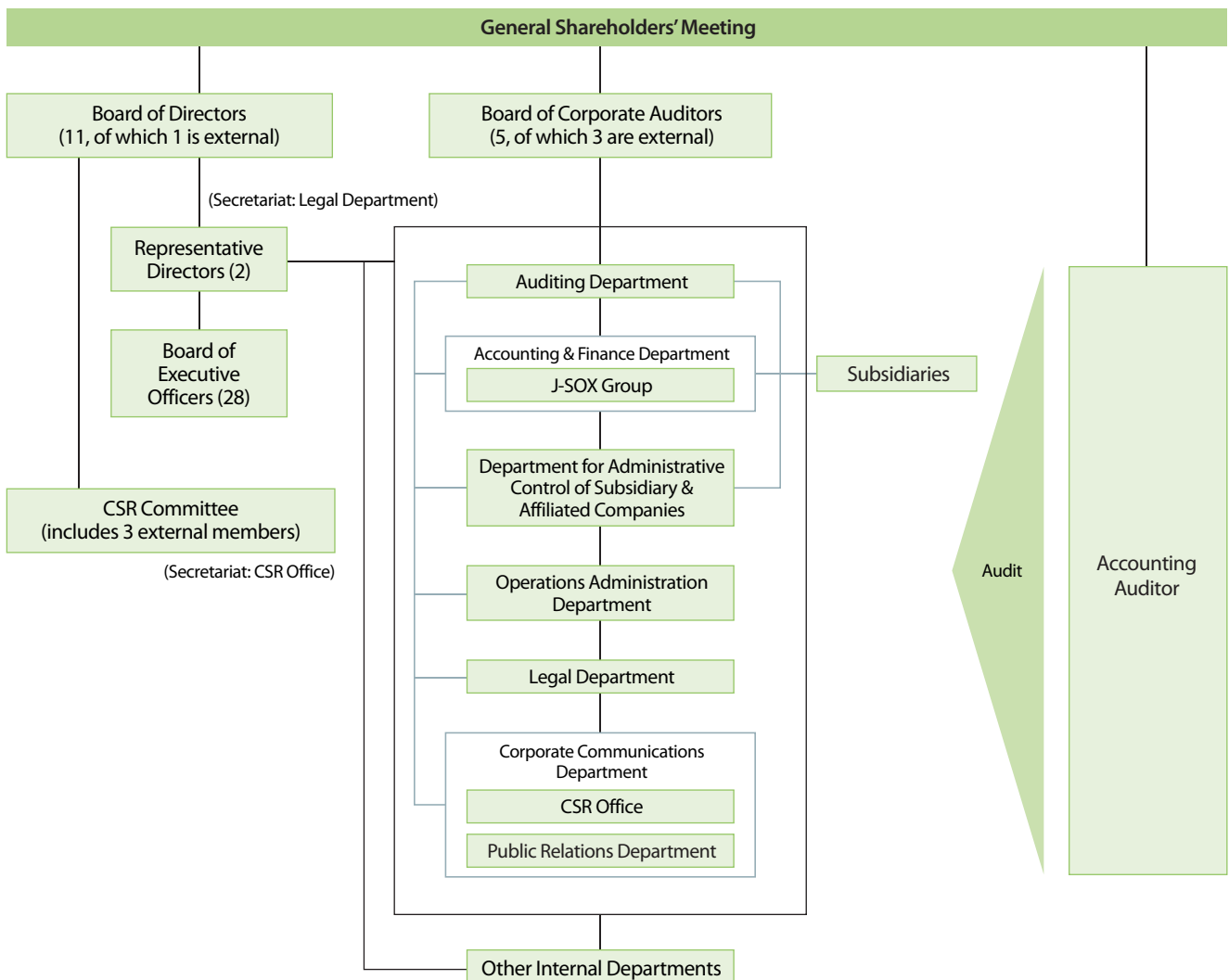


CSR Committee meeting

Corporate Governance and Internal Control System

To ensure solid stakeholder support, Sekisui House has increased management transparency; provided for timely, appropriate checks on management decisions; and enabled thorough monitoring. External board members and corporate auditors are in place, and our corporate governance system

Corporate Governance Structure (as of April 1, 2010)



CSR Policy and Structure

assures management responsibilities are well-defined and executed accordingly.

As part of our Internal Control System, in May 2006 our board of directors passed a resolution on the establishment of 10 basic policies relating to the Basic Policy Concerning the Development of an Internal Control System, including one calling for systems to ensure that board members' execution of business responsibilities is in compliance with laws, and our articles of incorporation. These basic policies have come to serve as a platform for our efforts to implement and ensure our Internal Control System operates properly.

In addition, strict internal controls (J-SOX) were implemented starting in January 2010 to ensure full compliance with the Financial Instruments and Exchange Law, with the J-SOX Compliance Office in charge of related compliance monitoring.

Compliance Promotion

Vision of Compliance

Sekisui House believes compliance is an ongoing management concern that includes not only adhering to laws and regulations but also the promotion of CSR initiatives.

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

Under our CSR committee-based structure, steps are also being taken by relevant managers at all of our business offices to address various challenges posed by the company-wide promotion of compliance best practices.

Employee Compliance Awareness Survey

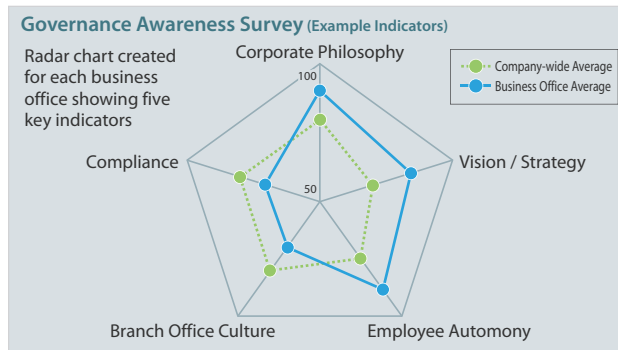
Sekisui House began conducting the Compliance Awareness Survey in fiscal 2005 to quantitatively measure employee awareness levels and understanding, and to establish indicators for compliance promotion activities.

As the next phase of this process, the Governance Awareness Survey was conducted in fiscal 2009. Responses, which were received from all sales division employees, were analyzed and indexed, with the resulting data now used as a key tool in branch management training programs to improve management "awareness."

Compliance Promotion Activities

The Sekisui House Group set up the Corporate Ethics Guidelines in October 2003 as a common platform for establishing a set of corporate ethics for group companies, executive officers and employees to adhere to in all business activities.

Compliance best practices are only achievable with the combined efforts of both executive officers and employees. As such, Sekisui House has developed exhaustive compliance



education and training programs and conducts group-training sessions based on employee rank and role. We have also created internal e-learning programs that educate newly hired employees on CSR and compliance best practices and all employs on the protection of personal information.

As advocated by the Japan Business Federation we have also designated October as corporate ethics month. In addition, all executive officers, and employees are required to submit a Corporate Ethics Compliance Pledge annually. In fiscal 2009, we conducted group-based discussions on case studies in compliance, and as a new initiative, distributed the Code of Conduct Card to each employee, requiring it be carried at all times.

Code of Conduct Card

- Are you placing the priorities of the Company or yourself ahead of the customer?
- Are you always aware that you are a representative of the Company?
- Do your actions infringe upon rules and/or laws?
- Are you making efforts to improve your knowledge to comply with rules and/or laws?
- Can you speak about your actions with pride to your family or friends?
- Do you find that you engage in improper behavior while all the well knowing?
- Do you openly speak to those around you about your concerns?
- Do you properly report incidents as soon as possible?
- Do you condone the negative or improper actions of those around you?

To employees in a leadership role:

- Do you deal with team members with equal parts compassion and severity for their betterment?
- Have you created a positive atmosphere where team members feel comfortable talking to you?
- Are your actions considerate of team member feelings?
- Are you aware your decisions may greatly impact those around you?
- Do you verify that the work of team members does not infringe upon rules and/or laws?

Internal Reporting System and Whistleblower Protection

Sekisui House has established an internal reporting system, or the SCS System (Sekisui House Group Corporate Ethics Helpline), to support compliance best practices among its employees.

The system and accompanying guidelines ensure that an employee who witnesses an unlawful act or an act that violates the corporate ethics policy can report this in confidence, while maintaining their privacy, to the Compliance Secretariat by phone, email or in writing by restricted delivery mail service. The Labor Management Help Line has also been set up for personnel related counseling.

Protection of Personal Information

Sekisui House collects and manages the personal information of customers at its various business locations, including model homes, sales offices, and other locations.

Sekisui House has developed an information management structure compliant with the Personal Information Protection Law including the appointment of an executive officer in charge of the protection of personal information and the establishment of the Customer Personal Information Management Office. We also conduct regular employee training programs to ensure strict controls are maintained over access to and the management of customer information.

Risk Management

Risk Management Structure

Sekisui House's risk management efforts are handled by the Compliance Risk Management Group, operating under the CSR Committee. Sekisui House has adopted measures to reduce compliance risk based on predetermined themes, including employee education programs developed and conducted across various committees, while specialized project teams are set up to address significant risk identified in internal compliance risk monitoring surveys.

Risk management is also included in training programs for construction managers at our partner construction companies, ensuring that steps are taken on a group-wide basis to enhance compliance risk awareness.

Risk Awareness and Management

Construction site quality control represents a significant source of risk for homebuilders. As a built-to-order homebuilder, Sekisui House has taken steps to ensure all structural components are manufactured at company-owned and operated factories, where strict quality control practices are in place. In addition, our subsidiary Sekiwa Construction Ltd. and other partner construction companies work closely with us to ensure construction sites, which we consider secondary manufacturing facilities, are managed effectively and appropriately from a risk standpoint.

Environmental Risk Management Construction Waste Management

Construction waste management represents a key to our environmental risk management practices. As such, Sekisui House has taken steps to reduce this risk, including the development of a proprietary construction waste monitoring system.

The cooperation of our carefully selected intermediate waste disposal partners is key to minimizing illegal waste dumping risk. Sekisui House has created a set of guidelines and standards for the selection of its vendor partners that assigns a number grade based on their employee education programs, account ledger practices and waste management and storage practices. Training programs in construction waste management are also conducted for construction managers of our partner construction companies. In fiscal 2010, we will establish our own access service provider (ASP) to assist with managing and operating our construction waste electronic manifest system, which we plan to launch sequentially until 100% of all construction waste data is uploaded.



Vendor Selection Guidelines Manual

Countermeasures against New Influenza Strains

Sekisui House set up the New Influenza Countermeasure Task Force internally to study ways the company could guard against the 2009 global outbreak of the new strain of H1N1 influenza.

The Task Force focused on measures that would reduce the risk to the continuity of our business operations during the outbreak, which included steps to prevent the spread of the virus among employees to customers or our external stakeholders, ensuring adequate internal supplies of masks and other healthcare products, postponement of or reduced meeting schedule and requiring employees to take their temperature prior to leaving the workplace. A handbook was also created and distributed to employees and their families to ensure all group companies were educated on internal policy regarding the outbreak.



New Influenza Handbook distributed to employees and their families

Overview

Created to provide basic information and educate employees on proper responses, the handbook includes sections on basic knowledge, preventative measures, initial response, pandemic responses, and personal health management.

Social Targets and Actual Performance

Summary and Outlook

An organization and workforce that is open and independent, yet adheres to strict internal controls and regulations, is essential to sound business operations. We have made efforts to enhance the quality and effectiveness of our CSR activities, including focusing on initiatives linked to our core business, such as expanding sales of our eco-friendly Green First line of homes, and creating indices that objectively evaluate our CSR activities for each of our business offices to provide relevant feedback for improvement. As an approach to ensure the continued awareness of and best practices in compliance, we have also created a new Code of Conduct Card that we ask employees to carry with themselves at all times.

Positioned as a key CSR educational tool, senior executives often use our annual sustainability report to educate internal and external stakeholders about our company and CSR best

practices. We have also launched several internal CSR-related educational seminars throughout our nationwide network of companies and partners. Leaders at each of our business locations have worked to emphasize that compliance as well as social contributions represent core fundamentals of our business operations, which has resulted in improved employee awareness and self-led CSR efforts. Cooperation with NGOs and NPOs in our core business activities has also become a trademark of our approach to CSR.

On August 1, 2010, Sekisui House will celebrate its 50th anniversary since incorporation. Going forward, we plan to return to CSR fundamentals found in our corporate philosophy and code of conduct to ensure that each and every employee continues to value our customers, stakeholders and our responsibility as a company to greater society.



Hidehiro Yamaguchi
Executive Officer and
Head of Corporate
Communications Department

CSR Policy and Framework

	Fiscal 2009 Target	Fiscal 2009 Results and Commentary	Score	Fiscal 2010 Target
CSR Promotion Structure and Penetration	Use the CSR Index as well as targets and results for each business office to accelerate the PDCA cycle. Raise the level of initiatives from the bottom up and eliminate execution discrepancies between business offices. Foster development of an open corporate culture where communication actively occurs between superiors and subordinates.	Fiscal 2009 CSR targets and results in the areas of corporate philosophy, compliance, the environment, society, local communities as well as customer satisfaction, employee satisfaction and shareholder satisfaction were confirmed at our annual corporate meetings and shared over the internal intranet. This information was used to improve discrepancies in CSR execution found to exist across business offices.	B	Continue to use the CSR Index as well as targets and results for each business office to accelerate the PDCA cycle and further improve CSR initiatives. Foster open corporate culture through various training programs. Ensure management exerts leadership skills and work to eliminate disparities in CSR awareness between management and general employees.
Compliance Management	Develop a work environment respectful of human rights where employees are free to exercise their skills and abilities.	The Human Relations Training Text was distributed to all employees, including group companies, while lead managers conducted training programs on human relations at each business office.	A	Conduct training programs that assist in developing open and independent workplaces under the lead of business office managers.
	Launch the Internal Control System and continue to develop internal risk management systems.	Full-scale operations of the Internal Control System were launched in fiscal 2009. No major compliance violations occurred in fiscal 2009.	A	Focus on proper administration of work process rules based on adoption of our construction progress standards.

For Our Customers

	Fiscal 2009 Target	Fiscal 2009 Results and Commentary	Score	Fiscal 2010 Target
Customer Satisfaction	Strengthen corporate communications with homeowners through the Internet, magazines, and other media.	Website content was updated twice monthly for the Internet Homeowners Club Kizuna (136 thousand registered member households). Published newsletter for homeowners and conducted research surveys.	A	Continue to provide the highest possible levels of customers care and satisfaction and ensure employees are aware of the role customers have played in our success as a company. Enhance direct communication with customers at branch offices and customer centers, and utilize various other outlets, such as the Internet and newsletters, to communicate with existing homeowners.
Sustainable Society and Long-life Housing	Grow the Everloop segment, focus on the effective utilization of resources and extending the lifecycle of homes, and cultivate the market for revitalized homes.	Everloop open houses were held at 100 locations. Completed the repurchase of 135 properties (YoY increase of 10 properties). Focused on the House Purchase & Resale Department, strengthened coordination between group companies, including Sekiwa Real Estate and Sekisui House Remodeling.	B	Take steps to educate customers about and cultivate the market for Everloop homes. Contribute to developing a larger and more liquid existing home market in Japan as a means to promote the effective use of resources and increased lifespan of houses.
	Expand the remodeling segment by entering the market for traditional wood-frame house remodeling, and recommend eco-friendly conscious remodeling solutions.	Increased remodeling orders for Sekisui House built homes, achieving net segment income of ¥47.5 billion (YoY increase of 1%) underpinned by marketing proposals aligned to the homebuyer's stage in life and active promotion of eco-friendly remodeling solutions. Received orders totaling ¥3.8 billion since launching remodeling projects for non-Sekisui House built traditional wood-framed detached houses.	A	Continue to actively promote eco-friendly remodeling solutions and expand our remodeling business for both Sekisui House and non-Sekisui House built homes.
Reliable, Safe and Comfortable Homes	Open the Kansai <i>Sumai-no-Yume-Kojo</i> (large-scale experiment-based facilities) and take other measures to enhance company-operated innovative hands-on learning facilities in other locations.	Greatly increased the number of visitors compared to the previous year: Home Amenities Experience Studio 41,864 visitors; <i>Sumai-no-Yume-Kojo</i> (large-scale experiment-based facilities) 92,137 visitors; and <i>Sumai-no-kagakukan</i> (medium-sized experiment-based facilities) 33,521 visitors.	A	Effectively utilize innovative hands-on learning facilities, such as Home Amenities Experience Studio and the 6nationwide <i>Sumai-no-Yume-Kojo</i> (large-scale experiment-based facilities) locations. Support the development of safe, secure and comfortable homes and lifestyles.
Community Development and Local Culture	Based on our Urban Development Charter and Urban Development Guidelines, develop quality communities with retained aesthetic value and hold <i>Machinami Sankan-bi</i> (Community Visit Days)	Community Visit Days were held in April and October in a total of 625 homes at 93 housing complexes. Provided positive town environments based on our Urban Development Charter and Urban Development Guidelines, while incorporating the <i>Gohon no ki</i> landscaping concept and accreditation of eco-friendly homes. Neighborhood festivals were held in subdivisions and condominium developments to foster community development, strengthen local relationships, and promote the succession of local culture.	A	Assist in developing communities with retained aesthetic value based on our Urban Development Charter and Urban Development Guidelines. Continue to hold Community Visit Days. Increase the number of neighborhood festivals to encourage localized community building and the succession of local culture.

A...Achieved target; B...Did not achieve but came close to target; C...Unable to make improvements toward achieving target

■ For Our Employees and Business Partners

	Fiscal 2009 Target	Fiscal 2009 Results and Commentary	Score	Fiscal 2010 Target
Commitment to Employees	Promote career development options for female employees: <ul style="list-style-type: none"> Plan new system to ensure workplaces are aligned with the needs and competencies of female employees so they can be successful, long-term contributors. 	Active hiring has led to an increase in the number of female sales representatives who have returned from maternity or parental leave to produce stellar sales results. Support measures will be increased going forward to further develop female employee competencies and motivation. Managers and a leader from the Diversity Development Team discuss individually with female employees returning from maternity or parental leave, to determine flexible working schedules.	A	Continue to promote career development options for female employees and build workplaces where female employees can be successful, long-term contributors.
	Leverage our pool of diverse human resources: <ul style="list-style-type: none"> Improve the Work Category Transfer Program and conduct relevant follow up. Continue the Retiree Reinstatement Registration Program. Continue Internal Open Recruitment Program. Hire more persons with disabilities to comply with legally stipulated requirements. 	7 employees transferred work category using the Work Category Transfer Program. No recruiting was conducted in fiscal 2009 for the Retiree Reinstatement Program. 33 employees applied on two recruitment occasions under the Internal Open Recruitment Program, with 20 transferring. These programs resulted in energizing the organization by providing employees with new opportunities and new business ventures. The employment rate of persons with disabilities was 1.8% as of February 2010.	B	Leverage our pool of diverse human resources: <ul style="list-style-type: none"> Continue to offer the Work Category Transfer Program and conduct related follow up. Continue the Retiree Reinstatement Registration Program. Continue Internal Open Recruitment Program. Continue to hire more persons with disabilities to comply with legally stipulated requirements.
	Support work-style diversity and work-life balance: <ul style="list-style-type: none"> Develop work environment with increased productivity through reform initiatives. Ensure best practices in labor management compliance 	Although the number of male employees taking parental leave decreased year over year, the number of female employees taking parental leave increased from 72 to 81. The number of employees using the Shortened Work Hour Program increased from 72 to 105. Promoted enhanced productivity through reformed working styles and work processes covered in human resource management training programs. Established labor management compliance as an audit focus area. Guidance and reform of the work management system enabled a more accurate understanding of employee work hours.	A	Support work-styles diversity and work-life balance: <ul style="list-style-type: none"> Continue to develop work environment with increased productivity through reform initiatives. Continue to ensure best practices in labor management compliance

■ For Our Shareholders and the Community

	Fiscal 2009 Target	Fiscal 2009 Results and Commentary	Score	Fiscal 2010 Target
Commitment to Shareholders	Distribute annual dividend of ¥20 per share, taking into account market conditions and the economic recovery. Achieve a medium-term dividend payout ratio of at least 40%.	The annual year-end dividend was ¥10 per share for fiscal 2009. The shareholder loyalty point program and shareholder rewards program continue to be offered as a means to encourage long-term shareholdings. In October and January, under these programs, shareholders in the list received a gift certificate worth of 5kg bag of premium rice. 3,255kg of unclaimed rice was donated to organizations in need.	B	Ensure an average dividend payout ratio of at least 40% over the medium term. The target dividend for fiscal 2010 is ¥21 per share, broken down as follows: ¥8 mid-term dividend, ¥8 year-end dividend and ¥5 special dividend commemorating the company's 50th anniversary.
Housing Culture and Education	As a company open to local communities, utilize our facilities and expertise to focus on enhancing house culture.	Making the best use of our housing seminar expertise, we provided regionally tailored curriculum as well as an Internet housing webinar, which has increased the number of participants. Housing seminar classes for the public were held 11 times with 966 participants, while special housing seminars were held 24 times attracting 388 participants. The regionally held housing seminar was conducted at 53 locations nationwide for 921 participants, while 760 applications were received for Internet housing seminar webinar.	A	Continue to focus on enhancing house culture through the utilization of our facilities and expertise.
	Enhance educational initiatives through hands-on learning and other facilities. Create curriculum accordingly, dispatch teachers to schools and allow student visits to the workplace	Student visitors totaled 4,227 at Home Amenities Experience Studio, 2,087 at <i>Sumai-no-Yume-Kojo</i> (large-scale experiment-based facilities) 2,087 and 37 at Interactive Museum of Homebuilding. Workplace visits and teacher dispatch programs were held on 61 occasions attracting a total audience of 1,885. 7 classes were held at <i>Shin-Satoyama</i> for elementary and kindergarten students with a total of 345 participants. The Homebuilding Experience Program received a total of 340 college students from 16 universities. Special seminar programs were also held on energy conservation in everyday life, ecosystem preservation and resource recycling.	A	Further enhance educational initiatives through hands-on learning and other facilities, and expand workplace visits and teacher dispatch programs.
Contribution to Society	Increase the activity level of social contribution programs through information sharing, while eliminating discrepancies between business offices	Social initiatives in local communities were expanded and the number of volunteer projects nationwide was increased. Conducted 4,242 volunteer projects with 15,851 total participants. Employees donated ¥2.14 million for various disaster relief programs. Donations received at charity and other events totaled ¥2.82 million. ¥640 thousand in equivalent foreign currency was donated at the Children's Day Charity.	A	Increase the activity level of social contribution programs through improved information sharing and dissemination.
	Donate ¥16.32 million to 21 separate organizations during the fourth round of the Sekisui House Matching Program. Communicate donation activities more effectively to both internal and external stakeholders and increase employee awareness regarding these organizations and their activities.	Improved visibility of the Sekisui House Matching Program, with registered members now totaling 1,700. Increased grant aid, the number of organizations receiving aid and the number of applications accepted. Fourth round grant aid totaled ¥16.32 million, which was disbursed to 21 organizations, while 113 programs applied for the 5th round grant aid.	A	Disburse ¥17.83 million to 30 organizations for the fifth round of grant aid. Strengthen public relations activities to promote employee understanding and participation.

A...Achieved target; B...Did not achieve but came close to target; C...Unable to make improvements toward achieving target

Environmental Targets and Actual Performance

Summary and Outlook

In 2009, our eco-friendly Green First line of homes, launched in March, made great strides in market penetration underpinned by government subsidies for fuel cell and PV systems and the start of an energy buyback program. I am convinced that our reputation as a company and brand that values the environment has grown considerably, based on this and our increased marketing of PV solutions, the launch of our own rebate program, the introduction of various sales and marketing initiatives and company-wide training programs. In addition, we view the announcement by the recently elected Democratic Party of Japan-led administration setting the ambitious target of cutting Japan's greenhouse gas emissions by 25% from 1990 levels by the year 2020 as a major business opportunity that will act as the driving force for our business development initiatives over the mid- to long-term.

I believe our mission as a leading eco-first homebuilder is to accelerate the market penetration of our environmental technologies cultivated through our R&D activities and

professional experience. Fiscal 2009 was a busy year in terms of our environmental initiatives, as we recorded the most sales fuel cell systems for the home of any homebuilder in Japan, constructed the first model home featuring all LED lighting solutions, and made preparations for the nationwide launch of our IC tag-based next generation zero emissions system aimed.

In addition, with the 10th Conference of the Parties to the Convention on Biological Diversity (COP10) to be held for the first time in Japan in October 2010, corporate Japan has seen a surge in interest in biodiversity-friendly corporate management practices. As a result, we have also come under the spotlight for our biodiversity initiatives, including our proprietary Wood Procurement Guidelines.

In marking the 50th anniversary since our founding later this year, we will position our environmental initiatives as the core of our corporate growth strategy going forward, and will work toward building a more sustainable society by providing our customers with greater comfort eco-friendly homes.



Tetsuo Iku
Director, Managing Officer
in charge of Environmental
Initiatives

ECO FIRST Commitment 1. Reduce CO₂ emissions in both the construction and occupancy of our buildings

Category	Fiscal 2009 Target	Results	Commentary	Score	Fiscal 2010 Target
Reducing Home CO ₂ Emissions	Orders for 3,000 PV systems for detached houses and 300 for low-rise apartment buildings, with total output equivalent to 15,200kW	Received orders for 7,030 PV systems for detached houses and 371 low-rise apartment building.	Sales of our Green First line of homes featuring PV systems were buoyed in fiscal 2009 by various government subsidy programs and a review of the energy buyback system. In fiscal 2010, we will seek to further boost sales for PV systems by expanding sales of our proprietary roof tile PV system.	A	Orders for 10,000 PV systems for detached houses
	Increase rate of all-electric homes using high-efficiency water heaters to 90%	Increased the rate of all-electric homes using high-efficiency water heaters to 94%	Based on expanded sales of our Green First line of homes and the increased penetration of Eco-Cute units, the rate of all-electric homes using high-efficiency water heaters has nearly reached 100%.	A	—
	Orders for 1,000 <i>ENE FARM</i> fuel cell systems	Received orders for 1,222 <i>ENE FARM</i> fuel cell systems	We posted the largest number of <i>ENE FARM</i> orders of any homebuilder in Japan underpinned by expanded sales of Green First homes and government subsidy programs. We will continue to spur demand for fuel cell systems through sales of our Green First line of homes with the hope of further reducing homeowners' CO ₂ emissions footprint.	A	Sales of 2,400 <i>ENE FARM</i> fuel cell systems
	Reexamine key internal initiatives for the promotion of eco-friendly remodeling solutions in existing detached houses	<ul style="list-style-type: none"> Updated 36,288m² of window and door insulation Installed high-efficiency water heaters in 3,447 homes. Installed PV systems in 718 homes Sold 3,362 sets of energy efficient bath fixtures 	We exceeded fiscal 2008 results for window and door insulation updates, PV system and high-efficiency water heater installations as well as sales of energy-efficient bath fixtures. We have also made heat-insulated bathtubs and bathrooms, water faucets with thermostat and hand-held showerheads all standard for energy-efficient remodeling projects	A	<ul style="list-style-type: none"> Increase window and door insulation updates to 80,618 m² Install high-efficiency water heaters in 4,500 homes Install PV systems in 2,000 homes Sell 4,000 sets of energy efficient bath fixtures

ECO FIRST Commitment 2. Promote ecological networks and biodiversity revitalization

Category	Fiscal 2009 Target	Results	Commentary	Score	Fiscal 2010 Target
Reduce Impact on Ecosystems during Procurement	Reduce the sourcing of C-rank wood products	Reduced C-rank procurement from 32% to 22% of total wood products	We were able to reduce the amount of C-rank lumber products backed by the cooperation of many of our suppliers. The increased availability of product information has also been another factor that has helped to increase the amount of higher ranked wood products. We were also able to increase the amount of domestically sourced wood materials in fiscal 2009. We will continue to promote and follow our FairWood procurement guidelines.	A	Increase procurement of S-rank and further reduce sourcing of C-rank wood products
Preservation of Ecosystems through Landscaping	Plant 1 million trees	Planted 710,000 trees	We experienced some difficulty in increasing the number of trees planted in fiscal 2009 because of the impact on our landscaping business from the downturn in the housing market in Japan. Although the number of trees planted fell from 850,000 in fiscal 2008 to 710,000 in fiscal 2009, we have begun to see an upswing in orders and so will continue to promote the advantages of landscaping and tree planting during the sales process.	C	Plant 1 million trees

A...Achieved target; B...Did not achieve but came close to target; C...Unable to make improvements toward achieving target



Commitment 3. Promote active resource recycling

Category	Fiscal 2009 Target	Results	Commentary	Score	Fiscal 2010 Target
Recycling at Factories and Construction Sites	Reduce manufacturing related waste by 3% of 2008 levels	Achieved 1% reduction	Changes made in manufacturing processes at our factories resulted in only a minimal reduction in manufacturing-related waste. However, we will continue our factory waste reduction initiatives to improve yield in fiscal 2010 and beyond. (Separate targets have been set for factory waste and construction site waste.)	B	Reduce manufacturing related waste by 3% of 2009 levels
	Achieve 100% operations under the electronic manifest system during fiscal 2010	Began partial operations under the electronic manifest system and moved forward with preparations for the launch of full-scale operations	In August 2009, we launched linked operations with the electronic manifest system and our Gurutto Mail internal system under Regional Certification for the tracking of construction waste from site to our Resource Management Center. Arrangements are currently being made for the monitoring of construction waste as it transits from our Resource Management Center to our disposal partners. We plan to achieve full system operations for demolition-related construction waste in fiscal 2010, having held briefing sessions and conducted registration of partner companies in fiscal 2009. We are currently taking steps to ensure full system operations in fiscal 2010 for factory waste transiting for final disposal by our partners as well. (some factories already have fully operational systems in place)	A	Achieve full-scale operations under the electronic manifest system
	Reduce construction waste at new build construction sites to 1,300kg per house	Construction waste at new build construction sites totaled 1,323kg per house	Construction waste reduction efforts progressed regionally in line with the target. The launch of our new IC tag-based construction waste management system will enable more precise understanding of waste volumes and enhanced management practices, streamlining and improving our construction waste reduction efforts going forward.	A	Reduce construction waste at new build construction sites to 1,200kg per house
	Review the cost-effectiveness of implementing the IC tag-based waste collection and disposal system	Made projections for cost and effectiveness	Data for waste volumes was collected, analyzed and evaluated, while trials were also conducted for our electronic manifest system. After reviewing required costs, we have decided to implement the system nationwide in fiscal 2010.	A	Launch the IC tag-based construction waste collection and management system nationwide

A...Achieved target; B...Did not achieve but came close to target; C...Unable to make improvements toward achieving target

Third Party Review

Each year Sekisui House orders a third party review of its sustainability report under the AccountAbility AA1000 Assurance Standard principles. The third party review for the Sustainability Report 2010 was conducted by The Natural Step Japan.

Sekisui House, Ltd.

April 2010

Third Party Review

Sachiko Takami

Representative
The Natural Step Japan



The Natural Step Japan (below "TNS") was consigned by Sekisui House, Ltd. to conduct a third party assurance review of its environmental and social initiatives as outlined in its Sustainability Report 2010 under AccountAbility AA1000 Assurance Standard principles.

TNS conducted its evaluation independently of Sekisui House in fair and equitable standing with Sekisui House stakeholders. As an experienced third party assurance review provider having worked with Sekisui House each year since 2004, TNS's responsibility is to conduct a review and evaluation under the predefined scope of statements and information collected according to the below evaluation process. All statements and information appearing in the Sekisui House Sustainability Report 2010 are the sole responsibility of Sekisui House. The following assurance review report provided by TNS is addressed to both Sekisui House management and Sekisui House stakeholders.

Summary

The Sekisui House Sustainability Report 2010 provides an accurate summary of the materiality, performances, challenges and commitments of Sekisui House environmental and social initiatives in 2009. Sekisui House responds adequately to the concerns of its stakeholders.

Evaluation Procedures

The evaluation and review of Sekisui House materiality and measures were conducted according to the following methods, standards and criterion.

Evaluation Process

- We reviewed the process flows important to the company and the impact of product and service usage. We also conducted an analysis using TNS Sustainability Analysis methods*1 to assess whether the company responds to reform flexibly, constantly develops its competencies, or links its strategy, vision and policy with targets and performance.
- We conducted a review of the information found in the Sustainability Report 2010, incorporating internationally recognized AccountAbility AA1000 Assurance Standard principles*2 (Inclusivity, Materiality, Responsiveness).
- We conducted interviews involving Sekisui House Chairman & CEO, President & COO and related departments concerning all aspects of the drafting process for the Sustainability Report 2010 to answer the questions outlined below. A review and evaluation was also conducted of the Sekisui House Sustainability Report 2009 and the Internet version, the draft version of the Sustainability Report 2010, and the Green First and Sekisui House Comprehensive Housing R&D Institute brochures.

All statements and information appearing in the above-mentioned reports and brochures are the sole responsibility of Sekisui House.

*1 Detailed information regarding TNS Sustainability Analysis methods can be found at:
<http://www.tnsj.org>

*2 Detailed information regarding AA1000 Assurance Standard principles can be found at:
<http://www.accountability.org.uk>

- Assurance services provided by TNS are limited to the evaluation and review of related documents and interviews only, and no reviews have been conducted regarding the authenticity of information provided in related documents or interviews. The medium degree of AA1000 Assurance Standards was used for this review.

Conclusions

1. Inclusivity

Is Sekisui House committed to its sustainability responsibilities toward significant stakeholders? Does Sekisui House include the viewpoints of its stakeholders in its strategic sustainability measures? Has Sekisui House cultivated the necessary competencies and processes to include stakeholders' views?

Sekisui House is committed to its sustainability responsibilities toward significant stakeholders, including customers, employees, suppliers, NGOs and local communities. Sekisui House is making efforts to include the viewpoints of these stakeholders in its strategic sustainability measures through seminars, training programs, cooperation and dialogue. However, the achievement of work-life balance, development of improved working environments for female employees continue to represent social issues facing all of Japan and cannot be resolved by any one company alone. More dialogue is hence necessary with the media as well as national and local governments. Sekisui House competencies and processes covering these areas are considered to be future challenges.

2. Materiality

Is materiality understandable and addressed from a well-balanced perspective in the Sustainability Report 2010? Is there a process in place to determine what materiality is? If so, is that process accurate?

The Sustainability Report 2010 includes Sekisui House materiality as well as information on materiality from a well-balance perspective. An accurate process has been established for determining materiality, with required competencies for defining materiality provided by the CSR Committee, CSR Office and Environment Division. We evaluate that Sekisui House is aware of its responsibility to prevent global warming and materiality as a leading housing company. We think Sekisui House's commitment to Green First eco-friendly homes featuring fuel cell technology and active participation in the Ministry of the Environment of Japan's Challenge 25 Campaign, as well as corresponding links from these initiatives to management policy, prove its awareness.

3. Responsiveness

Does Sekisui House address stakeholder concerns sufficiently? Does the Sustainability Report 2010 attempt to communicate the most important stakeholder concerns and in timely manner?

Sekisui House sufficiently responds to the most important stakeholder concerns using five feature segments: global warming prevention, biodiversity conservation, building a recycling-oriented society, ensuring safe and secure homebuilding, and enriched community building. In this as well as future sustainability reports, however, we expect Sekisui House to communicate more clearly regarding its renewable energy solutions, measures to reduce chemical exposure levels in homes, plans to expand use of domestically sourced lumber and consideration for the work-life balance of its employees, since these societal issues represent common, meaningful challenges.

Performance

Sekisui House has achieved the following results in the areas of the environment and society.

The Environment

- Greatly exceeded its sales targets for photovoltaic power generation systems (PV system), with over 60% of detached home orders featuring PV systems at the end of the fiscal year.
- Launched trial experiments for smart homes that feature fuel cell, PV and storage cell system technologies.
- Began offering energy-conscious remodeling for non-Sekisui House built detached homes.
- Launched sales of Chemicare homes that enhance air quality.
- Increased the sourcing of domestic lumber to 15% of total lumber procurement.

Society

- Distributed the Human Relations Training handbook to all employees and group companies and conducted related training programs.
- Public visitors to the Zero Emissions Center totaled 26,156.
- Conducted homeowner-led Biodiversity Survey, ecosystem extension classes at elementary schools and teacher training programs.
- Recognized as the top company in Japan based on a nationwide survey of CSR initiatives of 100 companies, among several other awards and recognitions.

Future Challenges

Compared to its international peers, Sekisui House has engaged in a variety of unique stakeholder-inclusive CSR initiatives. Going forward, we anticipate that Sekisui House can leverage these strengths as it expands operations internationally to become a leading company globally.

for the next stage



SEKISUI HOUSE

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

