SEKISUI HOUSE

For the year ended January 31, 2013

Sustainability Report 2013

SEKISUI HOUSE, LTD.

Features of the Sustainability Report 2013

- The content and materiality of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration social conditions and survey responses to the Sustainability Report 2012 received from approximately 2,379 internal and external stakeholders.
- This report is designed so as to lead readers to topics of their interest by inserting a section that provides an overall description of the CSR efforts of the Sekisui House Group.
- Special focus is given to the expansion and progress of our Green First initiative, which was launched to achieve our Sustainable Vision, as well as the Smart Common City project to promote smart towns as part of the Green First initiative.
- This report provides a general outline of our restoration and reconstruction activities for the areas stricken by the Great East Japan Earthquake.
- As an annual report, this brochure also contains a summary of our corporate activities during fiscal year 2012 in the section titled "Activity Report." This report also includes self-evaluation of performance towards our goal.
- This report also shows the change in Key Performance Indicators (KPI) on important areas such as the progress of the Eco-First promise.
- The report also includes comments from stakeholders in various sectors including our customers and external experts to provide objective third-party views of our corporate activities.

Scope of This Report

Areas of Business

This report covers a total of 55 companies: Sekisui House, Ltd.; its consolidated subsidiaries that are principal actors in CSR and environmental management including, Sekiwa Real Estate, Ltd. (6 companies), Sekisui House Remodeling, Ltd., Sekiwa Construction, Ltd. (20 companies) and 13 other companies including Sekiwa Wood, Ltd.; and its 14 main overseas subsidiaries out of 106 overseas subsidiaries. (Refer to pp. 3-4 for the overview of the Sekisui House Group.)
In total, this report covers 99.8% of the entire Sekisui House Group in terms of number of employees.

Areas of Business Activity

This report covers the business operations of the Sekisui House Group which include detached housing, rental housing, remodeling, real estate management, sale of properties, condominium development, urban redevelopment, overseas business; and others (e.g. exterior construction work).

●Period Covered

Fiscal year 2012 (February 1, 2012 to January 31, 2013)
*Some activities undertaken in fiscal year 2013 are covered in this report.

●Date of Publication

This report is published annually in Japanese around April.
*English and Chinese versions are published annually around June.

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About the Cover

Promoting community development projects worldwide leveraging our excellence in housing quality and cutting-edge environmental technology

One of the community development projects underway in the United States (Waterset in Florida)

Camden Hills, a newly developed residential area in the suburbs of Sydney, Australia (Artist's rendering)

Editorial Policy

The purpose of this report is to educate a broad audience of readers about initiatives the Sekisui House Group is engaging in to help build a sustainable society as well as encourage reader feedback as a means to improve these initiatives going forward. In selecting topics to be reported and drawing up an editing policy, we referred to the 2012 Environmental Reporting Guidelines of the Ministry of the Environment of Japan and the Sustainability Reporting Guidelines (Version 3.1) of the Global Reporting Initiative. The selected topics are reported in accordance with ISO 26000, an international standard on social responsibility.

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Our Initiatives 2 Pursuing sustainability in global markets

Developing overseas business ····· 27

Our Initiatives 3 As a venue to co-create new housing culture with our stakeholders

Opening SUMUFUMULAB ····· 33

Activity Report for Fiscal Year 2012

Activity Report 1

Preventing global warming ····· 49

Contributing to a reduction of CO_2 emissions steadily by promoting our Green First design

Main initiatives: increase the ratio of Green First models to all Sekisui House-built detached homes and low-rise apartments for leasing; promote retrofitting of existing homes with photovoltaic power generation systems; encourage introduction of mega solar systems; save electricity at workplaces

Activity Report 2

Preserving biodiversity ····· 53

Planting 1,000,000 trees a year to preserve the local ecosystem under our "Gohon no ki" landscaping concept

Main initiatives: promote "Gohon no ki" landscaping concept; conduct biodiversity survey; enhance wood procurement levels; revise the Wood Procurement Guidelines; encourage the use of domestic products from domestic sources; conduct supply chain survey

Activity Report 3

Building a recycling-oriented society ····· 57

Building a recycling-oriented industrial system with our own innovative resource recycling solutions

Main initiatives: introduce an electronic manifest system to all facilities to ensure proper waste disposal management; develop new materials from waste and promote the use of such materials; improve the precut method; expand the "SHEQAS" seismic vibration absorption system; promote the Everloop home repurchase program

Activity Report 4

Coping with changes in the social structure to better meet emerging needs ····· 61

Offering living environments where all people, including the elderly, children, and people with disabilities can live healthy and comfortable lives

Main initiatives: launch the industry's first residential care homes for the elderly; construct rental apartments for multigenerational interactions

Activity Report 5

Commitment to stakeholders ····· 65

Fostering relationships of trust with all stakeholders associated with our business to grow together and achieve co-prosperity

Main initiatives: strengthen collaborative ties with business partners and the Sekisui House Association; offer opportunities to female employees to play leading roles in their workplaces; return profits to our shareholders

Activity Report 6

Contributing to the wellbeing of society ····· 71

Acting in cooperation with various sectors with a "love of humanity" as our guiding principle to continue working for the wellbeing of communities and addressing social challenges

Main initiatives: offer grant aids under the Sekisui House Matching Program; support the independence of people with disabilities; operate the Kobe Machizukuri Rokko Island Fund; cooperate in the construction of the "Child Chemo House"

Contributing to the creation of a sustainable society under the motto of “SLOW & SMART”

Since our inception, we, at the Sekisui House Group, have always put customer satisfaction (CS) at the core of our corporate activities and remained committed to contributing to the creation of comfortable housing and ecologically sound communities.
Adopting “SLOW & SMART—housing innovation to make your heart feel at home” as our brand vision, we have been implementing a growth strategy with our focus placed on the area of “housing.” We will continue our efforts to create safe, durable, healthy and comfortable living environments with the highest quality products and state-of-the-art technology, while offering new values in response to demands of the times. In doing so, we hope to find solutions to various social problems and accelerate the process toward a sustainable society.
(We built 45,098 houses during fiscal year 2012, and have built 2,135,437 houses in total.)

Detached housing business

Contracting, design and construction of detached houses

“IS ROY+E”: Luxury Modern Series, two-story steel-frame detached house

“BIENA” three-story steel-frame detached house

“Gravis Bellsa” wooden-frame detached house

Subsidiaries and Affiliates
◎Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (construction and remodeling of homes and exterior construction work)

Rental housing business

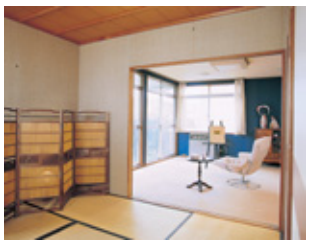
Contracting, design and construction of rental housing and medical and nursing care facilities

“CELEBLIO” residential care homes for the elderly

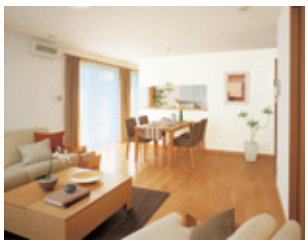
Subsidiaries and Affiliates
◎Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (construction and remodeling of homes and exterior construction work)
◎Sekiwa Real Estate, Ltd. and 14 other companies (purchase/sale, brokerage, leasing and management of real estate)

Remodeling business

Expansion and renovation of houses



Before remodeling



After remodeling

Subsidiaries and Affiliates
◎Sekisui House Remodeling, Ltd. (housing remodeling)
◎Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (construction and remodeling of homes and exterior construction work)
◎Sekiwa Real Estate, Ltd. and 14 other companies (purchase/sale, brokerage, leasing and management of real estate)

Corporate Profile (as of January 31, 2013)

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: ¥186,554,190,000
Number of shares outstanding: 676,885,078
Employees: 21,476 (consolidated); 13,049 (non-consolidated)

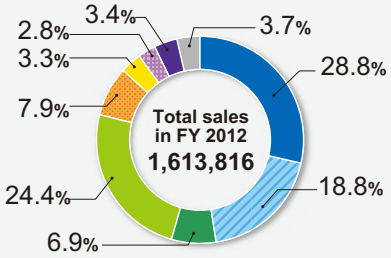
Sales and Service Offices (as of January 31, 2013)

Branch and sales offices: 123
Customer Centers: 30
Model homes: 423
Factories: 5
R&D Institute: 1
Consolidated subsidiaries: 148
Companies accounted for under the equity method: 18

Business Performance Review

During fiscal year 2012, we promoted sales of the “Green First HYBRID,” an advanced smart house model incorporating solar, fuel and storage cells, which are operated by our proprietary Home Energy Management System (HEMS), as part of our environmental strategy. We also launched a wider range of storage cells for eco-friendly housing products. In this way, we directed our efforts to the “Green First” initiative under our three-year medium-term management plan that commenced in fiscal year 2010, and successfully attained the targets for the fiscal year under review. In November 2012, we announced a new medium-term management plan, in which a growth strategy focusing on the area of “housing” is placed at the core of the management policy. Committed to our brand vision, “SLOW & SMART,” we will strive to achieve a continuous increase in profitability in the domestic market, while steering our overseas business operations on a path to exponential growth.

Consolidated sales by segment (million yen)



Detached housing business	465,149
Rental housing business	303,712
Remodeling business	111,548
Real estate management business	393,978
Sale of properties business	127,810
Condominium development business	52,538
Urban redevelopment business	45,528
Overseas business	54,844
Other businesses (exterior construction work, etc.)	58,704

Real estate management business

Subleasing, management, operation and brokerage of real estate

"BEREO" heavy-steel rental apartment

Subsidiaries and Affiliates
◎Sekiwa Real Estate, Ltd. and 14 other companies (purchase/sale, brokerage, leasing and management of real estate)

Subleasing Activities
Sekiwa Real Estate, Ltd. 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. Sekiwa Real Estate has served many customers for over 30 years. Under this system, Sekiwa Real Estate has developed a strong reputation in the segment for reliable long-term property management.

Sale of properties business

Sale of houses and residential land; contracting, design and construction of houses on residential land for sale

Smart town "Smart Common City Akaishidai"

Subsidiaries and Affiliates
◎Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (construction and remodeling of homes and exterior construction work)
◎Sekiwa Real Estate, Ltd. and 14 other companies (purchase/sale, brokerage, leasing and management of real estate)

Condominium development business

Sale of condominiums

"Grande Maison Shirogane" condominium project

[Subsidiaries and Affiliates]
○Sekiwa Kanri Co., Ltd. and three other companies (management of real estate)

Urban redevelopment business

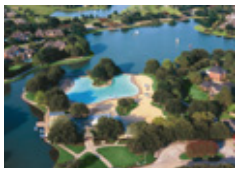
Development of office buildings and commercial facilities, management and operation of real estate in possession

"Gotenyama Project," a large-scale mixed-use development project

Overseas business

Contracting of custom-built detached houses in overseas markets, sale of ready-built detached houses and residential land, development and sale of condominiums and commercial facilities

Wentworth Point in Australia

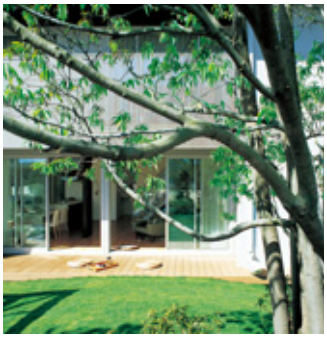


Cinco Ranch in the U.S.

Subsidiaries and Affiliates
◎Sekisui House Australia Holdings Pty Ltd. and 105 other companies

Other businesses

Exterior construction work, etc.

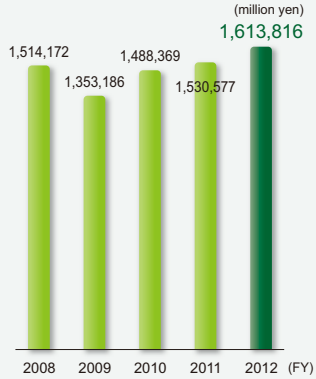


Exterior construction work

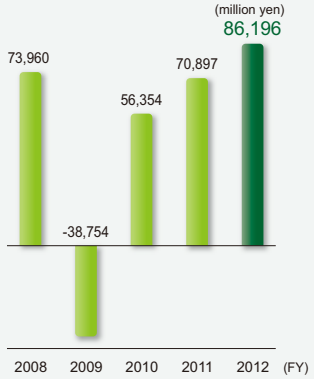
Subsidiaries and Affiliates
◎Sekiwa Construction Higashi-Tokyo, Ltd. and 19 other companies (construction and remodeling of homes and exterior construction work)

◎ ···Consolidated subsidiaries ○ ···Other affiliated companies

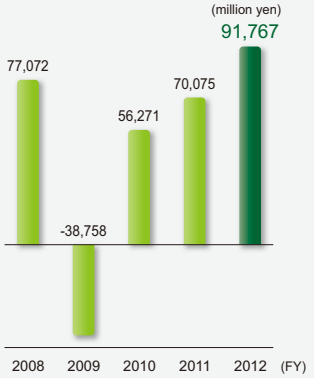
Consolidated net sales



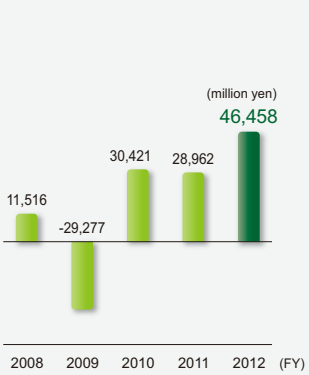
Consolidated operating income



Consolidated ordinary income



Consolidated net income



Creating a home from a resident's viewpoint, from first contact with customers to after-sales support

1 **Before embarking on a homebuilding project**

Maintaining contact points with customers nationwide

Attaching importance to being a community-based company, we believe that homebuilding sites should be opened to society as much as possible. Accordingly, we strive to offer information on housing and living and make our sites open to the public as much as possible. These activities are mainly undertaken at our housing construction sites across Japan as well as model homes and hands-on learning facilities including the Large-scale Experience-based Facilities, all of which are important venues where we can connect with customers. Through these activities, we ensure that visitors will be convinced of the superior quality of Sekisui House homes built under our "customer-specific design flexibility" concept, and our ability to cater to customer needs with a wide range of attractive proposals and technical excellence before starting a homebuilding project.

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

Construction sites

Making homebuilding sites open to the public through cooperation from homeowners

Under our accountability system, we take full responsibility for the entire homebuilding process from start to completion. We carry out a homebuilding project as a team in cooperation with our wholly owned group company, Sekiwa Construction, and other partner building contractors. By strengthening our on-site competencies, we assure improved quality, ensure complete separation of waste materials, maximize the effectiveness of our safety measures and minimize impacts on neighborhoods. Our construction sites are the clear embodiment of our homebuilding policy. Subject to the consent of homeowners, we offer our construction sites and completed homes for public viewing as great contact points for new customers.

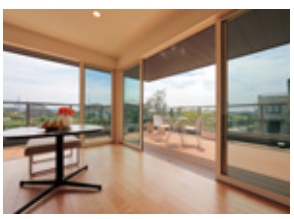
We have been organizing our nationwide "Sekisui House Visiting Day" event since 1989, with the cooperation of homeowners. In 2012, we held this event at 1,293 locations with participation of 63,768 groups of visitors.

Model homes

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

Model homes embody the ideals of housing suited to individual regional characteristics and geographical conditions, while showcasing future lifestyles. We have a wide variety of model homes throughout Japan. They offer solutions to meet specific site conditions and other requirements, thus providing visitors with useful ideas for their homebuilding projects. We also use our model homes as venues for community events to deepen friendly ties with our customers and local residents.

We have a total of 423 model homes in various parts of Japan. (As of January 31, 2013)

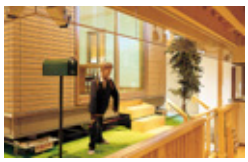


The "Slow Living" open space on the second floor gives a sense of being close to the sky and is a great place for relaxation.

Hands-on learning facilities

The Large-scale Experience-based Facilities allow visitors to experience and check specifications that cannot be seen at model homes

We have opened six Large-scale Experience-based Facilities throughout Japan for hands-on learning for better housing. These facilities are "housing theme parks" where visitors are offered opportunities for enjoyable experiences to learn first-hand about various housing features such as the strength of housing structures, environmental performance and usability of housing fixtures. We also run Sumai-no-kagakukan, which are other experience-based facilities, in various locations including Tokyo.



A full-sized housing structure makes visitors aware of the robustness of a seismically-isolated home.

Sekisui House's Large-scale Experience-based Facilities received 95,421 visitors in fiscal year 2012.

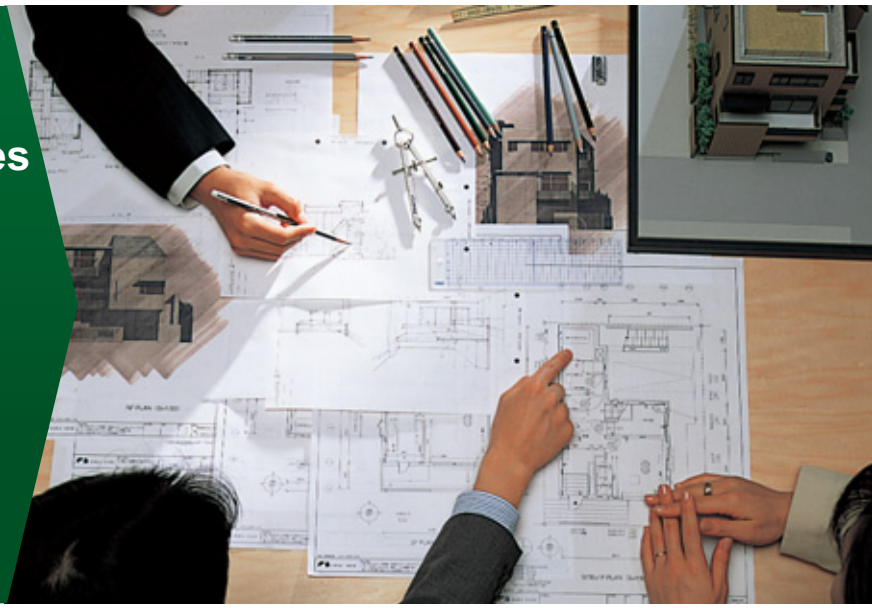
Sumai-no-kagakukan (medium-sized experience-based facilities) received 87,691 visitors in fiscal year 2012.

Essentially, homes should be built one by one in a manner specifically tailored to local conditions such as climate, geographical features and site conditions, as well as family structure, lifestyle and life stage of customers. Since our inception, we at Sekisui House have remained true to our "customer-specific design flexibility" policy to maximize customer satisfaction by addressing the different conditions and needs of our customers with our proprietary construction method and production system and offering the best solutions in terms of both physical structure and comfortable living environments. At Sekisui House, customers are never asked to choose from among a limited number of pre-designed housing plans. Instead, we take time to discuss housing plans with customers face-to-face through our "Housing Consultation" service, and act from a customer's viewpoint across the entire homebuilding process from initial contact, design, production and construction to after-sales support.

2 **Up to completion of a home**

Creating personalized homes supported by our people and technology

We have continued persistent research efforts to pursue perfection in both physical housing structure and comfortable living standards, and to ensure higher quality at each step of our homebuilding process. We have developed proprietary construction methods and production and construction systems and brought them to a higher level of sophistication, thereby increasing the degree of freedom in design to better meet diversified customer requirements, while ensuring the safety of housing structure by leveraging the advantages of industrialized housing.



Sekisui House adheres to the "customer-specific design flexibility" concept through our "Housing Consultation" approach.

Customer-specific design

Catering to different customer needs under our "customer-specific design flexibility" policy

Our salespersons, serving as direct contacts with customers, first listen to customers' needs carefully, such as personal tastes and preferences, as well as lifestyle and life stage of respective family members when discussing housing plans with customers. When conducting site surveys, we make it a rule to closely inspect the environment in the vicinity as well. This is an important step for us, because by doing so we can offer meaningful proposals to customers to ensure they will continue to live pleasant lives into the future. In the process of developing housing plans, we use the latest systems we developed independently, such as an environmental simulation tool to determine which environmental technologies are best suited for the specific conditions of customers, and a structural planning system to ensure the safety of housing structures.

Our sales staff carefully listen to customers' needs to have a full understanding of their lifestyles and preferences.

Production

Supplying high-quality building components by producing diversified products under the policy of "customer-specific production" while maintaining high production efficiency

At our factories, high-quality, high-precision original building components are produced. In line with our "customer-specific production" concept, our factories handle production of diversified products efficiently with automated production lines and advanced manufacturing equipment. Strict quality control measures are also taken by dedicated quality assurance personnel.

Welding by robot assures consistent high quality.

Strict quality assurance measures are implemented.

R&D

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

Consistent R&D efforts have been underway in our Comprehensive Housing R&D Institute (in Kizugawa City, Kyoto) to enhance both the physical value and comfort of our housing products. Vibration tests of building structures and durability tests of building components are conducted to ensure high levels of earthquake resistance and a comfortable standard of living. Internal testing of housing performance conducted at the R&D Institute allows us to quickly identify problems and take corrective measures, which resulted in a number of our proprietary innovations, such as the "SHEQAS" seismic vibration absorption system. R&D efforts are also focused on universal design, new environmental technologies and lifestyles based on human engineering for a high-quality life.

A full-sized structure is used to verify the performance of SHEQAS, Sekisui House's original seismic vibration absorption system.

Floor sound insulation and sound proof performance is tested in a reverberation chamber.

Research on sleeping space is underway to ensure good sleep.

Construction

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

Under our project accountability system, we produced a Construction Technology Manual in which work procedures and rules are specified in detail to ensure the highest possible accuracy in construction. We are constantly striving to improve our construction quality, and we have developed our proprietary construction techniques and equipment. We train young construction workers at our own training education center (a vocational training school approved by the governor of Ibaraki Prefecture), while organizing various training sessions and implementing internal qualification programs for construction personnel to further develop their knowledge and skills, so that they can better carry out work at construction sites.

A total of 2,208 trainees completed the training school course, and a total of 14,301 construction workers passed the "Sekisui House Senior Technician Test," an internal test of Sekisui House which is accredited by the Ministry of Health, Labour and Welfare.

3 Ensuring permanent safety and comfort

Supporting homeowners even after they have moved into their new homes

We have substantial warranty programs to ensure our homes last for generations, such as our proprietary 20-year manufacturer warranty program and “U-trus system,” while offering reliable after-sales support to homeowners through our Customer Center personnel dedicated to this service. Also, we have implemented an efficient system to address the remodeling, rebuilding and relocation needs of homeowners. In this way, the entire Sekisui House Group is committed to ensuring our housing remains safe, durable and comfortable for as long as possible.

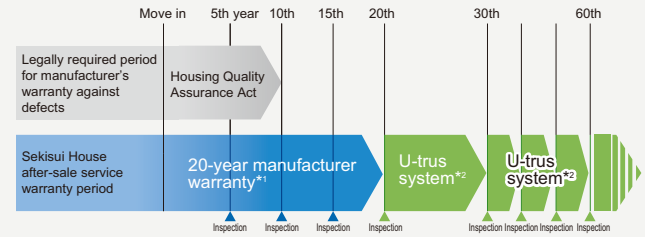
Customer Center personnel provide reliable maintenance services to ensure the prolonged lifespan of houses.

Long-term warranty

Providing a manufacturer warranty for a longer period of time than the legally required term to ensure utmost longevity of our homes

At Sekisui House, a 20-year manufacturer warranty is applied to structural frames and rainwater-proofing components (rainwater-proofing components are covered by an initial 10-year warranty plus another 10-year warranty) on condition that free inspection be conducted and maintenance/repairs be made at the homeowner’s expense upon expiration of the first 10-year period. After the expiration of the 20-year warranty period, the “U-trus system” provides another 10-year warranty, subject to inspection and maintenance/repairs to be completed at 10-year intervals at the homeowner’s expense.

Upon delivery of the home, a brochure called “Home Maintenance Guide” is handed over to the homeowner along with a manufacturer warranty of the home.



Inspection fees applied for the 20th year and after.
The warranty period can be extended repeatedly as long as the home exists.

*1 At Sekisui House, a 20-year manufacturer warranty is applied to structural frames and rainwater-proofing components (rainwater-proofing components are covered by an initial 10-year warranty plus another 10-year warranty) on condition that free inspection be conducted and maintenance/repairs be made at the homeowner’s expense upon expiration of the first ten years.
*2 U-trus system provides extended warranty at 10-year intervals, subject to required inspection and maintenance/repairs to be completed at the homeowner’s expense.

Regular inspection and maintenance

Allocating about 10% of our employees to after-sales service at Customer Centers to provide prompt and reliable support service to homeowners

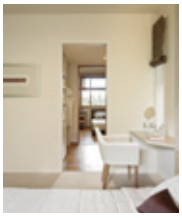
We provide after-sales support through our Customer Centers in 100 locations (30 offices) all over Japan. As much as 10% of our employees work as dedicated service personnel, who conduct regular basic inspections and offer advice to address the various housing needs of homeowners. In case of an earthquake or other natural disaster, we will work under our emergency response program to offer support to homeowners as needed and embark on restoration and reconstruction activities on a group-wide basis.

On non-business days of Customer Centers, our telephone center responds to calls from homeowners.

Remodeling

Achieving “comfortable living—now and always” by offering our proprietary remodeling solutions tailored to the needs of homeowners

Remodeling projects are undertaken by Sekisui House Remodeling, Ltd., a company that shares our consistent homebuilding principles. We serve remodeling needs by offering various solutions, such as renovating interior and exterior designs, optimizing room layouts following changes in family structures and lifestyles, and improving heat insulation efficiency. Based on a detailed house history record, we implement remodeling to exacting Sekisui House standards.



A remodeling solution is offered to better cater to the needs that change as family members grow.

Installation of a photovoltaic power generation system is encouraged.

Housing revitalization

Revitalizing our customers' beloved homes as social assets under the Everloop home repurchase program

We repurchase used Sekisui House homes at a fair price and completely renovate them to the latest standards for resale. Against the backdrop of increasing longevity of homes, we aim to accelerate the shift from disposal to recycling of homes as social assets.

Before revitalization

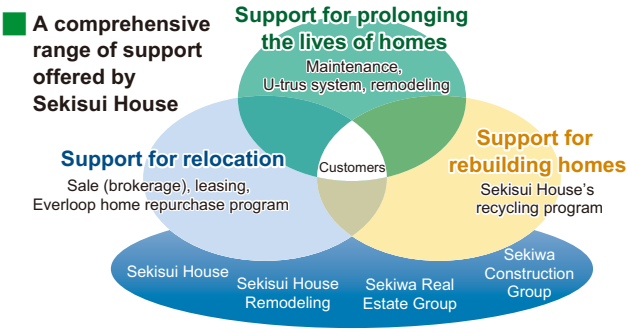
After revitalization

Support for relocation

With its extensive nationwide network, Sekiwa Real Estate is ready to provide a comprehensive range of services to meet homeowners' needs

Sekiwa Real Estate, a member of the Sekisui House Group, offers full support to homeowners considering selling their homes due to relocation or for other reasons. Sekiwa Real Estate's services include assisting homeowners in selling or leasing their homes, and also in finding a temporary home or relocating to a new home. The extensive nationwide network allows the company to offer optimal solutions to meet a wide range of needs quickly and reliably.

A comprehensive range of support offered by Sekisui House



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

Kankan kyo

We participated in the Smart Network Project, a demonstration experiment commissioned by the Ministry of Internal Affairs and Communications that aims to establish a telecommunications standard and test its validity to accelerate the process toward a low-carbon society. As the only housing manufacturer involved in this project, we built a SHAWOOD wooden-frame home as a prototype smart house, called "Kankan kyo," in the Yokohama Minato Mirai 21 district. With our smart house design that combines our Green First concept with advanced network technology, we hope to contribute to a more comfortable future lifestyle that is friendly to both the environment and people.

Committed to creating an ideal housing environment combined with an electric vehicle

Sustainable Design Laboratory

The Sekisui House Sustainable Design Laboratory (in Kunitachi City, Tokyo) explores ideal future living environments that incorporate traditional Japanese lifestyle elements, focusing on ensuring efficient use of energy, using environmentally friendly building materials, and enjoying interactions with nature in everyday life. The most distinct characteristic of this laboratory is that it engages in research from a resident's perspective and conducts tests on comfort levels, as well as analyses experimental data.

The laboratory incorporates natural elements to create pleasant living environments, such as a Japanese traditional veranda-like porch and skylight windows to let air in.

Home Amenities Experience Studio that offers hands-on learning opportunities

The Home Amenities Experience Studio located on the premises of the Comprehensive Housing R&D Institute (in Kizugawa City, Kyoto) allows visitors to check, compare and better understand important homebuilding factors firsthand, using their five senses. Experiences of visitors to this studio provide us with valuable data. Questionnaire responses from visitors are used to develop new R&D plans and visions on future housing and lifestyles, and are also widely shared with society.

Experiences of visitors to this studio are used as valuable data.

Questionnaire responses are shown in our booklet, Data-Pal, which is made publicly available to help to create a more pleasant living environment.

SUMUFUMULAB

On April 26, 2013, we opened SUMUFUMULAB in Knowledge Capital—a central part of Grand Front Osaka, a new shopping and business complex in Osaka City. SUMUFUMULAB is the industry's first information and R&D base designed to involve visitors in developing new lifestyles and together create desirable housing environments to better enjoy life under the motto, "quality housing is the key to a happy life." This is where visitors can discover their ideal lifestyles through two-way information exchanges.

*For more details, please refer to p. 33.

These research results connect us to future customers and additional housing projects.

Concerted efforts of Sekisui House Group toward reconstruction of the regions affected by the Great East Japan Earthquake

To fulfill our social responsibility as a housing manufacturer, we remain committed to continuing dedicated efforts to achieve post-earthquake rehabilitation and reconstruction of the stricken areas.

More than two years have passed since the Great East Japan Earthquake. Immediately after the earthquake, we, at the Sekisui House Group, embarked on customer support activities in the stricken areas, while facilitating restoration and reconstruction work and construction of temporary houses and public housing for those displaced by the disaster. Since then, measures have been promoted through which to mitigate damage from tsunamis in the future, such as collective relocation from coastal areas and land readjustment. However, many people are still suffering from the aftereffects of the disaster and are unable to return to their hometowns. Against this backdrop, we have renewed our awareness that as a housing manufacturer, we have a responsibility and obligation to society to construct and provide a safe and comfortable place to live for the people affected by the disaster as quickly as possible. We will continue group-wide efforts to improve our construction capabilities to accelerate the reconstruction of the stricken areas, while precisely addressing the needs of our customers and local communities.

Organizational arrangements

From the initial stage of the response, we strived to secure and strengthen necessary construction capabilities by mobilizing construction workers from all over Japan to the stricken areas to facilitate rebuilding homes for disaster victims.

Mobilizing a total of 230,000 construction workers to help our customers return to their normal lives as quickly as possible

In the wake of the earthquake, we promptly opened a disaster response headquarters and organized a support system combining the strengths of sales and service offices of Sekisui House and its group companies around Japan and the Sekisui House Association. In this way, we contacted customers to inquire about their safety and any damage to their homes, delivered aid supplies, and carried out restoration work and construction of temporary houses.

Two years after the earthquake, some people have returned to their normal lives by themselves by building new homes or rebuilding existing ones, but many people still remain unable to move from temporary to permanent houses due to a severe lack of housing. In addition, companies about to resume full-scale operations in the stricken areas have an urgent need to secure offices and accommodation facilities, while the demand for rental housing is growing to provide accommodations to people from all over Japan visiting the stricken areas for support activities. To accelerate the process to restoration and rehabilitation in the stricken areas, we should be able to precisely address such complicated local needs and promptly build stable construction capabilities.

From the initial stage of our response action, we built a support system centering on the nationwide network of Sekiwa Construction and the Sekisui House Association, and have since mobilized about 230,000 workers to promote restoration and rehabilitation of the stricken areas. Our efforts for post-earthquake restoration are still underway, with about 300 workers assigned to restoration work per day.

Occurrence of the earthquake | Initial response action | Relief activities and business continuity measures | Preparation for restoration and rehabilitation work | Full-scale rehabilitation work

March 11, 2011 (The earthquake occurred)

○A disaster response headquarters is opened in the head office.

○Commenced contacting employees, their family members and customers to confirm their safety and degree of damage to their homes.

○Local disaster response stations are opened in respective sales administration headquarters in the stricken areas.

○Aid supplies in stock are sent from our Shizuoka Factory three hours after the earthquake.

March 12

○Begin contacting and visiting customers to inquire about their condition, starting from accessible areas.

○Begin inspecting the damage to buildings and launch restoration work.

March 13

○Collection of monetary donations begins.

March 15

○Disaster response center is opened at head office to address inquiries from customers.

○Toll-free telephone service is introduced to all the Customer Centers in the stricken areas.

○Sekisui House finishes confirming the safety of employees and their family members in the stricken areas.

March 18

○Kanto Factory resumes shipping operations.

March 19

○Tohoku Factory resumes shipping operations.

April 1

○Sekisui House begins accepting orders for "Ganbaro Tohoku," a new housing product specially designed for the stricken areas.

April 5

○Construction of temporary houses begins.

April 27

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

Sep. 14

○Construction of temporary houses is completed (2,771 houses in Iwate, Miyagi and Fukushima prefectures).

Restoration and reconstruction work

We have been quick to address the growing demand for housing construction to help people affected by the disaster return to their normal lives as quickly as possible.

A total of 230,000 workers have been sent to the stricken areas since the earthquake, and 300 workers are assigned to restoration work per day still today.

Introducing a system to start housing construction earlier than usual and ensure timely delivery

Aware of the importance of initial response action to be taken as a housing manufacturer in case of emergency, the Sekisui House Group has developed its own Business Continuity Plan (BCP). In the stricken areas, demands for rebuilding homes to enhance safety and durability and for building new homes in new sites are increasing with the passing of time. Against this backdrop, the delay in supplying housing has become a serious problem due to shortage of building materials and construction workers.

We are aware that it is our responsibility and obligation to society as a housing manufacturer to promptly start housing construction and provide safe places to live as quickly as possible in times of emergency. In the wake of the Great East Japan Earthquake, we launched a system to promptly resume production and ensure the early start of housing construction based on our experiences learned from past disasters, which enabled our Kanto Factory and Tohoku Factory to resume shipping operations only about one week after the disaster. Under this system, Sekisui House's sales and service offices and group companies all over Japan and the Sekisui House Association joined efforts to send workers to various locations in the stricken areas. We organized teams of workers to prepare for early start of housing construction and timely delivery of homes, and catered to the needs of people affected by the disaster for housing construction, starting from the locations where restoration work was completed.

We will continue to place the highest priority on helping people affected return to their normal lives and easing the housing shortage.

Impact of the earthquake on Sekisui House buildings

No. of Sekisui House buildings in the stricken areas	177,488 buildings in the areas that registered a seismic intensity of 5 upper or more
No. of Sekisui House buildings that required repair	About 2% of the above buildings
No. of Sekisui House buildings partially or entirely destroyed	No buildings destroyed by the shaking. *Some buildings were affected by ground movement and the tsunami.

Main aid supplies sent by Sekisui House (carried by a total of eighty-nine 10-ton trucks)

Drinking water	348,000 liters	Diapers	45,700
Food	411,000 dishes	Sandbags	17,000
Clothing and blankets	9,600 items	Plastic sheets	12,800 sheets

(As of the end of August 2011)

No. of temporary houses built by the Sekisui House Group in each prefecture

Iwate	Miyagi	Fukushima	Total
658 houses	1,879 houses	234 houses	2,771 houses

Detached houses

Promoting creation of disaster-resistant houses and communities

In our efforts to promptly provide a safe and comfortable place to live to the people affected by the disaster, we launched "Ganbaro Tohoku," a new housing product shipped with the "SHEQAS," seismic vibration absorption system (one of our original developments), which is specifically designed for the stricken areas. By promoting this product, which allows us to start construction earlier than other models and thus requires a shorter construction time, we hope to reduce the anxiety of people in the stricken areas that are frequently stricken by aftershocks still now. We are also promoting the "Green First HYBRID" model, which incorporates three different cells—solar, fuel, and storage—that work together under automatic control, and allows residents to meet basic living needs even when a disaster strikes. In April 2012, we opened "Smart Common City Akaishidai," the first community in Japan that embodies our smart town concept, while participating in the "Smart Village Project" that constitutes part of the "Tagonishi Eco-town Project" to be started under the program to develop disaster-resistant urban foundations. (Both of these projects are implemented in Miyagi Prefecture.) In this way, we will remain fully committed to restoring the stricken areas.

Rental houses

Addressing the housing needs of companies resuming business operations and people visiting the stricken areas for support activities

In the stricken areas, an increasing number of people have moved from temporary houses to rental houses. Construction of rental houses is also needed for employees of companies and factories affected by the disaster that have become ready to resume business operations, and for visitors to the stricken areas from all over Japan for support activities. We are striving to promote construction of high quality rental houses that can provide more accommodation space, as this is one of the important objectives of our restoration efforts.

Customers' Voices

- After our house was completely destroyed by the disaster, we really wanted to build a new house by the end of the year. The sales person of Sekisui House we contacted kindly listened to our request and gave valuable advice. In the area stricken by the tsunami, many Sekisui House homes stood intact. This sight convinced us of their superiority in resistance to earthquakes and tsunamis. We were grateful for the sincere attitudes of the Sekisui House persons in charge of sales, design and construction, and hope to have a long-term relationship with this company. (The E family in Miyagi Prefecture)
- We are very much satisfied with our Sekisui House home that fully meets our requests and is furnished with innovations that ensure safety in life. We were also impressed with the responsible attitude of the Sekisui House person assigned to us. For these reasons, we will recommend Sekisui House to our acquaintances considering building a home. (The M family in Fukushima Prefecture)
- Our family members had to live separately after the earthquake, but thanks to Sekisui House's early start of construction and early delivery, we could live together again earlier than we had expected. (The A family in Miyagi Prefecture)

Restoration and rehabilitation work undertaken by the Sekisui House Group

Total number of construction workers	228,179 (as of the end of December 2012)

*Today, about 300 workers are assigned to restoration work per day.

Public housing for those displaced by the disaster

Promoting construction of public housing for those who have difficulties in building a home on their own

Building three model houses on the premises of the Tohoku Factory

We were the first housing manufacturer to embark on construction of temporary houses after the earthquake. We mobilized a total of 60,000 construction workers and managed to complete the construction of all 2,771 temporary houses we contracted on time, with no single house requiring repair or improvement (as of 2011).

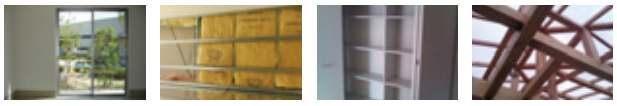
In 2012, we began full-scale construction of houses specifically designed for the stricken areas and public housing for those displaced by the disaster. The latter is a public rental house for disaster victims who have difficulties in building a home on their own, construction of which should comply with designated design guidelines and be undertaken under a redevelopment plan specified for each district.

In June 2012, we built model public housing for those displaced by the disaster on the premises of the Tohoku Factory. These consist of three housing types; namely, a light steel-frame one-story house, a terrace house, and a wooden house built in the conventional method using posts and beams. While a light steel-frame house is not included in the category of public housing for those displaced by the disaster specified by the local governments of the affected prefectures, we opted to propose this structure because this type of house requires less construction time and thus can meet the needs of displaced people for a safe and comfortable home more quickly. These model houses have been visited by many people from the national, prefectural and municipal governments and the Urban Renaissance Agency (UR). In building these houses, we use high-quality factory-produced components to maximize comfort, just as we do for our temporary houses.

Model public housing for those displaced by the disaster built on the premises of the Tohoku Factory

These model houses were visited by 169 people from 28 organizations in total, including the national and local governments, for about three months since their opening in June 2012.

Locally produced components employed in these houses



Our model public housing for those displaced by the disaster employs building components produced in the three prefectures stricken by the earthquake (e.g. multi-layered insulating glass, glass wool, storage equipment, lighting, and wood materials).

Revitalizing the industry in the disaster-stricken areas by promoting use of locally produced building components

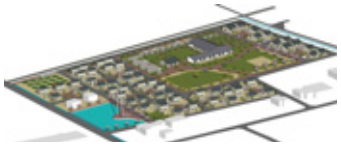
We engage in construction of public housing for those displaced by the disaster in the three affected prefectures (Iwate, Miyagi and Fukushima) under the projects led by each prefectural government. To effectively facilitate construction work, we ensure optimized allocation of construction workers and supervisors. We also encourage use of locally produced building components for the construction of these houses with a view to revitalizing the industry in the Tohoku region, and for this purpose, we have established shipment procedures in partnership with local component manufacturers.

A lot of time is still required before completing the rehabilitation of the affected areas. We will continue group-wide efforts to address the varied needs of customers in the affected areas and promote housing construction and community development to facilitate the process to restoration, so that we can bring safe and comfortable living environments to people affected by the disaster as quickly as possible.

Projects currently underway

Public housing for those displaced by the disaster in Soma City, Fukushima Prefecture

Public housing for those displaced by the disaster in Ozuchi-cho, Iwate Prefecture



Public housing for those displaced by the disaster in Higashimatsushima City, Miyagi Prefecture

We also undertake construction of dormitories for restoration workers and business offices

- UR office in Higashimatsushima City
- UR dormitory in Ishinomaki City
- Tagonishi Eco-town Project
- UR dormitory for restoration workers in Ishinomaki City

Some of the activities of the Sekisui House Group to facilitate post-earthquake restoration

○Launching "Ganbaro Tohoku," a new housing product specially designed for the stricken areas

We developed and launched a new packaged housing product to meet the urgent housing needs of our customers.

○Opening consultation centers for customers in areas heavily damaged by the disaster

We opened consultation centers to address concerns of our customers and better serve their needs in Kamaishi City and other locations that suffered serious damage due to the tsunami. We also opened "Sha-Maison Station Ishinomaki Office for Restoration and Rehabilitation" that serves as a center for our rental housing service.

○Participating in Tagonishi Eco-town Project

We participate in a project carried out jointly by the Tagonishi Land Readjustment Association in Sendai City, Miyagi Prefectural Government, Sendai Municipal Government, Tohoku University and related companies with a view to reducing energy consumption; developing a mechanism conducive to safe, secure and comfortable living; achieving harmony with nature; and creating a disaster-resistant urban foundation. As a member of this project, we will build smart houses in the Smart Village.

○Achieving electricity saving targets during summer months

In fiscal year 2012, we succeeded in reducing electricity consumption at our offices and model homes by 26% from the 2010 level, exceeding the target of a 15% reduction. At our five factories, the reduction of electricity consumption during peak hours ranged from 10.4% to 24% from the 2010 level, which also exceeded the target of a more than 10% reduction.

Initiatives to facilitate restoration of the affected areas

Continuing efforts to contribute to post-earthquake restoration with a “love of humanity” at the core of our corporate philosophy

Sekisui House employees visiting temporary houses

All new employees participated in restoration activities in the stricken areas, such as visiting elderly persons living alone.

All the 347 new Sekisui House employees took turns to engage in post-earthquake restoration work for five days in the stricken areas as part of a three-month training period starting from April 2012, in order to assist local residents in returning to their normal lives. Through their experiences in the stricken areas, these new employees are expected to learn to act and think from other people’s perspectives based on our corporate philosophy: “love of humanity” and our “Conduct Principles,” in order to deepen their understanding of the significance of the housing business.

In the stricken areas, they worked in partnership with NPOs to listen to people living in temporary houses to identify local day-to-day problems, and helped to solve such problems by making storage sheds, cleaning garbage collection sites, creating space for children to play, visiting elderly persons living alone, and assisting in the operation of a community cafe. New employees who joined Sekisui House in fiscal year 2013 also engage in the same activities as part of their training which started in April 2013.

New employees are working to clear ground to create a space for children to play.

Humanitarian support and contribution to society

Maintaining and further deepening cooperative relationships with governmental agencies, NPOs, companies and citizens to expand the scope of support

● Offering financial aid amounting to 100 million yen to Momo-Kaki Orphans Fund with recognition of the significance of the Fund’s mission

Sympathetic to the purpose of the Momo-Kaki Orphans Fund (an organization established to offer financial assistance to children orphaned by the Great East Japan Earthquake), we introduced our own Momo-Kaki Orphans Fund Program, based on the Sekisui House Matching Program, a joint employee-company donation program. Under this program, we will continue to offer financial aid which will amount to 100 million yen over ten years from 2011.

● Cooperating with the “Minna De Kaouya (Purchase by everyone)” project to support welfare facilities for people with disabilities in the disaster-affected areas

In fiscal year 2012, we continued our support for the “Minna De Kaouya” project, implemented in major cities in Japan, to sell products made by people with disabilities at earthquake-affected welfare facilities in the Tohoku region.

● Continuing cooperation for a model “New Public Commons” project

In fiscal year 2012, we continued our cooperation with the Osaka Prefectural Government in carrying out a model “New Public Commons” project that aims to enhance earthquake preparedness.

Project name: Support earthquake-stricken areas using pro-bono—building a mechanism and communities conducive to awareness raising and innovations

● Participating in “Yui no ba,” a resource matching program implemented by the Reconstruction Agency to offer solutions to companies in the earthquake-affected areas

The “Yui no ba” program aims to help earthquake-affected companies find solutions by offering management resources of leading companies such as manpower, materials, information and know-how. We continue our support for the restoration of the marine product processing industry.

● Cooperating with the “Minna De Tsukurouya (Create by everyone)” project to support independence of people with disabilities by subcontracting them work

This project is designed to develop relationships and partnerships between people with disabilities in the affected areas and companies all over Japan through jobs. We subcontracted production of novelty products and some of our operations to them.

● Participating in the “Co-Creation” initiative to accelerate the process to restoration of the affected areas

The “Study Group on Restoration Promotion Project through Co-Creation” was established to contribute to the early restoration of the affected areas by offering venues for NPOs and local governments in the affected areas that have a good understanding of local needs to share problems and objectives with a lot of companies and embark on “co-creation” efforts together. As a member of this study group, we engage in the planning of a model project while working with the Reconstruction Agency.

● Cooperating in the organization of “3.11 from KANSAI,” an event to encourage post-earthquake restoration

We cooperated in organizing an event to encourage post-earthquake restoration titled “3.11 from Kansai—We’ve Just Begun,” which was held at the Umeda Sky Building, where our head office is located, on March 10 and 11, 2012. In this event, up-to-date information on the Tohoku region was offered through reports on restoration activities and exhibitions, while local products were sold and various stage performances, which were designed to encourage people in the affected areas to take a further step ahead, were given. In 2013, this event was held on March 10.

● Cooperating in the organization of the “Hand in Hand” project to call for support for post-earthquake restoration and send a message of gratitude to the world through a musical concert

The “Hand in Hand” project was launched to encourage restoration from the Great East Japan Earthquake by organizing a concert in which high school students from the affected areas and musicians around the world perform together and send a message from the affected areas that are steadily on the way to reconstruction. We agree with the purpose of this project and have continued to offer support. Under this project, a second concert was held on March 22, 2013 in the Lincoln Center in New York where *Requiem* by Verdi was performed to an enthralled audience.

● Implementing the “Community Greening Project” to contribute to restoration of the local green environment and prosperity of local communities

Sekisui House employees in the earthquake-affected areas collected and grew seeds of indigenous and native plant species and offered them as “seedlings of hope” to residents. We also provided temporary houses with green curtains of bitter gourd in cooperation with the associations of temporary housing residents, as well as local welfare facilities and NPOs. In addition, we organize seminars on growing plants and harvest festivals in our efforts to contribute to the restoration of rich green environments in local communities.

● Encouraging employees to organize company trips to three prefectures in the Tohoku region

As part of our efforts to offer economic support to the affected areas, we encourage employees to choose any of the three prefectures in the Tohoku region (Iwate, Miyagi and Fukushima prefectures) as the destination of their company trip by partly covering travel expenses.

VOICE

Contribution of Sekisui House to facilitating post-earthquake restoration by leveraging its unique “strengths”

First, I would like to commend Sekisui House for their sincerity in fulfilling their responsibility as a housing manufacturer, and, furthermore, for their continued efforts to support people with disabilities and companies in the affected areas in partnership with NPOs and other relevant organizations. While the restoration and reconstruction process requires speedy action on a large scale, Sekisui House has been always attentive in addressing individual needs and offering support by leveraging their own strengths, and such an attitude deserves high appraisal. While it will be a long time before we see completion of the restoration process, I hope Sekisui House will continue their sincere efforts based on the concept of “love of humanity” that is at the core of their corporate philosophy.

Mr. Taro Tamura

Representative of the Institute for Human Diversity Japan and Senior Official for Party Policy Research at the Reconstruction Agency

Mr. Tamura works with companies and local governments to create organizations and communities where human diversity is respected. As a part-time official of the Reconstruction Agency, he is also in charge of developing cooperative relationships with the private sector.

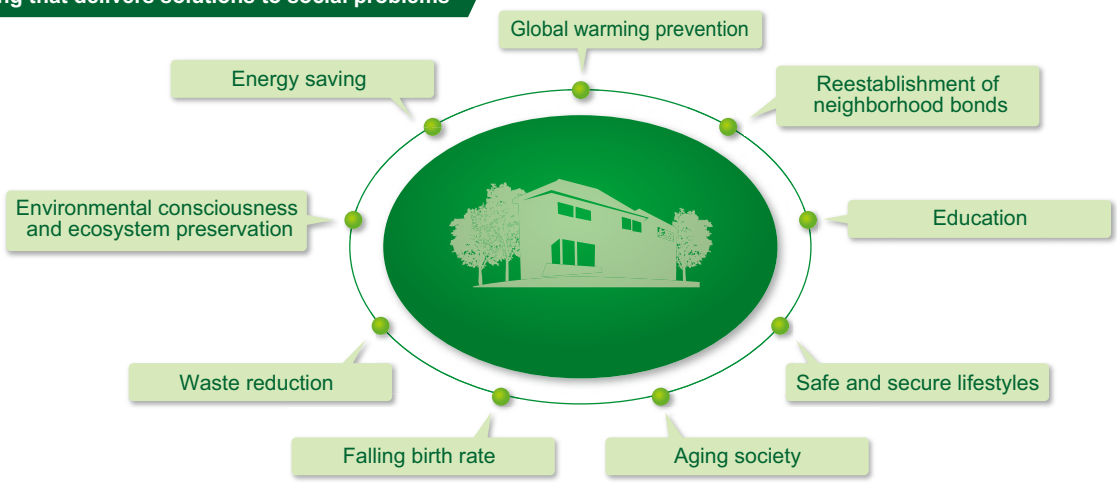
We will remain committed to contributing to creating a sustainable future with the belief that housing is social capital that helps us find solutions to various social problems.

Fulfilling our responsibility to society as a homebuilder

With the introduction of the so-called “Abenomics” strategy by the Abe administration upon its inauguration, we are finally seeing signs of the end of the long deflationary spiral and revival of Japanese economy. Due to its extensive coverage, the housing industry has long been said to be the most typical of the industries that stimulate domestic demand. On the other hand, energy problems are now attracting greater attention in the wake of the Great East Japan Earthquake, and the smart house and smart city initiatives are rapidly gaining public interest. This means that the housing industry is now expected to play an important role in giving rise to economic ripple effects anew.

Today, housing takes on new meaning, not only for its ability to deliver solutions to energy problems, but also as a shelter to protect families’ lives, properties and mental well-being, as a base for healthy living, and as social capital that allows residents to live there for a longer period of time. Housing is also expected to provide venues to pursue lifestyles that match an aging society with fewer children; explore new home education that better meets the needs of the times; secure safe and secure lifestyles to reestablish neighborhood bonds and create crime-free communities; and even develop local culture. In doing so, housing will serve as new social infrastructure capable of solving many problems that affect today’s society. Positioned at the center of society and at the leading edge of our times, the housing industry is now shifting from a low-tech industry to a high-tech industry.

Housing that delivers solutions to social problems



Aware of such rapid change in society, we place the highest priority on fulfilling our responsibility to society as a housing manufacturer by pursuing themes assigned to us reliably and sincerely. Since our inception, we have supplied more than 2,130,000 houses to the domestic market in cumulative total, while promoting homebuilding and community development abroad in an environmentally friendly manner. We are determined to perform our responsibility to society from a global point of view to contribute to creating a future society where people enjoy comfortable and safe lives with peace of mind.

Continuing efforts for what we believe is the good of society with determination and dedication

With the announcement of the Environmental Future Plan in 1999, Sekisui House accelerated our CSR efforts, though we had already engaged in development and sale of highly insulated energy-saving homes before this plan was announced. In the Environmental Future Plan, we declared our firm determination to make concerted efforts for environmental protection, a theme that did not attract much attention at the time. Since then, we have been making steady progress in our CSR efforts and accomplished a series of significant achievements, which include beginning to ship all newly built homes with a next-generation energy-saving design in 2003; issuing the Declaration of Sustainability in 2005; launching carbon neutral houses in 2008; unveiling the Zero Emission House at the G8 Hokkaido Toyako Summit in 2008; becoming a government-certified Eco-First company in 2008; introducing the Green First model in 2009, which was developed building on the above achievements and positioned at the core of our management strategy; and introducing the “Green First HYBRID” smart house model furnished with the world’s first power supply system utilizing three kinds of cells in 2011.

We take pride in having been ahead of the times in promoting environmentally friendly practices and leading the industry at all times by continuing dedicated efforts to contribute to the good of society and meet the demands of the public with determination and dedication, and I have been carrying the banner myself to spearhead these efforts. These days, we often hear the term “Creating Shared Value” (CSV). The environmentally conscious homes we have been promoting bring greater comfort and satisfaction to our customers. While such homes may require a somewhat higher initial cost, they will deliver much greater benefits over their lifecycles. Among other things, these homes ensure healthy and enriched living standards for all. By promoting these homes, we can contribute to both the environment and corporate performance, which makes Sekisui House employees proud of working for the company.

Producing renewable energy for family consumption to contribute to the creation of a low-carbon society

Since the Great East Japan Earthquake, Japan’s energy policy has been pressed to undergo a drastic change. While promoting a shift to renewable energy remains a priority issue, Japan has to rely on thermal power generation to secure necessary energy supplies, at least for the time being. Against this backdrop, the Japanese government decided to withdraw its commitment to reduce GHG emissions by 25% from the 1990 level. Still, we cannot put a brake on the process to create a recycling-oriented, low-carbon society by reducing CO_2 emissions, one of the major causes of global warming, and must continue to expand the use of renewable energy in place of fossil fuels.

For the past twenty years, Japan’s energy conservation technology has made considerable progress. On the other hand, the amount of CO_2 emissions from residential sources has increased by about 35% during this time. Today, residential users are responsible for about 30% of the national power consumption, and urgent measures are required to reduce power consumption at home. While Sekisui House offers 40,000 to 50,000 newly built homes a year, it should be noted that Japan has a housing stock that totals over 40 million properties and most of them are not provided with sufficient heat insulation. This means that there is still much room to reduce residential power consumption. We will continue to place importance, not only on offering newly built homes, but also on remodeling existing homes by enhancing energy-saving efficiency and retrofitting photovoltaic power generation systems. In doing so, we will fulfill our responsibility to society as a leading housing company.

Building a next-generation network platform to provide advanced medical services and meet the needs of an aging society with fewer children

In light of the rapid fall of the birthrate coupled with the extension of average life expectancy, it is predicted that Japan will become a super aging society by 2050 where one out of every 2.5 citizens is aged 65 or older. We hope to cater to newly emerging needs with our smart town concept, which is effective in creating community environments ideally suited both for families with children and elderly households. Our “Green First” detached house is shipped with our proprietary Home Energy Management System (HEMS). Also, we are working with IBM Japan, Ltd. to build a next-generation network platform to connect homes with society.

By connecting information apparatus and residential equipment with HEMS, this platform offers the same services across different systems, such as centralized management of information and visualization of energy consumption data at home. Furthermore, houses in a smart town are provided with a connection with the community through the information network, which allows access to necessary information whenever needed and exchange of information among residents. Also, this system is expected to facilitate cooperation among local medical and nursing care facilities, and thus helps to create an environment conducive to healthier and more comfortable lives free from anxiety. We will work to offer more services to further improve quality of life.

Extending our SLOW & SMART technology worldwide

The world population is predicted to increase from seven billion to nine billion by 2050. This means new business opportunities are opening in overseas countries where economic growth is underway and housing demand is bound to increase. With our

state-of-the-art energy production and conservation technologies as well as resource recycling and other environmental technologies, we are currently carrying out various international projects for the development of detached houses, collective housing and commercial complexes in partnership with national governments and local developers and homebuilders in Australia, Singapore, China and the United States. Housing products developed as part of our international projects have been already launched on the market and began to post profitability in fiscal year 2012 (the second year of the full-scale implementation of these projects). We aim to increase sales from our international projects to 200 billion yen, about 10% of total sales, in fiscal year 2014.

Overseas, manufacturing of highly systematized industrialized homes is not established as an industry yet. Therefore, we also put effort in the training of local workers. For example, we opened a training school on the premises of a factory in China, and invite foreign workers to Japan to inspect construction sites and learn homebuilding techniques first-hand. We recognize these international projects as investments for future growth. Through the development of housing and complex facilities incorporating our environmentally friendly designs based on "SLOW & SMART" technology and our unique community development philosophy, we hope to facilitate the process toward a low-carbon society and sustainable development. We will continue striving to share the notion that "high-quality housing brings safety, security and health to residents" to people around the world with a view to accelerating the shift to a recycling-oriented society and expanding the Japanese homebuilding practice as a global standard.

In collaboration with an NPO, the Kids Design Association, for which I have served as Chairperson since its inception, we have been leading awareness-raising initiatives to promote the designs that are safe and comfortable for children, that foster creativity in children and contribute to their future growth, and that are suited for households with children. We think such initiatives bear great significance, considering that not only the housing industry including Sekisui House, but also other Japanese industries are now required to renew their commitments to resolving changing social issues by launching innovative business models. In 2013, the "Prime Minister Award" was established as the highest of the Kids Design Awards in recognition of the importance of our initiatives.

Promoting a growth strategy focusing on the area of "housing"

Since November 2012, our new medium-term management plan has been underway, including a growth strategy that focuses on the area of "housing." As mentioned at the beginning of this message, we will continue our sincere efforts, constantly aware of the significance of our mission as a housing manufacturer and the impacts that our corporate activities can give to society.

I often instruct employees to carefully read this Sustainability Report to the extent that they can convey what is written here in their own words. I also use this report as a reference when giving lectures on various occasions. I believe that employees with a CSR-oriented mindset can contribute to both solving social problems and improving business performance.

Today, employees who have only known a period of deflation and recession since their birth account for almost 50% of all our employees. Against this backdrop, we will train personnel with an international mindset who are eager to make dedicated efforts and pursue efficient team management in order to achieve continuous growth. Of course, I place special importance on opportunities to interact with young leaders and employees in person.

Taking steps toward the realization of our "Sustainable Vision" following the guidelines of the ISO 26000 standard

Our CSR activities are based on our "Sustainable Vision," with a main focus placed on achieving customer satisfaction (CS), employee satisfaction (ES) and shareholder satisfaction (SS). We always ensure that our business practices comply with the ISO 26000 standard, an international guide for CSR management, and continue sincere efforts to fulfill our responsibility to society and help build a sustainable future.

Isami Wada, Chairman & CEO

As a company needed by society, we will foster a relationship of trust with our customers with our state-of-the-art technology.

Mobilizing the group-wide workforce to facilitate the post-earthquake rehabilitation process with our reliable construction capabilities as part of our responsibility to society

Two years have passed since the Great East Japan Earthquake. During this time, we have been making every effort to facilitate construction work by mobilizing our organizational strength both locally and nationwide to help people affected return to safe and comfortable lives at their homes and workplaces as quickly as possible. I would like to take this opportunity once again to express my condolences to the victims of the disaster and everyone involved, and pledge that the entire Sekisui House Group remains fully committed to post-earthquake rehabilitation.

In the disaster-stricken areas, housing demand has grown so rapidly that it has been quite difficult to provide enough workers for continued construction work. Despite such difficulty, we have been successful in meeting our responsibility to society as a housing manufacturer to deliver products within a reasonable construction time while maintaining high construction quality. In the face of this emergency situation, the entire Sekisui House Group is now increasingly aware of the importance of our responsibility.

Under our Business Continuity Plan (BCP), we have sent a total of 230,000 workers to the stricken areas over the two years since the earthquake. Also, working in unison with our twenty group companies all over Japan and the Sekisui House Association that is comprised of about 7,000 partner building contractors, we continue our reconstruction efforts with about 300 construction workers and supervisors working per day. We believe that we can best meet the desire of people affected to return to peaceful lives, by remaining faithful to our principles of “reasonable construction period” and “reliable construction capabilities” on a long-term basis. With the awareness that our actual capacity as a company is now put to the test, we remain committed to meeting the needs of people affected and continue our support of the stricken areas, including procuring locally produced building materials whenever possible.

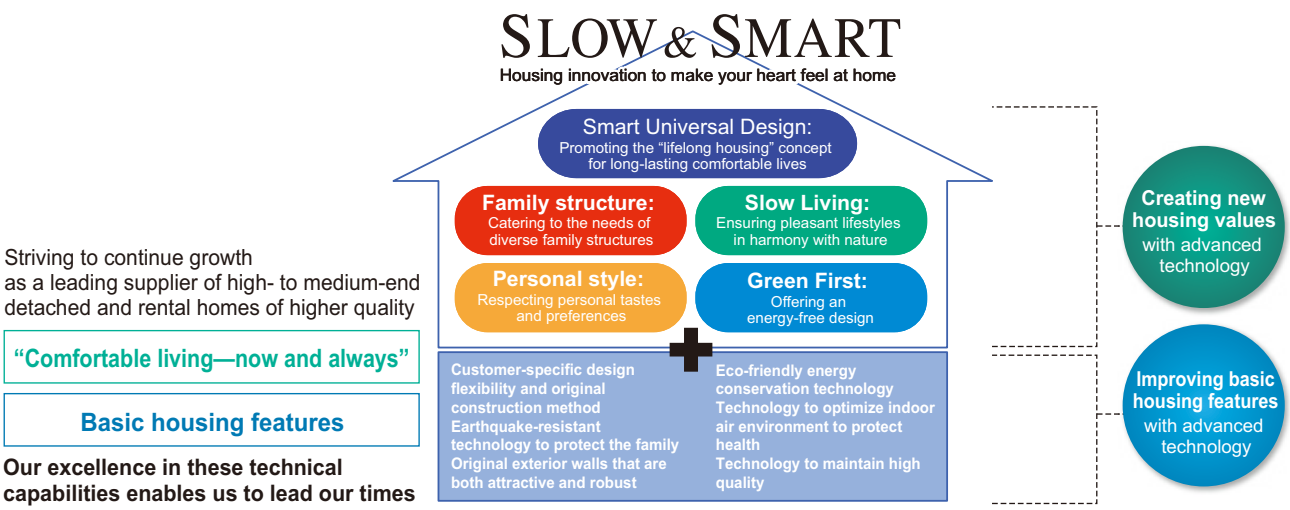
Constructing public housing for those displaced by the disaster with our capability of delivering high-quality housing in a short period of time

Today, about 24,400 public houses are required in the stricken areas to accommodate people who suffered such serious damage that they have difficulties in rebuilding homes on their own. In order to deliver comfort to as many people as possible, we offer a range of models of public housing including our unique light steel-frame housing model that is high quality but can be built in a shorter period of time. Working with the Reconstruction Agency and local governments, we will strive to deliver safe and comfortable homes as quickly as possible in a manner that suits local conditions.

We should be a company needed by society and embody the “love of humanity” that constitutes the core of our corporate philosophy of desiring happiness for others and treating their joy as our own. Our true worth is determined not by our performance in ordinary times alone, but, more importantly, by how effectively we can launch post-disaster responses and how quickly we can help restore comfort, safety and security after a disaster. In this sense, we may say that our value as a housing manufacturer is now being tested. We will continue our utmost efforts to accelerate the process to rehabilitation of the stricken areas, leveraging our nationwide organizational strength.

Offering “SLOW & SMART” lifestyles by enhancing our management speed

During fiscal year 2012, we strived to promote our SLOW & SMART concept and ensure speedy management. The SLOW & SMART concept represents our resolution to maintain a comfortable, time-honored way of living (SLOW), while meeting the changing needs of the times with our leading-edge technologies (SMART). In other words, SLOW & SMART is our brand vision with “SLOW” meaning our aspirations and purposes, and “SMART” implying the measures to achieve them, both of which work together as a driving force of the Sekisui House Group. The embodiment of this brand vision is our “Green First” eco-friendly home, which has achieved greater success in the



market than originally expected and is strongly driving our growth strategy.

By enhancing our management speed, we mean reviewing the ongoing business cycle from contracting with customers to shipment and delivery of housing products, in order to streamline our operations. Behind our commitment to accelerating shipment and improving our construction capabilities is our sincere desire to serve customers and satisfy their needs as quickly as possible.

Directing greater efforts to promoting the net zero energy house (ZEH) design following the increase of the ratio of the "Green First" model to all the Sekisui House new detached homes to more than 80%

In the wake of the Great East Japan Earthquake and the serious electricity shortages that followed, more people have become increasingly aware of the importance of renewable energy, durability of homes, and healthy and safe lifestyles. We have launched the "Green First HYBRID" model, which is furnished with the world's first power supply system utilizing three different types of cells—solar, fuel and storage. In addition, Sekisui House's new detached homes are now shipped with the "Airkis" high-quality indoor air system developed to protect the health of children who are more vulnerable than adults. This system sets allowable indoor concentrations of five chemical substances at levels less than 50% of the national guidelines specified by the Ministry of Health, Labour and Welfare.

We are also promoting our "SHEQAS" seismic vibration absorption system accredited by the Minister of Land, Infrastructure, Transport and Tourism, which is being widely adopted, especially in areas affected by the disaster. In fiscal year 2012, the ratio of the "Green First" model to all the Sekisui House new detached homes exceeded our initial target and reached 83.8%.

Today, the Japanese government is encouraging the adoption of the net zero energy house (ZEH) design to be the standard for newly built homes. At Sekisui House, we have already set a goal to make all our detached houses, both new and existing, to be carbon neutral by 2050 and have been promoting the "Green First" design and encouraging remodeling to retrofit photovoltaic power generation systems. To meet our responsibility to lead our times as a front runner in the industry, we are committed to increasing the ratio of net zero energy house (ZEH) to all our houses to 60% in two years, ahead of the schedule set by the national government. To achieve this goal, we will accelerate our efforts to increase the adoption of our eco-friendly design on a group-wide basis.

Contributing to the prevention of global warming and the creation of a low-carbon society by increasing the ratio of the "Green First" model to all the Sekisui House rental homes

In fiscal year 2012, we achieved a notable increase in the ratio of the "Green First" model to our rental homes. Specifically, the proportion of the "Sha-Maison Green First" model equipped with a photovoltaic power generation system increased from 27.1% in the previous year to 44.6%, which is largely attributable to the growing recognition of the advantages of the feed-in tariff system.

The "Sha-Maison" homes and other rental collective housing can play an important role in the future development of our smart town concept, as they can produce much more energy more effectively than detached houses and thus better contribute to preventing global warming and creating a low-carbon society. Additionally, we will continue our Green First initiative in construction of condominiums and medical and nursing care facilities.

Promoting the "Smart Common City" community development project nationwide, starting from areas affected by the disaster

Under our "Green First" initiative, we are promoting the smart town community development project Smart Common City all over Japan to create a "SLOW & SMART" living environment that ensures safety and security, health and comfort, energy availability and mutual aid. Smart common cities developed under this project have already accommodated more than 200 households.

In April 2012, Smart Common City Akaishidai was opened in Miyagi Prefecture. This smart town is basically comprised of smart houses, each furnished with the world's first power supply system utilizing three different types of cells. Already, 106 households have moved to this community (as of the end of March 2013). In response to the needs of society in the wake of the Great East Japan Earthquake, two community disaster preparedness centers were established in this town, which reflects our determination to create our first smart town in the region that was severely affected by the disaster. With 431 houses, Smart Common City Akaishidai will be capable of producing 2,508 MWh of electricity a year, about 1.7 times its annual electricity consumption, which enables this town to meet local electricity needs and also supply a surplus of 1,039 MWh of electricity to neighboring communities.

Creating townscapes that grow more attractive with the passing of time and fostering neighborhood bonds as essential elements of sustainable communities

In pursuing our smart city concept into the future, we place importance not only on improving energy efficiency and flexibility, but also on creating pleasant environments and townscapes that long remain attractive to residents, while nurturing friendly neighborhood bonds, as we believe these are the basic conditions for the development of sustainable communities.

We have been striving to create communities that grow more attractive and inspire residents' attachment to the neighborhood with the passing of time through our unique design concepts according to the "Gohon no ki" landscaping concept announced in 2001 and the guidelines specified in the "Urban Development Charter" established in 2005. Also, we have been engaged in ongoing efforts to build communities, with names including the word "common," where residents are willing to act in cooperation to address social problems arising from a rapidly aging society, coupled with a falling birthrate. For example, we expect residents to join efforts to cater to the daily needs of elderly people; persons in need of nursing care; households with children; and also to improve neighborhood safety, and enhance the townscape.

To provide venues and opportunities for friendly interactions among residents, we create parks, common spaces and assembly halls in each community and assist residents in organizing community fairs. In doing so, we help residents deepen their neighborhood relationships. Aware of the growing importance of developing such vibrant communities, we have taken a systematic approach to fostering neighborhood bonds, while continuing our commitment to creating communities that grow increasingly attractive with the passing of time. In this unique way, we are continuing our community development efforts in various parts of Japan.

Leveraging our pool of diverse human resources to expand business to cater to the needs of the elderly, as well as the housing stock business

To improve our management practices, we strived to revitalize our organization through structural reform, a streamlining of the production and construction processes, and promotion of our area marketing strategy under the former medium-term management plan, and these efforts resulted in an increase in profitability.

Our medium-term management plan for fiscal year 2012 focused on the promotion of residential care homes for the elderly—a business area for the so-called "platinum generation." In Japan, it is predicted that the number of citizens aged 75 and over will exceed 20 million by 2025. Despite this reality, Japan falls behind Western countries in the availability of much needed residential care homes that cater to the daily needs of elderly citizens in conjunction with medical and nursing care facilities. Against this backdrop, the Japanese government announced a policy to increase the number of residential care homes for the elderly to about ten times the current level by 2020. Now is the time to leverage our advantage as a company that has a wealth of know-how in rental housing management and that launched the industry's first residential care home for the elderly ahead of its competitors.

Successful implementation of our growth strategy depends on the commitment of our employees. We have continued restructuring efforts to better leverage our diverse human resources, while striving to develop effective employee training programs and create a workplace environment which allows employees to demonstrate their competence to the fullest. With 280 female employees in sales positions, Sekisui House tops other companies in the housing industry in the number of female sales persons, and on a group-wide basis, 550 female employees are engaged in remodeling operations as sales persons. As shown by these figures, we take various measures to support female employees in their work so that they can make meaningful contributions to the company while successfully balancing work and family life/motherhood. These efforts were publicly recognized when the Tokyo Stock Exchange chose us to be part of their women-empowering roster named the "Nadeshiko" list.

We are also embarking on new challenges, not bound by conventional business practices. To be specific, we opened SUMUFUMULAB as the industry's first open innovation base in Knowledge Capital in Grand Front Osaka, a new shopping and business complex. This new facility is designed to involve citizens, experts, universities and companies in co-creating next-generation housing culture while considering how social changes will affect our lifestyles. In this way, we will work with various stakeholders to explore ideal housing and living environments in the future and contribute to the development of housing culture.

Ensuring full compliance

With an ethical awareness and a sense of responsibility, we remain committed to developing fair relationships with all our stakeholders, including customers, employees and business partners under our corporate philosophy, never forgetting that under no circumstances may corporations disregard social rules in the pursuit of profit. Sontoku Ninomiya, a nineteenth-century Japanese philosopher, said, "economy without morals is criminal." With these words in mind, we will make every endeavor to engage in more transparent, healthier management, while maintaining both our economic and social focus.

We ensure that managers at all our business sites show exemplary leadership at all times and also that directors and employees make continued efforts to further increase compliance awareness. We will continue to carry out a Governance Awareness Survey to check the compliance at each business site to inspire employee commitment to compliance. In doing so, we will promote management in good faith on a group-wide basis and fulfill our responsibility to society.

Toshinori Abe, President & COO

Our responsibility to contribute to creating a sustainable society and actions we have taken to meet the responsibility

Under our corporate vision, we have been pursuing the value we share with our customers to find solutions to social challenges.

We have continued to make concerted efforts to bring greater happiness to residents and help to find solutions to social problems under our corporate philosophy and Sustainable Vision.

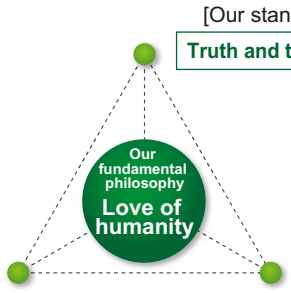
With the globalization of the economy, corporate activities have come to exert greater influence over society and the global environment. This means companies now take on even more important responsibility to society than ever before. We have met our responsibility to society by offering quality housing products, thus helping to create safe, secure and comfortable living environments. As a leader of the housing industry, we are fully aware of the sheer size of the impact this industry can have on society, and thus we place a special focus on sustainability in our management policy.

We think that the key to creating a sustainable society is keeping global ecosystems in good health—a basic condition for ensuring lifelong, comfortable lives for all. We are now facing various issues that require the action of our entire society, such as global warming and the consequent occurrence of extreme weather events, a decline in natural resources, impacts on ecosystem networks, energy shortages, threats to healthy life, and the consequences of an aging society. Believing that housing can be part of the solution to these issues, we focus our efforts on putting our corporate philosophy into practice and offering housing products that ensure “comfortable living—now and always.” To make public our unchanging determination to contribute to the happiness of residents and sustainability, we announced our Sustainable Vision in 2005 and have since been striving to share values with our customers and all of our employees. In doing so, we are constantly offering new values to contribute to finding solutions to social problems.

1989: Corporate philosophy established

It is our belief that a company is a group of individuals, and the mindset of each employee and the relationships between them constitute the very basis of corporate activities and management, and the source of our commitment to contributing to society.

Love of humanity: Our fundamental philosophy



Actions taken by Sekisui House

1960
Sekisui House founded

1961
Introducing prefabricated housing products with enhanced design flexibility—the first in the industry to use a meter module
Launching the “Type B” home onto the market

1966
Exhibiting a real-size home to allow prospective customers to see what their home would look like and be able to check the interior in advance
Opening our model home in Japan’s first permanent housing exhibition site

1973
Strengthening our accountability system to ensure higher internal construction quality
Establishing Sekiwa Koji Group companies

Our Shiga and Kanto factories became the first in the industry to be certified as excellent plants for quality control of production components by the Ministry of International Trade and Industry under the new governmental program.
Winning certification as excellent plants

1977
Developing a residential area focusing on the concept of “common” and offering it as a solution to the social problem of loss of neighborhood bonds
Beginning the sale of subdivision lots in the “Common Life Osayuki” town

1979
Verifying the seismic performance of our earthquake-resistant homes by simulating the motions of the Miyagi earthquake that occurred in 1978
Conducting the industry’s first earthquake-resistance testing using an actual sized home

1980

1981
Leading the industry in meeting the emerging needs of society
Building Japan’s first model house for people with disabilities

1982
Addressing the energy problem by promoting the use of natural energy
Launching a passive solar house, PSH 21

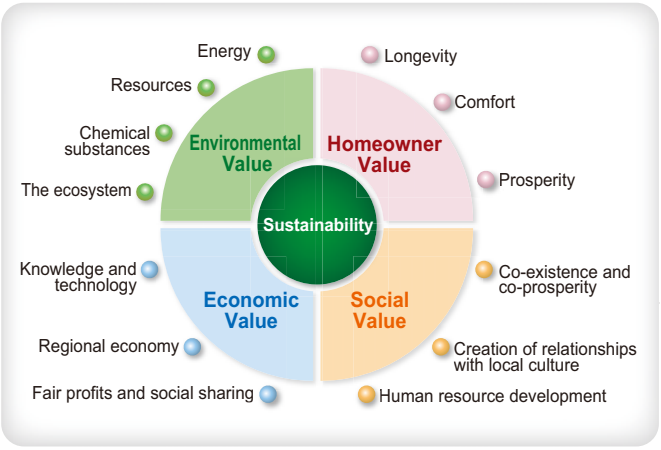
Emergence of built-to-order housing business | **Emphasis on “design,” “performance offer” and “nature friendliness”**

Major events in society

1962 The permanent population of Tokyo exceeds ten million.
1963 Japan Prefabricated Construction Suppliers & Manufacturers Association is established.
1964 Housing Loan Corporation’s prefabricated house certification program begins.
1973 Performance certification program for industrialized houses established.
1973 The first oil crisis occurs.
1979 The second oil crisis occurs.
1979 Act on the Rational Use of Energy (Energy Saving Act) comes into force.
1981 New seismic design standards introduced.
1985 Vienna Convention for the Protection of the Ozone Layer adopted.

2005: Announcing the Declaration of Sustainability
2006: Introducing 13 guidelines

We defined our vision for a "sustainable society." To move closer to this vision and ensure our progress, we declared our determination to carry out corporate management in a manner that balances four key values: economy, the environment, society and homeowner needs. In 2006, we introduced 13 guidelines by further exploring each of these values to determine the direction of our corporate activities and decision making.



2009: Launching the "Green First" model of eco-friendly homes
2011: Launching the "Green First HYBRID" model

To accelerate the process toward a sustainable society, we launched the Green First eco-friendly model that brings greater comfort, while contributing to environmental protection. In 2011, we also introduced the Green First HYBRID model, which is furnished with the world's first power supply system utilizing three different kinds of cells.

Green First
Sekisui House—"Green First"

2010
The 2-million-home milestone is achieved.

2010

1993
The 1-million-home milestone is achieved.

2000

1990

1990
Encouraging cooperation between researchers and residents with the establishment of a new research institute open to the public
Establishing the Comprehensive Housing R&D Institute

1996
Bringing a high-level of comfort and energy-saving efficiency by providing a high-performance heat insulation system and multi-layered insulating glass as standard
Launching the Centrage Σ model onto the market

1997
Providing a photovoltaic power generation system as standard
Launching the Solar Σ.A model onto the market

1999
Introducing a horizontally based organization to integrate the environmental measures that had been taken separately and positioning environmental actions as one of our management priorities
Announcing the Environmental Future Plan

2001
Preserving biodiversity by creating home gardens with native and indigenous tree species
Embarking on new environmental initiatives under the "Gohon no ki" landscaping concept

2002
Promoting resource recycling leveraging the Sekisui House Group's ability to exercise control over the entire lifecycle of housing products
Achieving zero emissions at all our factories

2003
Improving the insulation efficiency of detached houses
Beginning to ship all newly built detached houses with a next-generation energy-saving system

2004
Declaring our determination to make sincere efforts to perform our responsibilities to all stakeholders
Announcing the medium-term management vision

Ensuring self-sustained lives at home even in times of emergency by securing living space, food, drinking water and energy
Launching energy-saving and disaster-proof housing products

2005
Declaring our commitment to creating communities that grow increasingly attractive over time and that are valued as assets of society
Formulating the Urban Development Charter

2007
Creating a new market of revitalized homes to promote effective use of resources
Embarked on the Everloop home repurchase program

Promoting the FairWood procurement initiative to ensure sustainable wood use
Establishing internal Wood Procurement Guidelines

Enhancing housing safety with our government-accredited seismic vibration absorption structure that converts seismic energy into heat energy and absorbs building movement
Introducing the SHEQAS seismic vibration absorption system

2008
Reinforcing environmental efforts upon becoming the first Eco-First Company in the industry under the program launched by the Ministry of the Environment
Making the Eco-First promise

ECO FIRST

Unveiling our innovation in the Toyako Summit
Cooperating in the construction of the Zero Emission House

Enhancement of housing "quality" and "performance"

1992 Earth Summit held in Brazil.
1993 Environmental Basic Act comes into force.
1995 The Great Hanshin-Awaji Earthquake occurs.
1997 The Kyoto Protocol adopted.

Pursuit of both "environmental consideration" and "comfort"

2000 Housing Quality Assurance Act comes into force.
2002 Construction Materials Recycling Act comes into full force.
2005 The Kyoto Protocol takes effect.

2006 Basic Act for Housing comes into force.
2009 The national government launches the Long-term Quality Housing Certification Program.
2010 The tenth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10) convened.
2011 The Great East Japan Earthquake occurs.

We are continuing our efforts to achieve greater sustainability while addressing demands of society at all times.

Creating an ideal future based on our “SLOW & SMART” design concept by promoting and refining our “Green First” initiative

Since 2009, we have been promoting our Green First initiative to offer homes that combine a higher level of comfort, cost performance and environmental consideration. The Green First eco-friendly model is now enjoying increasing popularity for its ability to bring to customers safe, secure and comfortable lifestyles coupled with high economic efficiency. This model also boasts a longer life and can play an important role in the process to a low-carbon society.

We are continuing our efforts to further enhance this initiative to address various social needs, such as the prevention of global warming, energy conservation, ecosystem protection, waste reduction, healthier living and disaster mitigation, while meeting the emerging demands of an aging society with a falling birthrate, without sacrificing comfortable and convenient living standards. In doing so, we hope to create a better society for all.

Our brand vision, “SLOW & SMART,” represents our determination to bring the optimal housing comfort (SLOW) with our latest technology (SMART), which is behind our unwavering commitment to achieve a low-carbon, recycling-oriented society.

To achieve our vision of an ideal future, we will raise this initiative to a higher level and resolutely fulfill our responsibility to society.

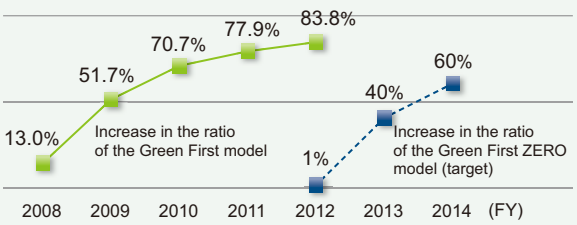
Leading the industry in promoting the net zero energy house (ZEH) design with our latest "Green First ZERO" model

In Japan, the residential sector is responsible for about 30% of total national electricity consumption. To encourage zero energy housing development, the Japanese government is promoting the adoption of the net zero energy house (ZEH) design as standard for newly built homes by 2020, to reduce the primary energy consumption to almost zero on a net basis.

Prior to the introduction of this net zero energy house concept, we launched the Green First ZERO model on April 8, 2013. This new model is an upgraded version of our highly successful Green First model, and employs various innovations including: advanced heat insulation systems such as argon gas-filled multi-layered glass and sash frames with high insulation efficiency; energy-saving equipment such as a high-efficiency air conditioning system and LED lighting equipment; and passive technology such as a design to control solar radiation and ventilation. With high insulation efficiency and the latest energy-saving equipment, the Green First ZERO model is expected to drastically reduce energy consumption at home, while achieving both greater comfort and an energy-neutral living environment with its ability to produce energy utilizing solar and fuel cells.

We will strive to increase the ratio of the Green First ZERO design to all newly built Sekisui House detached homes to 40% in fiscal year 2013 and to 60% in fiscal year 2014, as part of our efforts to facilitate the process to a more eco-friendly society.

Increase in the ratio of the Green First and Green First ZERO models to all Sekisui House homes

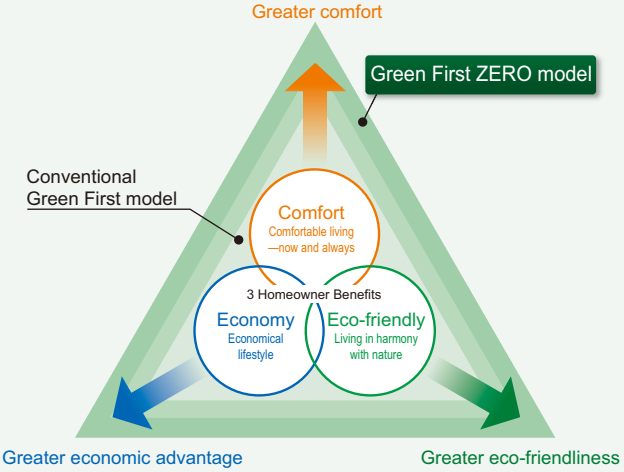


1. High insulation
Providing advanced heat insulation systems including argon gas-filled multi-layered glass as standard

2. Introducing comprehensive energy-saving solutions
Providing high-efficiency air conditioning systems, equipment that uses less hot water, LED lighting equipment and HEMS as standard

3. Using natural energy effectively
Using different kinds of glass depending on the direction the window faces and adopting the design to control solar radiation and optimize ventilation

The Green First ZERO model will bring a higher level of comfort, cost performance and environmental consideration to users with the above three advantages, combined with its ability to produce energy by means of solar and storage cells.



To deliver ideal solutions to various social problems with Sekisui House's smart towns

We are fully dedicated to the implementation of the "Smart Common City" project.

In order to overcome the concern over energy shortages and maintain a pleasant living environment into the future, we are creating smart towns that last for generations in various parts of Japan.

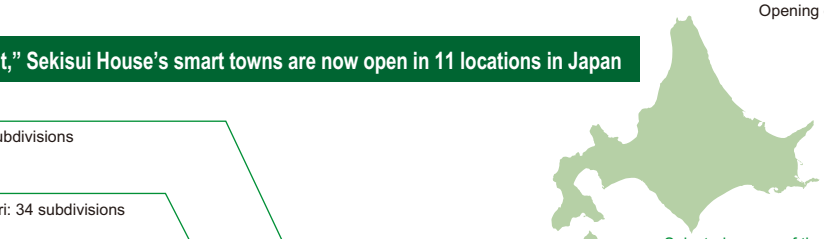
Expanding the advantages of the "Green First" model to the entire community

Based on our "Urban Development Charter," we have been promoting the nationwide development of communities named "Common City" where residents enjoy friendly interactions with their neighbors in a pleasant green environment that increases its value as years pass. The significance of our Common City initiative has been highly recognized in society, and awarded a number of prizes in the past. In the wake of the Great East Japan Earthquake, we have also been required to take measures to remove concerns over electricity shortages and enhance the disaster response capacity of our housing.

To cater to these emerging needs, we are now expanding the advantages offered by the Green First model to the entire community. Specifically, we are promoting the net zero energy house (ZEH) concept that aims to achieve a higher level of energy autonomy. At the same time, we are accelerating our smart town development efforts to optimize energy supplies on a community-wide basis utilizing telecommunications technology, and thus reduce energy loads on society.

Opening of Teriha Smart Town

Serving as a "local power plant," Sekisui House's smart towns are now open in 11 locations in Japan



- Kofu City, Yamanashi Prefecture
  Smart Common Life Kofu Fujimi: 9 subdivisions
  Sales started in June 2012
- Nagoya City, Aichi Prefecture
  Smart Common Life Tenpaku Hirabari: 34 subdivisions
  Sales started in October 2012
- Iga City, Mie Prefecture
  Smart Common Life Iga: 10 subdivisions
  Sales started in January 2013
- Matsusaka City, Mie Prefecture
  Smart Common Life Matsusaka: 13 subdivisions
  Sales started in January 2013
- Takamatsu City, Kagawa Prefecture
  Smart Common Stage Hayashicho: 43 subdivisions
  Sales started in September 2012

Selected as one of the second leading projects that contribute to reducing CO_2 emissions from housing and architecture for FY 2011 under the program of the Ministry of Land, Infrastructure, Transport and Tourism

- Island City, Fukuoka City, Fukuoka Prefecture
  Teriha Smart Town: 178 subdivisions
  Sales started in October 2012
  *Sekisui House works with the Kyushu Association of Housing and Construction Industries in sales of the subdivisions

Selected as one of the third leading projects that contribute to reducing CO_2 emissions from housing and architecture for FY 2011 under the program of the Ministry of Land, Infrastructure, Transport and Tourism

- Tomiya-machi, Miyagi Prefecture
  Smart Common City Akaishidai: 431 subdivisions
  Sales started in February 2012
- Koga City, Ibaraki Prefecture
  Smart Common Stage Keyakidaira: 67 subdivisions
  Sales started in April 2012
- Yotsukaido City, Chiba Prefecture
  Smart Common Stage Yotsukaido Meiwa: 62 subdivisions
  Sales started in February 2013
- Ichihara City, Chiba Prefecture
  Smart Common City Chiharadai: 216 subdivisions
  Sales started in April 2013
- Yokohama City, Kanagawa Prefecture
  Smart Common Stage Seya: 36 subdivisions
  Sales started in August 2012

Another smart town project

Koshigaya City, Saitama Prefecture
Smart Grid Model District Development Project (since May 2012)
Sekisui House has been participating in this project, in which electricity is collectively supplied to a model district comprised of seven model houses and one shop that are connected to a network.
*This project does not involve sales of housing products.

Pursuing our own community development concept focusing on creating living environments that grow more attractive over time and deepening neighborhood bonds

The basic purpose of our Smart Common City initiative is to develop sustainable communities and society by providing solutions to energy shortages and satisfying residents' needs in terms of safety and security; health and comfort; and mutual aid.

In principle, our Smart Common City is comprised of smart houses that are capable of producing energy with a photovoltaic power generation system, which we have been promoting under our Green First initiative, and with fuel cells, thus meeting the electricity needs of each household. Smart houses are also shipped with a high-efficiency heat insulation system, energy-saving equipment and a power outlet to recharge an electric vehicle, which work together to effectively reduce energy consumption at home. With these innovations, Smart Common City as a whole can produce more electricity than is consumed by local residents, and thus can supply surplus electricity to homes, schools, and commercial facilities in neighboring communities. By serving as a "local power plant" in this way, Smart Common City is expected to contribute to dispelling the concerns of society over electricity shortages.

All smart houses are also shipped with the "SHEQAS" seismic vibration absorption system accredited by the Minister of Land, Infrastructure, Transport and Tourism, which makes housing highly resistant to shaking and minimizes damage when an earthquake hits. This system, together with public spaces such as assembly halls and parks equipped with disaster protection functions provided in the Smart Common City, contributes to enhancing the disaster resistance of the community. We can further increase the safety and security levels of the entire community by building 20 to 30% of houses with the Green First HYBRID design that ensures availability of electricity and allows residents to live an almost normal life even in times of blackouts by employing three different types of cells.

Innovations we have introduced to enhance the health and comfort levels include the "Airkis" high-quality indoor air system designed to protect health of children by reducing the concentrations of certain chemical substances to levels less than 50% of the guideline value set by the Ministry of Health, Labour and Welfare; and the "Gohon no ki" landscaping concept that aims to create a pleasant green environment that grows more attractive over time and restore natural ecosystems by planting native tree species. Effective provision of tree shade and the use of evaporation heat also contributes to health and comfort. Furthermore, we promote development of thriving communities by providing common spaces and offering support to community events to encourage mutual aid among residents and help them deepen neighborhood bonds, while maintaining a pleasant townscape and strengthening community-based crime prevention and disaster preparedness efforts.

Our Smart Common City won a prize at the 9th Eco-Products Awards for FY 2012.

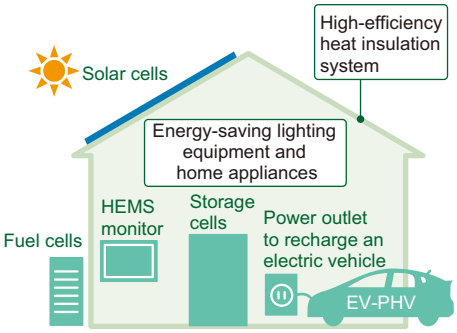
Our Smart Common City was given the Excellence Award for Energy Saving Service at the 9th Eco-Products Awards for its contribution to the needs of a post-earthquake society by promoting energy saving, electricity conservation, disaster preparedness and comfortable standards of living not on an individual household level, but on a community-wide basis.

Green First HYBRID, the world's first smart housing model that incorporates three different types of cells

To meet the needs of society emerging after the Great East Japan Earthquake, we launched the Green First HYBRID smart housing model in August 2011 by further improving our energy-saving and disaster-proof housing design which we launched in 2004. This is the world's first mass-produced housing model that employs solar, fuel and storage cells, which work together under automatic control to maintain energy availability and ensure self-sustained lives even during a blackout in an emergency, while optimizing electricity consumption in ordinary times. Having enjoyed great popularity since its introduction, the Green First HYBRID model was recognized as the most outstanding smart housing product available on the Japanese market and won the Minister of Economy, Trade and Industry Prize—the grand prize of the 2011 New Energy Award Program implemented by the New Energy Foundation. (We have received about 400 orders for the Green First HYBRID model as of the end of January 2013.)

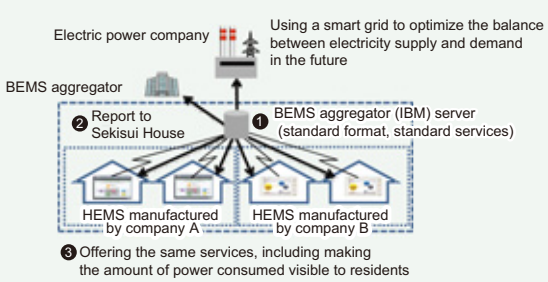
Main advantages of Green First HYBRID

- Enables residents to produce electricity to cover more than 80% of electricity needs at home, and reduce electricity consumption (during normal household use)
- Drastically reduces utility costs (In some regions, annual utility costs can be reduced to zero.)
- Allows residents to meet the request by the government to save electricity during peak hours (e.g., during the daytime in summer and during evening hours in winter when family members are at home) without sacrificing comfort
- Allows residents to live an almost normal life even in times of blackouts (Residents can even take bath if gas and water is available.)



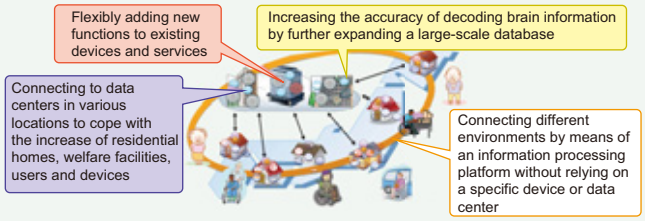
HEMS = Home Energy Management System

Embarking on R&D of a more advanced "near-future smart town"



Working with IBM Japan, Ltd. to build a next-generation platform

We are striving to build a common platform that supports HEMS devices manufactured by different companies to offer the same services across different systems. For example, the new platform will enable a coordinated control of energy balance, make energy consumption visible to residents, provide easier access to medical and nursing care services that are necessary to improve quality of life, centralize the management of data, and collect data across a smart town so that housing and society is connected. Within the first three years, our target is to introduce HEMS to 30,000 houses in smart towns, both ready-built and custom-built.



Engaging in research on the BMI network that connects residential homes in partnership with companies in other industries and a university

BMI stands for Brain Machine Interface, which means a system that links the brain to a mechanical device such as a computer. The device is then controlled by signals from the brain. When completed, this system will allow users to control housing equipment, home appliances, or a wheelchair simply by thinking about it, and will be highly serviceable at residential homes and clinics. We conduct R&D of this system as part of our efforts for universal design development, in anticipation that the system will be employed in our smart houses, which will become increasingly "intelligent," to offer HEMS-based advanced mutual aid and interactive management services and bring a higher level of safety and security to the elderly in the future. Commissioned by the Ministry of Internal Affairs and Communications, we have been engaged in joint research on this system since July 2011 with the Advanced Telecommunications Research Institute International (ATR), Nippon Telegraph and Telephone Corporation (NTT), Shimadzu Corporation, and Keio University.

Opening Japan's first smart town in Miyagi Prefecture as a symbol of a bright future

More than 100 households have already moved to Smart Common City Akaishidai—an attractive community to which residents become more attached as it evolves with the passing of time.

Upon completion of 431 houses in 2015, the community will become a "local power plant" with the capability of producing 2,500 MWh of electricity a year, 1.7 times as much as the annual electricity consumption of all the households.

Smart Common City Akaishidai is an extensive residential area with 431 houses under development in Tomiya-machi in the suburbs of Sendai City in Miyagi Prefecture. This is the first large-scale post-earthquake community development project in Miyagi Prefecture and is attracting a lot of attention as the first step in the reconstruction process of the Tohoku region.

All the 431 houses to be built in this area will be furnished with a photovoltaic power generation system, out of which 86 houses, or about 20% of all the houses, will be the advanced Green First HYBRID smart houses, each equipped also with fuel cells and storage cells. This community has been developed based on the following five principles: "a disaster-resistant and crime-free community," "environmental friendliness and the use of natural energy," "attractive landscape that constitutes a valuable part of the community," "positive neighborhood relationships" and "health, welfare and safety." This project was selected as one of the "Third leading projects that contribute to reducing CO_2 emissions from housing and architecture for FY 2011," under a program of the Ministry of Land, Infrastructure, Transport and Tourism to support leading projects expected to achieve outstanding results in the reduction of CO_2 emissions.

Three public facilities are open to serve as shelters in times of emergency.

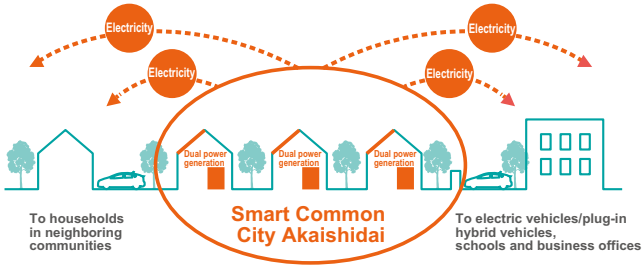
At the center of the photograph on the right is a street with a circular cul-de-sac that prevents through traffic. In Smart Common City Akaishidai, all the buildings that face a cul-de-sac are built with the Green First HYBRID design which enables self-sustained living at home even during a disaster-induced blackout. Even when electricity supplies stop due to a disaster, the space around cul-de-sacs can be lit up, allowing neighbors to feel safe.

In response to a request from the local government to provide disaster-resistant public facilities in common spaces, we built two assembly halls and a community center adjacent to parks on the premises of Smart Common City Akaishidai. In order to protect lives of residents when affected by a disaster, these facilities are furnished with a storehouse to hold water and food stocks, a well to secure water, a tank to collect rainwater, and a large-capacity photovoltaic power generation system to ensure the availability of electricity even during a blackout.

The Green First HYBRID homes that employ three types of cells surround the cul-de-sac. Even during a blackout, this space can be lit up. In times of emergency, the open space serves as an evacuation site for residents.

The community center is equipped with a 16.3 kW photovoltaic power generation system. When a blackout occurs, the center can supply up to 4.5 kW of electricity during the daytime.

Smart Common City Akaishidai is attracting a lot of attention as Japan's first smart town.



Smart Common City Akaishidai supplies surplus electricity to homes, shops and schools in neighboring communities during the daytime and serves as a "local power plant."

Creating a disaster-resistant and friendly community by building durable housing and promoting neighborhood bonds

To create a disaster-resistant community, we started our work by carefully reinforcing the ground at the land development stage. All the houses we built in the community have obtained a seismic grade 3, which is the highest grade in the seismic performance criteria set under the housing performance indication system. We also assisted residents in organizing disaster drills and various community events to facilitate the development of friendly neighborhood relationships. We hope through these activities, residents enjoy safe and secure lives together with their neighbors and grow more attached to their hometown.

Disaster drill

Gardening workshop

Creating a pleasant landscape as a valuable part of the community

We develop green townscapes by planting native tree species under our "Gohon no ki" landscaping concept to create a pleasant natural environment that enables residents to enjoy seasonal changes, and restore local ecosystems. The "Gohon no ki" concept naturally leads to the creation of a community where the environment grows more attractive over time. This increases residents' attachment to their hometown, especially as they view it as a common asset.

Voice of the G family who moved into a Green First HYBRID home in Smart Common City Akaishidai in June 2012

Since the earthquake, we have renewed our awareness of the importance of neighborhood bonds. In Smart Common City Akaishidai, most of our neighbors join community fairs, which provide valuable opportunities for friendly interactions among residents. We are also impressed with the disaster preparedness of this community, where disaster drills are conducted regularly and foods and emergency supplies are stored in the assembly halls. To be honest, we have yet to understand all the advanced capabilities our home offers to us, but we feel protected knowing that solar, fuel and storage fuels contribute to energy and electricity conservation, and will meet our electricity needs in times of disaster and blackout. We also love the attractive townscape, and are satisfied with the safety features of the community, which is especially important for households with small children such as ours. We think that not only the sophisticated housing features but also the deep human bonds provide us with a great sense of safety.

VOICE

Creating clever and attractive homes and communities: Sekisui House at the forefront of an attempt to develop integrated solutions that enable self-sustained living

As our society places greater value on being "smart," we may say that we are posed the question of what it means to be "clever." The influence of information and communications technology extends to mobile phones and home appliances, as well as our homes and communities, which in turn can lead us to innovations in living environments. The energy crisis that arose in the wake of the March 11th disaster, as it turned out, accelerated this process, as the tragedy made us keenly aware of the sheer importance of self-sustained living environments and mutual aid among members of communities, both face-to-face and through SNS. The Smart Common City project that Sekisui House has begun to promote nationwide precisely responds to such trends in society. While "smart" solutions are often developed simply by combining equipment and devices, this is not the case for Sekisui House—it is obvious that they have embarked on a daunting task to develop self-sustained communities with enhanced disaster preparedness and landscapes, thereby offering clever solutions in an integrated manner. I hold in high esteem their cooperative efforts to address the needs of society in this fashion.

Mr. Kazuo Iwamura
Professor at Department of Urban Life Studies, Tokyo City University and Graduate School of Tokyo City University
Representative Director at IWAMURA Atelier Co., Ltd.

Pursuing sustainability in global markets

Developing overseas business

Committed to creating homes and communities that harmonize with the local climate and culture, with our state-of-the-art energy producing and saving technologies and resource recycling expertise

Launching high-quality housing products and cutting-edge environmental technology onto the world's markets

We are promoting homebuilding and community development projects globally, taking advantage of our high-quality industrialized housing and advanced environmental technologies. We work in close cooperation with our partners in respective countries, including governmental agencies, developers and builders who understand and agree with our commitment to creating an ideal living environment. We have already embarked on projects in the U.S., Australia, China, and Singapore and have begun supplying our housing products to these markets.

United States of America

Creating communities in accord with our basic environmentally conscious principle

With our American subsidiary, North America Sekisui House, LLC (NASH), we are promoting more than 30 community development projects all over the U.S., in cooperation with our partner companies.

In 2010, we embarked on our first real estate development project in the U.S. through NASH in Loudoun County in the suburbs of Washington, D.C. Designed to develop a mixed-use community named One Loudoun, this project is being carried out with Miller and Smith in McLean, Virginia, which is a local developer and also our joint venture partner. In 2010, we also started the Cinco Northwest development project with a developer, Newland Communities in San Diego, California as an extension of the development of Cinco Ranch—a community with a history spanning more than 20 years and known as one of the

One Loudoun near Washington, D.C. (Artist's rendering)

Cinco Ranch in Texas

Tehaleh in Washington

most successful communities in the Houston area of Texas, which is among the largest markets in the U.S.

In 2011, we started another project with Newland Communities to develop a new community in Tehaleh (formerly called Cascadia) in the suburbs of Seattle-Tacoma, in Washington. Located close to Mt. Rainier, the new community boasts a beautiful surrounding landscape and is one of the largest master-planned communities in the northwestern part of the U.S. In the same year, we, along with Newland Communities, acquired the community development projects in 11 states including Texas, Florida, and North Carolina from the California Public Employees' Retirement System (CalPERS). Accordingly, we took over the development of Telfair, which, along with Cinco Ranch, is known as one of the most successful communities in the Houston area, as well as the development of FishHawk, one of the most successful communities in the Tampa area of Florida.

In 2012, we embarked on the development of another community, Embrey Mill, in Stafford County in the suburbs of Washington, D.C. in partnership with Newland Communities. Two new communities had their grand openings in 2012—the Tehaleh community that is mentioned above and the Waterset community in Tampa, Florida that was developed under the project we took over from CalPERS. In this way, we are steadily and successfully expanding our business presence in the U.S. market.

In developing master-planned communities in the U.S., it is customary that the developer builds a community center as a venue for facilitating interactions among residents and sharing information with them. This community center is placed under the management of the residents' association. In a project to develop a community that was recently inaugurated, we undertook the design and construction of a community center according to this custom, while ensuring strict compliance with the local environmental building standards and sticking to our environmentally conscious development concept.

NASH worked with Newland Communities, one of our business partners in the U.S., to develop a joint principle, combining the guidelines that Sekisui House has implemented in developing sustainable communities in Japan with existing know-how available in the U.S. By incorporating this joint principle in specific development designs under joint development projects, these two companies unite their efforts to promote the development of sustainable communities by making use of the surrounding natural environment.

Waterset in Florida

China

Promoting community development projects in a manner that preserves ecosystems, while maintaining local living environments

In China, we are engaged in the development of townhouses, condominiums, and commercial facilities in Shenyang, Suzhou, Taicang, Wuxi and some other locations. In the spring of 2012, our Shenyang factory began operation, and full-scale construction is underway in each project site.

Currently, we are carrying out three projects in Shenyang City, the capital of and gateway to Liaoning Province in the northeastern part of China, and will begin the sale of housing products in 2013.

In the urban area of the city, a mixed-use complex of a hotel and condominiums are being developed under the Yuqin Residence project, and we will begin the sale of condominium residential units in the early summer of 2013, with delivery to customers scheduled for the end of 2014. Our sales center has been completed, and we are now preparing for full-scale sales activities. The hotel under construction is scheduled to be completed in 2015. Two other projects are underway in new urban areas in the southern part of Shenyang City, and the sale of housing products will begin in 2013.

In Shenyang City, we will supply about 2,000 housing products in total, both townhouses and condominiums, through these three projects. Housing products offered under these projects are designed to maximize the advantages of their respective locations and make the most of our proprietary environmental technology and homebuilding expertise. Since advanced notice of sale was given on the Internet and through other media, we have received an increasing number of inquiries from customers. This encourages us to meet the high expectations of end-users and provide housing products that ensure high quality, security, and safety.

In Suzhou, a city renowned for its historical heritage, beautiful water and green environment, we are building condominiums with 3,160 residential units and 74 townhouses in a lot of about 17.7 hectares in Xiangcheng District, which will be developed as a new urban center in the northern part of Suzhou.

In this historical city, we are creating a new townscape by combining our architectural design with the traditional architectural style of Suzhou, which is characterized by white walls and black roof tiles. Here, parking lots of the condominiums are created underground to separate walkways and driveways for greater safety, while a *satoyama* environment is created that resembles a green island under our "Gohon no ki" landscaping concept. By employing building materials that prevent sick building syndrome and high-quality indoor air systems in our housing products, we ensure a secure, safe, healthy and comfortable living environment.

Taicang City is about 50 km northwest of the central part of Shanghai. In Taicang City, we are implementing a project to build condominiums with 511 residential units in a lot of about 78,700 m^2. Taicang City is the closest city to the central part of Shanghai and our project is conveniently located adjacent to a shopping complex, hospitals, hotels and other urban facilities. Taking advantage of this location, we have embarked on the construction of the largest condominiums in this area with a residential unit measuring about 300 m^2 on average.

Committed to offering secure, safe, healthy and comfortable housing products, we have employed building materials that emit less chemical substances and adopted open floor plans, taking into consideration the amount of sunlight and south-north airflow, to provide functional and comfortable indoor spaces. By providing some of the buildings with rooftop gardens, we will create a

Condominiums and townhouses in Suzhou City (Artist's rendering)

Townhouses in Shenyang City Hunnan New District (Artist's rendering)

Condominiums in Taicang City (Artist's rendering)

Yuqin Residence project in Wuxi City (Artist's rendering)

pleasant green landscape that allows people to feel the flow of wind, light and water, thereby offering an eco-friendly living environment. In doing so, we aim to develop a community that will grow more attractive with the passing of time, and that will inspire residents' attachment to the neighborhood accordingly.

Piling work officially started in January 2013, and the sales center and model room had their grand openings in mid-May 2013.

Another of our ongoing projects is the Yuqin Residence project in Wuxi City being carried out on Lake Tai—one of the three most famous lakes in China.

The Wuxi New District, where the development site is located, is in the southwestern part of Wuxi City. This is a new urban center with a new municipal government building as well as modern office buildings, hotels and residential housing. It has a beautiful natural environment and is very conveniently located. On the south side of the development site is a park that faces Lake Tai and on the west side, there is a renowned Buddhist temple, Jinghui Temple. On the north side, a new school has just opened, and is said to be one of the best schools in the city.

The project site covers an area of about 12.6 hectares, where townhouses, low-rise apartments, condominiums, and commercial facilities are being constructed. By carrying out this large-scale complex development project, we aim to create a pleasant living environment that constitutes a natural part of the surrounding landscape. Also, we are selecting and planting tree species in consideration of local ecosystems as part of the exterior construction work, and at the same time are enhancing the waterfront area to ensure the long-term protection and preservation of the local natural environment.

We launched the project at the end of 2012 and will begin the sale of subdivisions in the autumn of 2013.

Providing training to upgrade the professional skills from a global perspective to contribute to enhancing the technical competences of Chinese construction workers

Continuously providing training for construction workers from a global perspective is critical to our efforts to assure the quality of our housing products. To keep our construction quality at a high level, Chinese construction workers are obligated to undergo training at a training school opened on the premises of the Shenyang factory, where they deepen their understanding of steel-frame structures and exterior wall work and improve their ability to maintain constantly high work performance.

In addition to this local training, we implement an on-the-job training program in Japan. In this training, Chinese trainees are invited to Japan to work at construction sites to develop construction skills for a period ranging from one to three years. After the training is over, trainees return to China with the latest knowledge and technical skills, which will help them in their work.

Currently, three Chinese trainees are working at Japanese construction sites to learn our construction methods under this program. We also implement a continuous on-the-job training program for construction supervisors for a period lasting between several weeks to several months.

Through these training programs, we ensure high performance of both construction workers and supervisors at construction sites in China so that high- quality housing products are always supplied to the Chinese market.

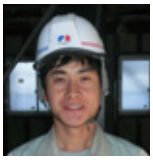
A Chinese trainee learns about the construction method of the "β system", Sekisui House's original industrialized housing system.

Voice from Chinese trainees working with Sekiwa Construction Hanwa Co., Ltd.

I will share the knowledge I have learned in Japan with my colleagues in China

I am impressed with the diligence and strong sense of responsibility of my Japanese colleagues. They seldom talk about non-work-related matters while at work, and fully dedicate themselves to the tasks assigned to them. Even when construction work enters a new stage, they act on their own judgment to the fullest possible extent, instead of simply waiting for instructions from their supervisors.

In China, we have a saying which means "see for yourself where there is work to be done." Learning from the positive attitude of Japanese workers, I am determined to study hard during my year in Japan, never wasting even one minute. After returning to China, I will share with my colleagues my knowledge about construction and the Japanese mindset toward work.



Mr. Fan Zhiyong

Studying the Japanese language to better understand the way construction work is done

All the Japanese workers I have met at construction sites are very industrious and concentrate on their tasks at all times. I want to be more like them and so make an effort every day.

My present goal is to learn everything about construction techniques during my year in Japan. Also, I will use my free time to master Japanese, as I think Japanese proficiency is necessary to accelerate my learning of construction work and enhance my technical competence.

While only a few months are left before the end of the training, I will do my utmost to learn the latest construction techniques, which I will apply to construction work in China and share with my Chinese colleagues. toward work.

Mr. Li Digang

I want to become an expert in the β system

At the beginning of the training in Japan, I had difficulty communicating and felt physically tired, but these were just minor problems and hardly affected the training itself. I want to learn more about construction techniques and develop expertise in the β system, which I will put to use in the construction projects I will undertake in China. Also, I will try to find time to increase my Japanese proficiency, which will enable me to have smooth communications with Japanese coworkers in China after my return.

Mr. Wu Tao

Australia

Introducing the "*satoyama*" design and contributing to thriving communities

In Australia, we have been engaged in the development of condominiums, residential areas, and complex facilities mainly in the Sydney and Melbourne areas.

In Wentworth Point in the suburbs of Sydney, we completed the construction of three condominiums with a total of 678 residential units. All of these units have been sold and many people have already moved in.

Since the beginning of the project in 2009, we have been promoting the development of condominiums in Wentworth Point in line with our Urban Development Charter to contribute to creating sustainable communities as we have done in Japan. For example, we employed the "*satoyama*" design in landscaping the condominiums' inner gardens, under which underground parking lots were built. *Satoyama* refers to a natural environment that has been moderately modified by humans. We created an Australian version of *satoyama* by planting native plant species to provide a sense of continuity with the green environment of the national natural park in the vicinity so that the communities will be visited by more wild birds. Here, various community activities are conducted and joined by many residents. Our local subsidiary contributes to the prosperity of the communities by cooperating with residents in organizing community events held twice a year, while offering opportunities for friendly interactions among residents and between residents and Sekisui House employees.

In Camden Hills, a newly developed residential area in the suburbs of Sydney, we began selling subdivisions in March 2012 and have sold all the 79 subdivisions in the first-phase development district. Subdivisions in the second- to fourth-phase development districts are also selling well, and many houses are currently under construction in the first-phase development district. In March 2013, we held the first community event in Camden Hills in commemoration of the first anniversary of its opening, inviting residents from Camden Hills and neighboring communities. While the market for new residential areas is highly competitive, visitors to Camden Hills are deeply impressed and highly compliment our sustainable community development initiative, as well as our landscaping policy to preserve existing trees and make the most of local historical and geographical features.

Wentworth Point

In Central Park at the center of Sydney, we are undertaking the development of a mixed-use community with Frasers Centrepoint, our joint venture partner with whom we collaborate also in Singapore. The community under development spans five hectares in area, and includes condominiums with about 2,000 residential units, office buildings, the equivalent to five floors of commercial facilities, and housing for students. In June 2013, we began delivering the condominium residential units completed in the first phase of the project to customers, who highly recognize the value of our environmentally conscious housing concept.

This project is characterized by the adoption of an eco-friendly tri-generation system, which uses gas to produce electricity, hot water and chilled water; the reuse of rainwater and wastewater after filtration to sprinkle over plants in the project area; the restoration of an old beer brewery as a historical monument that symbolizes the community; and, most notably, the introduction of wall greening that is proven effective in reducing CO_2 emissions and light penetration into buildings. Upon completion of the project, green walls will be extensively created in the community with the number of plants on the walls amounting to 80,000.

Camden Hills (Artist's rendering)

Central Park

Singapore

Creating a sustainable living environment by pursuing our homebuilding philosophy as a new standard of value

In Singapore, we have been carrying out the “Boathouse Residences,” “Punggol Watertown” and “Hillsta” development projects. In addition to these three projects, we embarked on two more projects; namely, the “Bedok eCO” and “Tampines QBay” projects, with our joint venture partners in 2012. With favorable sales of the housing products developed under these projects, the unique additional value we have created from a resident’s viewpoint has been penetrating the Singapore market.

The Boathouse Residences project is implemented in an established residential area, where we are undertaking the construction of condominiums beside a river, alongside which there is a pleasant jogging trail. By employing a simple design concept, we are creating a calm, comfortable living environment.

The Punggol Watertown project is designed to create a mixed-use community that is comprised of commercial facilities and condominiums with 992 residential units to add to the attractiveness and popularity of the Punggol Waterway, on which the government places special importance as a waterfront space of the 21st century. Boasting great convenience with direct accessibility from an MRT Station, the commercial facilities are expected to bring a new lifestyle concept to the neighborhood, while the residential space that overlooks the waterway ensures pleasant living environment.

The Hillsta project involves the construction of condominiums with the “*satoyama*” landscaping concept that is at the core of our community development philosophy. To make optimal use of the hilly terrain, we are creating a green network by connecting green spaces, thus developing a high-quality residential environment where residents can interact daily with nature. The community consists of high-rise condominiums as well as low-rise townhouses, which together constitute a tranquil and sophisticated environment.

In the Bedok eCO project, we employ a sustainable, nature-friendly community design. We also built model rooms leveraging our superior design capability to allow visitors to learn, first-hand, about the usability of our housing and the highly functional and efficient floor plans. Our efficiently designed compact residential units, created in a manner that suits local needs and individual lifestyles, have been favorably received as a new housing concept, and reported in the media.

The housing units built under the Tampines QBay project incorporate various unique innovations. For example, we make the space around kitchen counters usable for various purposes as we do when building Japanese detached houses, and incorporate the guest house design that we employed in our condominium development projects. Such unique features have increased in popularity and contributed to successful sales results.

Two years have passed since we launched the first project in Singapore in 2010. During this time, we have deepened our amicable relationships with our joint venture partners, while introducing to the Singaporean market the pool of know-how we have built in Japan. We will continue our efforts to offer more comfortable and attractive living environments so that the new value we have created from a resident’s viewpoint will be a part of the housing culture of this country.

Boathouse Residences (Artist's rendering)

Punggol Watertown (Artist's rendering)

Hillsta (Artist's rendering)

Tampines QBay (Artist’s rendering)

As a venue to co-create new housing culture with our stakeholders

Opening SUMUFUMULAB

On April 26, 2013, we opened the industry's first open innovation base in Knowledge Capital, in Grand Front Osaka, a modern shopping and business complex recently completed in Osaka's Umekita area.

生きるコトを、住むコトに。
SUMUFUMULAB
[住ムフムラボ]

Opening the industry's first information and R&D base designed to create new values by combining sensibility with technology

Grand Front Osaka is Osaka's new landmark facility that houses modern business offices and shops. As a core part of this shopping and business complex, Knowledge Capital is designed to create new values by combining human sensibility with technology and develop innovative products and services.

Sekisui House opened the industry's first open innovation base, SUMUFUMULAB, in the Future Life Showroom in Knowledge Capital. From here, we will create new housing culture through collaboration with stakeholders in various sectors.

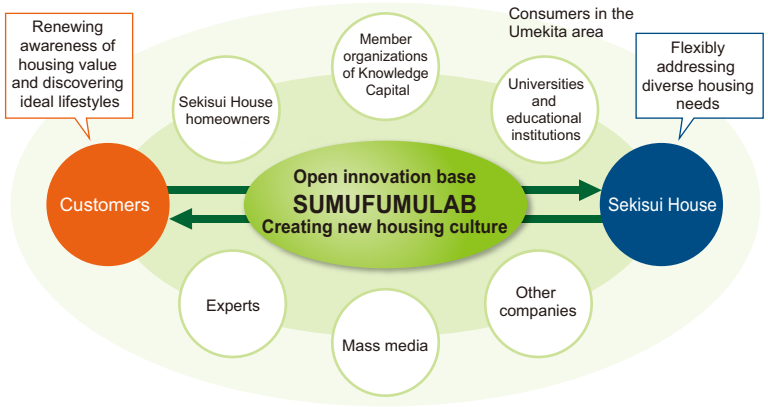
Co-creating new lifestyles together with stakeholders under the motto, "quality housing is the key to a happy life"

Today, our lifestyles are affected by various changes, such as changes in family structure and work styles, diversification of communities, and a growing awareness of environment- and health-related issues. Against this backdrop, attempts to explore ideal ways of living, not bound by conventional ideas of housing, are becoming more critical to leading a happy and comfortable life.

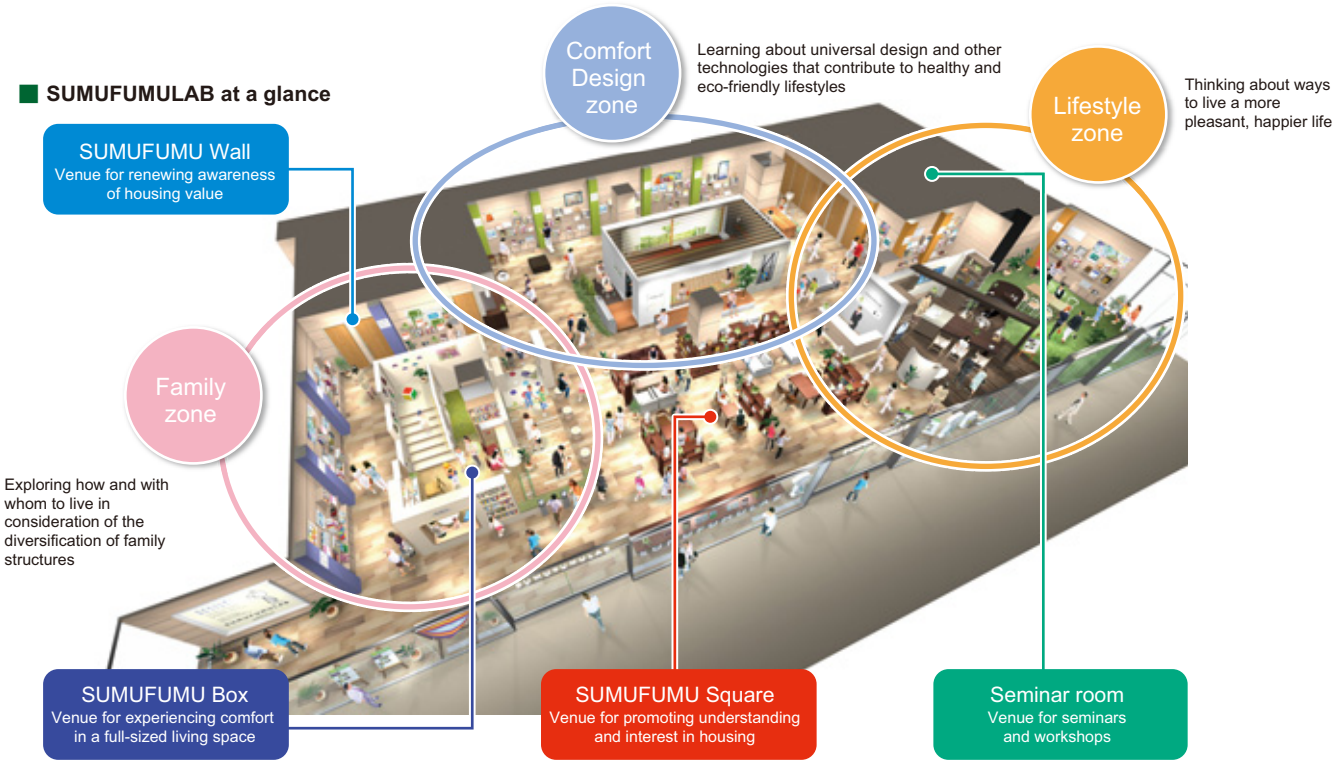
To address such societal needs, SUMUFUMULAB provides a venue to co-create new lifestyles to better enjoy life, focusing on making the time we spend at home more pleasant, under the motto, "Quality housing is the key to a happy life." Located in the Umekita urban center that attracts people of all ages and with different values, our SUMUFUMULAB invites visitors to think about the significance of living with people dear to us in a healthy, comfortable and pleasant environment, in light of the diversification of lifestyles. In doing so, we hope to promote innovations in housing culture and communicate our message widely to the public. SUMUFUMULAB is expected to play an important role as a platform for developing new projects and creating new values by encouraging interactions among professionals and specialists in various sectors, including our customers who are professional consumers and Sekisui House, a professional homebuilder; as well as experts, universities, educational institutions, member organizations of Knowledge Capital, the mass media and various other companies.

SUMUFUMULAB will embark on new initiatives for the future in succession as an information base that enables all stakeholders to refine their sensibilities and discover their ideal lifestyles, and also as an R&D base that encourages innovation through co-creation.

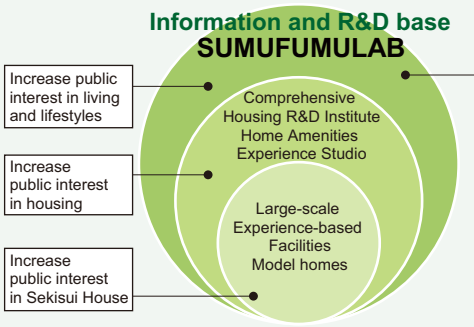
Conceptual diagram of the co-creation process at SUMUFUMULAB



SUMUFUMULAB at a glance



The position of SUMUFUMULAB in public facilities of Sekisui House



Meaning of SUMUFUMULAB

"SUMU" means "to live" in Japanese and "FUMU (FUMU)" is a sound uttered when one is convinced of something. As this name indicates, SUMUFUMULAB is a facility designed to stimulate the sensibilities of visitors by providing information, staging events and exhibitions, and offering opportunities for visitors to deepen their understanding of housing, think about "living" through hands-on experience, and discover how to better enjoy life, thereby convincing them of a new "value" of housing.

Basic data of SUMUFUMULAB

Name : SUMUFUMULAB
Venue : Future Life Showroom on the 4th floor of Knowledge Capital in Grand Front Osaka in the Umekita area, Osaka City
Area : About 660 m^2

Providing visitors with opportunities for hands-on experience of living comfort in a full-sized living space in three zones, while implementing a "co-creation" collaborative program

SUMUFUMULAB consists of three zones; namely, "Family," "Comfort Design" and "Lifestyle," each of which is furnished with attractive facilities such as the "SUMUFUMU Box" where a full-sized living space is open for visitors, the "SUMUFUMU Wall" which prompts visitors to renew their awareness of housing value, and the "SUMUFUMU Square," which is a venue to promote visitors' understanding and interest in housing in a relaxed setting like that of a cafe. From these facilities, visitors can learn many things about housing and living, ranging from the social background of homes and lifestyles to the latest technologies. Such knowledge, in turn, helps them discover their ideal lifestyles. Visitors can also participate in R&D programs by attending workshops and various other events.

In addition, we started "House of Dialogue," a long-running program, in SUMUFUMULAB as part of our "co-creation" efforts with "Dialogue in the Dark" (DID)—a much talked-about international project that gives visitors a unique experience of discovering how sharp their five senses are in complete darkness. By collaborating in this revolutionary project—which has been already attended by 100,000 people in Japan alone—we offer opportunities for visitors to learn and think about what it means to enhance their living comfort and to restore relationships.

At SUMUFUMULAB, we implement the PDCA cycle that consists of the abovementioned activities and continue efforts to create new values by leveraging the latest technologies, in partnership with visitors and our partners in "co-creation" programs. In so doing, we aim to make our "SLOW & SMART" housing culture widely known to the public.

"Co-creation" activities at SUMUFUMULAB

Visitors and partners in "co-creation" programs	Sekisui House
Refine sensibilities in a relaxed setting like that of a library or a cafe	Collect responses from visitors and use the data for R&D purposes
Discover new ideas for living and ideal lifestyles	Promote "co-creation" efforts in partnership with consumers, member organizations of Knowledge Capital and researchers
Contribute to creating future lifestyles by joining "co-creation" efforts	Enhance the social value of the company (to garner greater support in society)

Effects of "co-creation" efforts

- **Send messages from SUMUFUMULAB and its website and offer information to consumers**
- **Organize workshops jointly with consumers and various other stakeholders and promote planning of new product development**
- **Communicate information widely to the public through the mass media**

In addition, we are going to implement events in cooperation with all Knowledge Capital members.

Dialogue in the Dark

Groups of visitors are guided around a space of complete darkness where they explore and experience various settings led by experts in the world of darkness (visually impaired persons).

Organizational Management toward a Sustainable Society

Sekisui House considers CSR to be an important management principle and is committed to actively engaging in CSR in its daily business operations, based on the 4 values and 13 guidelines, established to achieve the Sustainable Vision. By inviting external stakeholders as members, the Sekisui House CSR Committee incorporates external viewpoints in designing specific policies for corporate activities to enhance CSR efforts.

Corporate philosophy, vision and CSR policy of Sekisui House

The corporate philosophy of Sekisui House Group has “love of humanity” at its core. Simply put, by “love of humanity” we mean “desiring happiness for others and treating their joy as our own.”

Specifically, we desire happiness for our stakeholders; namely, customers, employees and shareholders, and under the corporate philosophy, we pursue our CSR policy focusing on maximizing customer satisfaction (CS), employee satisfaction (ES) and shareholder satisfaction (SS).

As the principles that guide us to achieve this purpose, we defined four values—environmental value, economic value, social value and homeowner value—under our corporate vision, and sublimated these values into our Sustainable Vision.

Corporate philosophy

(Established in January 1989)

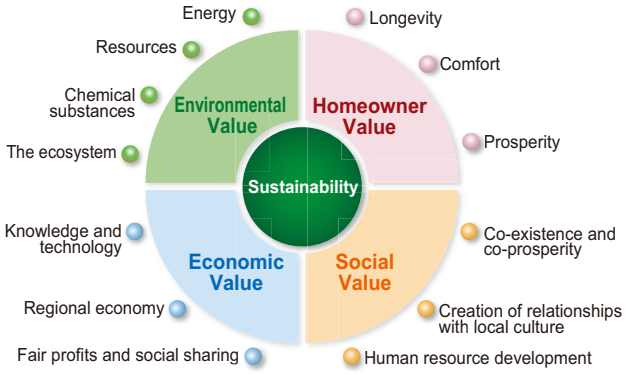
Love of humanity

Our underlying philosophy, love of humanity, means doing all things in good faith with a spirit of service, desiring happiness for others and treating their joy as our own, with the awareness that each and every human being has irreplaceable value.

CSR management based on 4 values and 13 guidelines

At Sekisui House, we determine the direction of our CSR activities based on 4 values and 13 guidelines—the principles of action we introduced to achieve our Sustainable Vision. In order to implement the PDCA cycle without fail, we review our corporate activities each year by assessing the extent we have achieved our social and environmental targets.

4 values and 13 guidelines



Matching ISO 26000 and Sekisui House’s 4 values and 13 guidelines

In 2010, the International Organization for Standardization launched ISO 26000, an international standard providing guidance applicable to all corporate organizations to fulfill their responsibilities to society.

The following table shows how Sekisui House’s 4 values and 13 guidelines, or principles of action introduced to achieve our Sustainable Vision, match the seven main themes of the ISO 26000 international standard. From this table, it is clear that there is a near-perfect correspondence between them. We will remain committed to our CSR activities based on these 4 values and 13 guidelines.

	4 values and 13 guidelines of Sekisui House		Corresponding main themes and goals of ISO 26000	
Value	Guideline	Description	Main theme	Goal
Environmental Value	Energy	Use of energy without depending on fossil fuels	Environment	Climate change mitigation and adaptation
	Resources	Use of resources within the regenerative capacity of natural ecosystems	Environment	Sustainable use of resources
	Chemical substances	Prevention of heterogeneous and hard-to-degrade substances from concentrating in the natural environment	Environment	Pollution prevention
	The ecosystem	Protection of natural cycle and biodiversity	Environment	Environmental protection, recovery of biodiversity and natural habitats
Economic Value	Knowledge and technology	Accumulation of wisdom and technologies to create sustainable values	Community participation and development	● Development of and access to technologies ● Job creation and skills development
	Regional economy	Revitalization of local economies	Community participation and development	● Community participation ● Education and culture ● Job creation and skills development
	Fair profits and social sharing	Pursuit of fair corporate profits and sharing the profits with society	● Organizational governance ● Fair business practice ● Community participation and development	● Fair competition ● Wealth and income creation ● Social investment
Social Value	Co-existence and co-prosperity	Establishment of relationships of co-existence and co-prosperity based on trust and empathy with various stakeholders in society	● Fair business practice ● Community participation and development	● Promotion of social responsibility within value chain ● Respect for property rights ● Community participation
	Creation of relationships with local culture	Preservation and enhancement of local culture and community development	● Consumer issues ● Community participation and development	● Protection of safety and health of consumers ● Community participation ● Education and raising awareness
	Human resource development	Human resource development to create sustainable values	● Human rights ● Labor practice	● Complaint resolution ● Discrimination and socially vulnerable groups ● Labor safety and health
Homeowner Value	Longevity	Construction of homes that are long beloved by residents and that grow more valuable over time	● Consumer issues ● Community participation and development	● Sustainable consumption ● Protection of consumer data and privacy ● Access to essential services ● Health, etc.
	Comfort	Offering a pleasant, healthy and comfortable living environment		
	Prosperity	Offering long-lasting prosperity		

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.

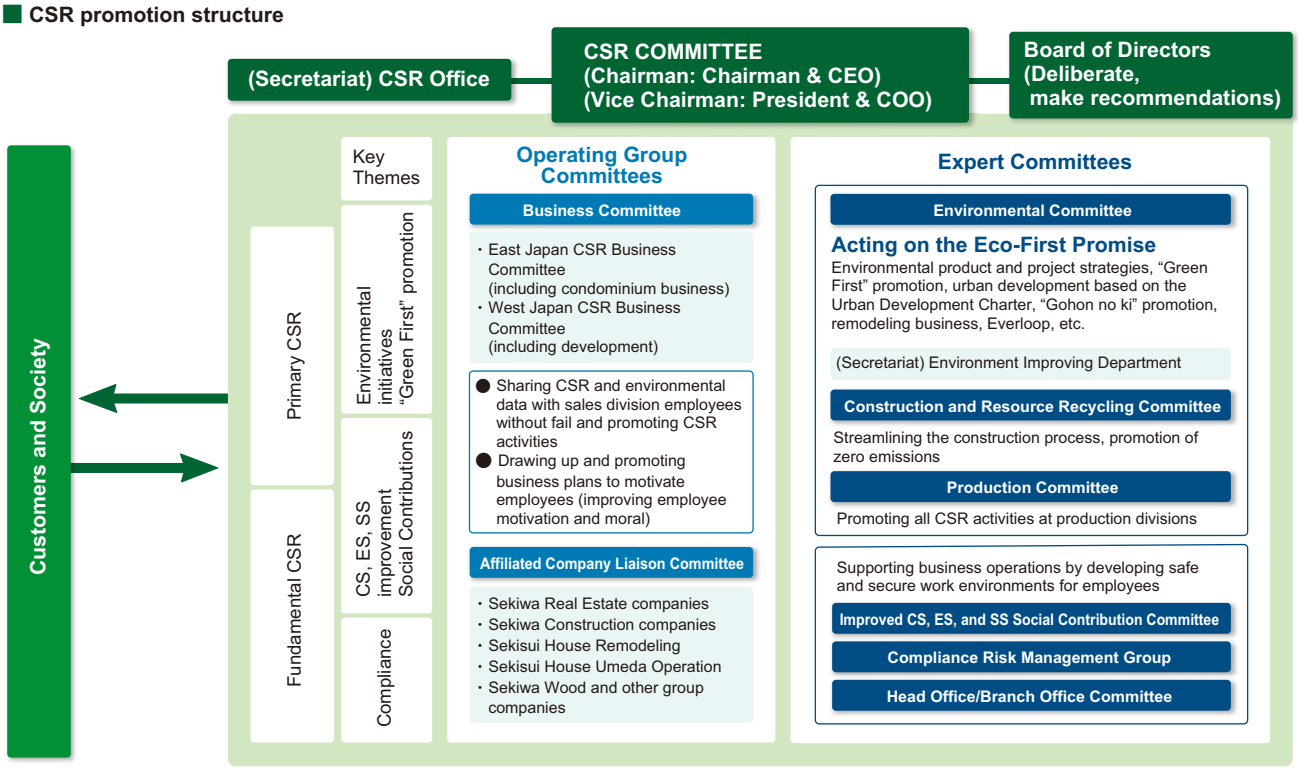
Led by our Chairman & CEO, the CSR Committee, which consists of board members, a selection of executive officers and three external stakeholders (a manager of an environmentally advanced company, a corporate management expert, and a compliance expert), meets once every three months. CSR Committee members are appointed by the board of directors.

Under the supervision of the CSR Committee, several committees are working to promote and further strengthen our CSR efforts.

Specifically, the Business Committee, one of the Operating Group Committees, is positioned as the focal point of the CSR activities which we undertake as part of our core business. This committee is responsible for our CSR process from formulating specific CSR plans to reviewing the outcomes of our activities, and is supported by six Expert Committees which are tasked with separate responsibilities based on their respective CSR themes. In addition, CSR promotion representatives are assigned to each of our business departments.

In fiscal year 2012, we accelerated our primary CSR efforts, especially by promoting the “Green First” initiative to contribute to resolving energy and other social challenges. At the same time, we strived to fulfill our fundamental CSR, which places emphasis on compliance.

CSR promotion structure



CSR management tool

We conduct a Governance Awareness Survey to find out whether the operations of each of our business sites comply with our Sustainable Vision and to clarify attitudes toward CSR and any problems by business site. The survey conducted in fiscal year 2012 showed improvement in scores in all the five indicators on a company-wide average basis, proving its effectiveness as a management tool.

This survey is conducted by means of a questionnaire involving all employees. Survey results are indexed and analyzed in terms of five indicators and used to shed light on the strengths and weaknesses of each business site and then to develop and implement sustainable management policies. In doing so, we aim to create an environment of open communication at each workplace that motivates employees to strive for higher performance. The resulting data is also put to practical use as a key tool in training programs for employees in managerial positions and as a topic for group discussions at each business site.

Five indicators covered by the Governance Awareness Survey

1. Corporate philosophy
2. Vision/strategy
3. Employee autonomy
4. Workplace culture
5. Compliance

Main stakeholders and Sekisui House Group's responsibility to them

As a company striving to contribute to society through homebuilding and community development, we, at the Sekisui House Group, are committed to fulfilling our duties to customers and all of our stakeholders with honesty and integrity to achieve mutual prosperity, in line with the following guidelines.

Main stakeholders	Our responsibilities	Some of the actions to meet the responsibilities	Page(s)
Customers	Promote communications with customers under the "customer first" policy to ensure their valuable assets (homes) have prolonged life spans and are long-beloved; and serve customers with sincerity and integrity to enhance customer satisfaction	● Conduct customer survey ● Publish regular information magazines, *Kizuna*, *Maisowner*, and *gm* ● Host a website: Net Owners Club Kizuna	5–8
Consumers	Facilitate disclosure of information, while remaining sensitive to the needs of society; and foster relationships of trust as part of our efforts to create a comfortable society and lifestyles	Offer venues for dialogue with consumers through the following: ● Zero Emission Center ● Comprehensive Housing R&D Institute ● Large-scale Experience-based Facilities ● Sustainable Design Laboratory ● Kankan kyo ● Housing seminars, and ● *Life Literacy Book*	5–8
Business partners	Strive to conduct transactions on a fair and equal basis and foster amicable partnerships which grow together by achieving customer satisfaction	● Organize the network of the Sekisui House Association and the Sekisui House Partners' Association ● Convene policy meeting ● Conduct supplier evaluation	65–66
Employees	Respect the diverse individuality of employees to ensure that they can fully demonstrate their competence and achieve creative growth through meaningful work, and develop a workplace environment and programs that motivate employees at work and ensure fair treatment, thereby enhancing ES	● Employee management in line with the Declaration for Human Resources Sustainability ● Internal open recruitment ● Internal qualifications ● Human relations training ● Governance Awareness Survey ● Occupational Health and Safety Management System ● Mental health management ● The Sekisui House Group's internal magazine: *Sekisui House*	67–69
Shareholders and investors	Ensure fair and transparent corporate management to maintain our value in society, with a view to further enhancing our corporate value through healthy growth and returning fair profits to our shareholders	● Convene general shareholders' meeting ● Publish Business Report and Annual Report ● Issue IR news mail ● Offer preferential treatment for shareholders	70
Communities	Endeavor to foster local culture and enhance living standards to ensure all people enjoy happy, satisfying lives, while contributing to preservation of the global environment; strive to share fair profits with society; and cooperate with and participate in social activities by leveraging our strength as a homebuilder active in the field of housing culture	● Cooperate with an NPO: Uzo Nishiyama Memorial Library ● Support independence of people with disabilities ● Cooperate with an NPO: the Kids Design Association ● Sekisui House Matching Program ● "Kobe Machizukuri Rokko Island Fund" charitable trust	71–73
All stakeholders	Ensure full compliance and eco-friendly practices and fulfill our accountability		35–38

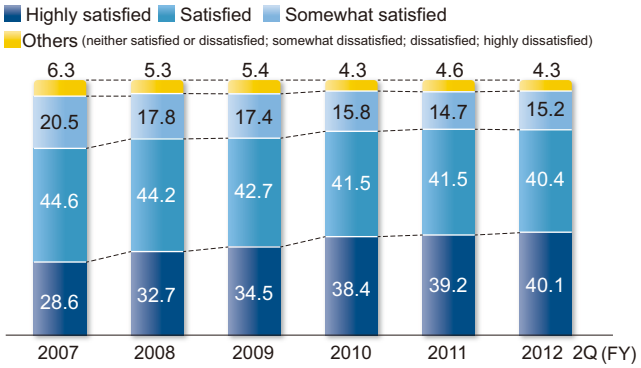
Challenges faced by our CSR management and measures to be taken

Upon review of our CSR activities in fiscal year 2012, we have placed special focus on the following three objectives during fiscal year 2013.

1 Ensure a higher level of customer satisfaction

We will work to further enhance customer satisfaction, which is a matter of vital importance for the Sekisui House Group. An example of one of the measures to achieve this purpose is to analyze the results of our customer surveys.

Results of past customer surveys on satisfaction (a seven-point scale evaluation)



2 Strengthen the supply chain

We will have closer communications with our partner building contractors and business partners to ensure we fulfill our responsibility to society in the supply chain.

3 Reinforce our CSR management overseas

Against the backdrop of the expansion of our overseas business, we will reinforce our CSR management efforts overseas to be a company needed by each local society.

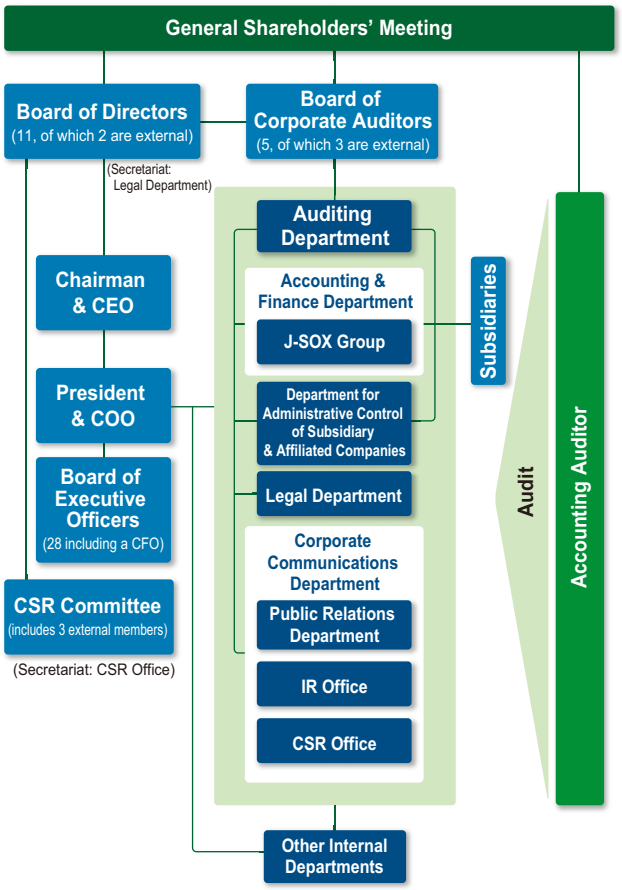
Corporate governance and internal control system

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

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

In addition, to ensure full compliance with the Financial Instruments and Exchange Law, strict internal controls (J-SOX) have been implemented on a group-wide basis, led by the J-SOX Group established within the Accounting & Finance Department.

Corporate governance structure (as of April 2013)



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.

Compliance promotion activities

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

Compliance best practices are only achievable with the consistent and combined efforts of both executive officers and employees. With this understanding, we have developed exhaustive compliance education and training programs and conduct e-learning sessions to educate all employees on the protection of personal information and newly hired employees on CSR and compliance best practices.

At Sekisui House Group, all executive officers and employees are required to submit a Corporate Ethics Compliance Pledge annually in October, which is designated as a "corporate ethics month." In fiscal year 2012, we provided venues for employees to have discussions on case studies at each workplace.

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 as well as the Sexual Harassment Hotline.

Protection of personal information

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

We have developed an information management structure compliant with the Personal Information Protection Law by appointing the Director of CS Promoting Department to take charge of the protection of personal information and establishing the Customer Personal Information Management Office. We also conduct regular employee training programs to ensure strict controls are maintained over the management of customer information. If customer information is disclosed by accident, we will give an account of the incident on our website together with the measures we will take to cope with the situation.

Risk management structure

Our group-wide risk management efforts are handled by the Compliance Risk Management Group, established under the CSR Committee with a view to identifying and managing risk that may undermine our credibility in society and taking appropriate measures to deal with such risk.

We also involve our group companies in our risk management efforts, mainly through the Affiliated Company Liaison Committee, to increase risk awareness and strengthen our risk management capacity on a group-wide basis.

We have made constant efforts to improve the disaster resistance of our housing products. Also, our own Business Continuity Management (BCM) system enables us to promptly respond to unexpected business disruptions that may take place when a disaster hits and immediately launch restoration and support activities.

Main tasks undertaken by the Compliance Risk Management Group during fiscal year 2012

- **Identify and sort possible risks**
- **Discuss the plan to reinforce monitoring by head office**
- **Ensure corporate practices in compliance with the Architect Act and the Construction Business Act**
- **Take measures to prevent leakage of confidential information**

Meeting our Commitments as an Eco-First Company without Fail

We were certified as an Eco-First Company by the Ministry of the Environment of Japan in June 2008 and we have since been steadily promoting our environmental initiatives.

While remaining committed to achieving our ultimate goals of global warming prevention, ecosystem preservation and resource recycling, we renewed our Eco-First Promise in part, in March 2012, in consideration of the changes in the social environment and the progress of our ongoing efforts.

During fiscal year 2012, we made the following progress in our Eco-First activities.

Eco-First Promise

Commitment to global environmental protection as an environmentally advanced company

We, Sekisui House, Ltd., along with the Sekisui House Group companies, are well aware of our obligations to society as a company with a track record of having delivered significantly more housing than any other housing manufacturer. We will ensure full compliance with all applicable laws and regulations and promote, through our environmental initiatives, the following activities in our sincere efforts to bring greater benefits to society.

Progress in major activities achieved in fiscal year 2012

1 We will take positive measures to achieve a reduction of CO_2 emissions from residential and industrial sources.

Promoting the “Green-First” initiative

Carrying out the “Smart Common City” development project nationwide

Promoting remodeling to retrofit photovoltaic power generation systems

2 We will continue to make concerted efforts toward restoration of ecosystem networks.

Promoting the “Gohon no ki” landscaping concept

Implementing a biodiversity survey

Implementing the Wood Procurement Guidelines

3 We will promote resource recycling to the fullest extent.

Utilizing the next-generation zero-emission systems

Encouraging acquisition of the Long-term Quality Housing Certification

Promoting the “Everloop” program to repurchase and renovate homes for subsequent sale

Playing a leading role as a member of the Eco-First Promotion Council

New environmental proverb competition

The 2012 competition invited elementary pupils and junior high school students all over Japan to submit new environmental proverbs concerning “earth and human friendly natural energy, such as sunlight, river currents, and wind power.” A total of 681 entries were received and after strict screening, we selected the winner of the Sekisui House Prize, one of the prizes offered by member companies.

Environmental Message EXPO 2012

On October 18, 2012, Environmental Message EXPO 2012 was held, in which Mr. Kenichi Ishida, Executive Officer and Chief Manager of the Environment Improving Department of Sekisui House, made a presentation titled “Homebuilding with zero CO_2 emissions and zero waste generation.”

Winner of the Sekisui House Prize in the Environmental Proverb Competition
“We have the gift from the sun saved on the roof of our house”

Miss Ayuko Sugihara

Second-grade pupil at Takasago Municipal Yoneda-nishi Elementary School, Hyogo Prefecture

Achievements in Key Indicators of our CSR and Environmental Management Efforts

The following table shows the achievements in the main target areas of Sekisui House Group's CSR and environmental management efforts covered in the Sustainability Report 2013.

Category	Indicator	Unit	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Definition and remarks
Global warming prevention	Total energy input	TJ	3,201	2,875	2,872	2,851	2,830	Amount of energy input at the development and design, production at factory, transportation, construction and demolition stages
	CO_2 emissions at the development and design, production at factory, construction and demolition stages	t-CO_2	142,610	127,324	123,125	119,969	114,780	Amount of CO_2 emitted at these stages per year
	CO_2 emissions at the transportation stage	t-CO_2	35,896	33,867	37,886	39,967	38,959	Amount of CO_2 emitted at the transportation stage per year
	Reduction of CO_2 emissions from the 1990 level (amount)	t-CO_2	—	28,179	37,468	39,372	42,074	Reduction of residential CO_2 emissions from new detached homes in comparison with the 1990 level (amount and %)
	Reduction of CO_2 emissions from the 1990 level (%)	%	—	43.7	49.4	51.3	55.7	
	Ratio of the "Green First" home to all Sekisui House detached homes	%	13.0	51.7	70.7	77.9	83.8	Ratio of the "Green First" home to all newly built Sekisui House detached homes
	Ratio of the "Green First" home to all Sekisui House low-rise apartments for leasing	%	—	—	19.0	27.1	44.6	Ratio of the "Green First" home to all newly built "Sha-Maison" low-rise apartments for leasing
	No. of houses retrofitted with a photovoltaic power generation system	house	68	718	1,634	2,569	7,249	No. of existing houses, built by Sekisui House and by other builders, that have been retrofitted with a photovoltaic power generation system under our remodeling project
Biodiversity preservation	No. of trees planted per year	10,000 trees	85	71	91	96	101	No. of trees planted per year under our gardening and greening plan
	Ratio of S-rank and A-rank wood products as defined by the Wood Procurement Guidelines	%	58	72	87	85	89	Based on the results of our survey with about 60 suppliers of wood products
Resource recycling	Total resource input	100 t	11,635	9,863	10,827	10,960	11,120	Refer to the "Material Balance" section
	Volume of waste generated	100 t	326	255	296	310	326	Including waste at the demolition stage
	Volume of waste generated at new build construction sites	kg	1,463	1,323	1,308	1,396	1,441	Amount per house (per 145 m^2)
	Ratio of houses with Long-term Quality Housing Certification	%	—	76.8	88.7	90.9	92.1	
Control of chemical substances	Ratio of houses furnished with the "Airkis" high-quality indoor air system	%	—	—	—	67.4	76.3	
Customers	Customer survey on satisfaction	%	94.7	94.6	95.7	95.4	95.7	Ratio of responders who answered "highly satisfied," "satisfied," or "somewhat satisfied" on a seven-point scale evaluation
	Ratio of houses furnished with the original "SHEQAS" seismic vibration absorption system	%	—	—	—	58.5	75.0	
Employees	Employment rate of persons with disabilities	%	1.77	1.80	1.66	1.75	1.90	Based on the Act for Employment Promotion etc. of Persons with Disabilities
	Ratio of female employees in managerial positions	%	0.56	0.74	0.89	1.02	1.21	
	No. of employees who took parental leave		125	114	117	143	150	
	Ratio of female employees who returned to work after parental leave	%	92.3	95.2	92.3	93.3	94.1	
	No. of employees who used the shortened work hour program		72	106	165	173	223	
Shareholders	Dividend payment ratio	%	140.8	—	46.6	46.6	40.5	Dividend paid ÷ net income x 100
	Annual dividend	yen	24	10	21	20	28	Dividend per share
Social contribution	No. of employees participating in the Sekisui House Matching Program		1,725	1,698	1,695	2,245	2,614	

Sekisui House pursues sustainability at various points of contact with society when carrying out its corporate activities


SUMUFUMULAB p. 33
Continuing group-wide efforts to achieve post-earthquake rehabilitation and reconstruction p. 09
Mobilizing manpower from all over Japan to accelerate the restoration and rehabilitation of the stricken areas
Coping with changes in the social structure to better meet emerging needs p. 61
Offering living environments where all people, including the elderly, children, and people with disabilities can live healthy and comfortable lives
Implementing the smart town project p. 23
Promoting creation of "smart common cities" with townscapes that grow more attractive over time, which encourage friendly neighborhood bonds
Preventing global warming p. 49
Contributing to a reduction of CO_2 emissions steadily and promptly by promoting our Green First design
The "Gohon no ki" landscaping concept p. 53
Preserving biodiversity p. 53
Planting 1,000,000 trees a year under our "Gohon no ki" landscaping concept to create gardens in a manner that preserves ecosystems and sustains the lives of wild creatures

Material Balance

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

We are collecting accurate data on the environmental impact caused by our corporate activities at each stage of the lifecycle of our housing products from development and design to raw material procurement, production at the factory, transportation, construction, occupancy, and demolition and disposal, all in cooperation with our group companies and business partners.

Environmental impact caused by our corporate activities during fiscal year 2012

Resource input

Development and design	Raw materials	Production at the factory	Transportation
Materials		**Materials** 1,112,000 t	
Paper 814.2 t		Wood 184,200 t	
		Plastics 24,200 t	
		Metals 297,200 t	
		Glass and ceramics 297,000 t	
		Paper 6,200 t	
		Others 303,200 t	
Energy 843,544 GJ		**Energy** 877,924 GJ	**Energy** 563,016 GJ
Electricity 47,684 MWh		Electricity 51,260 MWh	
Gasoline 9,923 kl		Kerosene 589 kl	
Gas 847,000 m³		Gasoline 69 kl	
		Light oil 88 kl	
		LPG 2,262 t	
		Gas 3,299,000 m³	
		LNG 1,947,000 m³	

Waste generation/CO_2 emissions

Development and design	Raw materials	Production at the factory	Transportation
Amount of CO_2 emissions 42,721 t-CO_2	**Amount of CO_2 emissions** 878,292 t-CO_2	**Amount of CO_2 emissions** 39,385 t-CO_2	**Amount of CO_2 emissions** 38,959 t-CO_2
Waste 618.3 t		**Waste** 23,712 t	
Paper 459.7 t		Wood waste 8,606 t (100%)	
Bottles 32.7 t		Plastics 628 t (100%)	
Cans 54.9 t		Metals 4,771 t (100%)	
PET bottles 26.7 t		Glass and ceramics 6,275 t (100%)	
Paper cups 7.7 t		Paper 223 t (100%)	
General waste*1 18.6 t		Sludge 2,904 t (100%)	
Noncombustible waste and industrial waste*1 18.0 t		Others 305 t (100%)	

*1 Amount of waste discharged from the head office building only

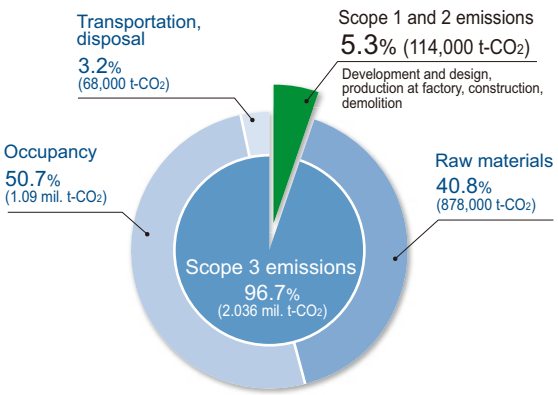
The figures in brackets show recycling rates.

Amount of CO_2 emissions by Scope (1-3) in fiscal year 2012

Starting from fiscal year 2012, we have disclosed our CO_2 emissions by Scope (1-3) in line with the methodology of the Greenhouse Gas Protocol. To reduce Scope 3 emissions, we are promoting the sales of the eco-friendly "Green First" model that contributes to reducing residential CO_2 emissions. It should be noted that we count only emissions attributable to detached houses as Scope 3 emissions, which are from materials and residential sources. Also, note that Scope 1 and 2 CO_2 emissions from construction and demolition include emissions from construction and demolition undertaken by partner building contractors that are not members of the Sekisui House Group. These emissions should have been counted as Scope 3 emissions, but due to the difficulty of distinguishing between the work undertaken by our group companies and that of non-group companies, we include them in Scope 1 and 2 emissions for the sake of simplicity.

Scope 1: CO_2 emissions resulting from the use of fuels by the Sekisui House Group
Scope 2: CO_2 emissions resulting from the use of electricity and heat purchased by the Sekisui House Group
Scope 3: CO_2 emissions resulting from the use of energy for mining, producing and transporting raw materials and disposing of waste by non-Sekisui House Group companies or customers, and from the use of energy while at home

*Greenhouse Gas Protocol "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" http://www.ghgprotocol.org/standards/scope-3-standard



We conducted an internal audit in fiscal year 2012 to check compliance with applicable laws and regulations at each division, and found no material breach of greenhouse gas-related laws and regulations. (There was no single case for which criminal punishment, administrative penalty, or administrative guidance was imposed.)

Construction

Energy 513,813 GJ

- Electricity ····· 14,918 MWh
- Light oil ····· 1,386 kl
- Gasoline ····· 9,112 kl

Amount of CO_2 emissions 30,483 t-CO_2

Waste 59,619 t

- Wood ····· 10,348 t (100%)
- Plastics ····· 12,602 t (100%)
- Metals ····· 4,467 t (100%)
- Ceramic materials ····· 9,356 t (100%)
- Paper ····· 6,584 t (100%)
- Plasterboards ····· 13,110 t (100%)
- Others ····· 3,152 t (100%)

The figures in brackets show recycling rates.

Occupancy

Amount of CO_2 emissions 1,090,079 t-CO_2

Demolition

Energy 31,652 GJ

- Light oil ····· 829 kl

Amount of CO_2 emissions 2,191 t-CO_2

Waste 226,708 t

- Wood waste ····· 43,730 t (98%)
- Metal waste ····· 4,776 t (100%)
- Glass and ceramic waste ··· 34,869 t
- Plasterboards ····· 6,905 t
- Concrete waste ····· 81,362 t (100%)
- Mixed construction waste ····· 15,191 t
- Earth and sand, etc. ····· 39,875 t

The figures in brackets show recycling rates.

Disposal

Amount of CO_2 emissions 28,707 t-CO_2

Notes on the data

○ Scope of coverage: We considered the data of Sekisui House, Ltd. on a non-consolidated basis and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd., provided that in calculating the emissions from construction and demolition, we also considered the data of companies of our subsidiary, Sekiwa Construction and our partner building contractors, and that Scope 3 CO_2 emissions include those attributable to parties other than the Sekisui House Group companies.
○ Period covered: In principle, data during fiscal year 2012 (from February 2012 to January 2013) is considered, including some estimated figures due to unavailability of final data.

■ Development and design (including the data of sales and administration divisions and model homes)

Materials: paper purchased for use with OA equipment
Energy and CO_2: the amount of energy consumption and CO_2 emissions by our offices and model homes
Waste: the volume of waste generated by our offices and model homes

■ Raw materials

CO_2: the estimated amount of CO_2 emissions resulting from production of raw materials used for manufacturing detached houses

■ Production at the factory

Materials: the amount of raw materials used for manufacturing detached houses
Energy and CO_2: the amount of energy consumption and CO_2 emissions by the five Sekisui House factories and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.
Waste: the volume of waste generated by the five Sekisui House factories

■ Transportation

Energy and CO_2: the amount of energy consumption and CO_2 emissions by specified consigners under the Act on the Rational Use of Energy

■ Construction

Energy and CO_2: the estimated amount of energy consumption and CO_2 emissions resulting from construction by Sekiwa Construction companies and partner building contractors
Waste: the volume of waste generated from new build construction, after-sales maintenance, and remodeling sites

■ Occupancy

CO_2: the estimated amount of CO_2 emissions during occupancy at detached houses built in FY 2012 (The estimation is calculated assuming an occupancy of 30 years.)

■ Demolition

Energy and CO_2: the estimated amount of energy consumption and CO_2 emissions resulting from the use of heavy machinery by Sekiwa Construction companies and partner building contractors for the purpose of demolition
Waste: the volume of waste generated from demolition by Sekiwa Construction companies and partner building contractors

■ Disposal

CO_2: the estimated amount of CO_2 emissions resulting from the disposal of waste generated from demolition by Sekiwa Construction companies and partner building contractors

Summary of the Results of Fiscal Year 2012 and

Social Targets and Actual Performance

Plan

	Major Focus	Fiscal Year 2012 Target
CSR Policy and Structure	CSR promotion structure and penetration	● Continue group training and e-learning programs to raise CSR awareness
		● Implement the PDCA cycle more effectively focusing on the targets and results of each business site. Raise the level of initiatives
	Compliance management	● Ensure proper management is in place at each branch office. Further enhance compliance awareness among all employees using various tools
		● Continue efforts to develop a work environment where human rights are respected and employees are free to exercise their skills and abilities, under the lead of business site managers
		● Continue to implement the internal control system to the fullest and reinforce our risk management ability
	Communication with society	● Provide opportunities for dialogue with stakeholders, such as a venue to exchange opinions concerning the sustainability report
For Our Customers	Customer satisfaction	● Encourage communications with customers and achieve greater customer satisfaction
	Safe, reliable, healthy and comfortable homes	● Offer housing components and living spaces incorporating Smart Universal Design to ensure “comfortable living—now and always” for residents of all ages
		● Promote the “SHEQAS” original seismic vibration absorption system to bring greater comfort
		● Support safe, reliable and comfortable homebuilding by effective use of our innovative hands-on learning facilities such as the Home Amenities Experience Studio and Large-scale Experience-based Facilities
		● Encourage communications with tenants of low-rise apartments to enhance their satisfaction
	Community development and local culture	● Organize the “Community Visiting Day” and “Community Fair” events in an increasing number of locations to encourage local community building efforts and the continuation of local culture
For Our Employees and Business Partners	Commitment to employees	● Improve employee interview and personnel assessment systems and take other appropriate measures to create a corporate environment where employees feel happy and motivated in their work in line with our Declaration for Human Resources Sustainability
		● Create a work environment where female employees are fully motivated in their work and can make meaningful contributions to the company; promote career development options for female employees by increasing awareness of the principle of equal opportunities
		● Leverage our pool of diverse human resources by promoting the use of various internal work programs and systems; take immediate measures to increase the number of persons with disabilities employed by the company
		● Ensure best practices in labor management compliance to support work style diversity and work-life balance
		● Encourage the health and safety committees in respective business sites to take positive measures to further enhance occupational health and safety
	Commitment to partner building contractors and business partners	● Ensure full compliance with our Corporate Ethics Guidelines and other rules across all Sekisui House and group company employees and maintain good relationships with our business partners
For Our Shareholders and the Community	Commitment to shareholders and investors	● Ensure an average dividend payment ratio of at least 40% over the medium term so that we will be able to offer a high dividend yield to our shareholders and maintain sound management on a medium- and long-term basis. The target dividend is ¥25 per share; namely, ¥12 midterm dividend and ¥13 year-end dividend.
	Housing culture improvement and education support	● Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community
		● Further enhance educational initiatives through our hands-on learning and other facilities and expand workplace visits and teacher dispatch programs
	Contribution to society	● Increase the activity level of social contribution programs through improved information sharing and dissemination
		● Disburse ¥16.6 million to 21 organizations including NPOs for the seventh round of grant aid under the Sekisui House Matching Program; take measures to deepen understanding of the program among employees and encourage the participation of employees in the program
		● Support activities that can contribute to creating international and culture-rich communities in Kobe City through the Kobe Machizukuri Rokko Island Fund charitable trust

Targets for Fiscal Year 2013

Do	Check	Action
Results of Fiscal Year 2012	**Reference page no.**	**Rating**	**Fiscal Year 2013 Target**
● We worked with each of our employees to engage in CSR activities with the use of our e-learning tool.	35–36	○	● Continue group training and e-learning programs to raise CSR awareness
● We reexamined the targets and results of CSR initiatives in respective areas and took improvement measures, thereby eliminating discrepancies in performance among business sites.		○	● Implement the PDCA cycle more effectively focusing on the targets and results of each business site; raise the level of initiatives
● All employees were made to submit a pledge to comply with our Corporate Ethics Guidelines. We conducted a Governance Awareness Survey and used the survey results as a tool to review our management style.	35–38	○	● Ensure proper management is in place at each branch office; further increase compliance awareness among all employees by using various tools
● Business site managers conducted human relations training sessions involving all employees. We assigned personnel tasked with addressing sexual and power harassment problems to all business sites and conducted training to improve their skills.		○	● Continue efforts to develop a work environment where human rights are respected and employees are free to exercise their skills and abilities, under the lead of business site managers
● We implemented new work rules correctly. No serious compliance problem arose during fiscal year 2012.		○	● Continue to implement the internal control system to the fullest and reinforce our risk management ability
● We offered various venues for communications with a wide range of stakeholders to share our vision of sustainable living, including our Zero Emission Center, Sustainable Design Laboratory and Kankan kyo.	05–08 33–34	○	● Promote communications with a wide range of stakeholders in various ways to explore sustainable living, by using SUMUFUMULAB, which opened in April 2013, and other facilities
● Our customer survey on satisfaction showed that 95.7% of responders are satisfied with our products and services. We updated the contents of our website "Net Owners Club Kizuna" twice a month to bring the latest information to customers, while publishing a regular magazine for them. We also conducted questionnaires, analyzed the results and took improvement measures.	37	○	● Encourage communications with customers and achieve greater customer satisfaction
● Our "Sekisui Nattoku Kobo Studio experience training and SH-UD Master Planner Programme" won the Grand Award/Minister of Economy, Trade and Industry Award at the IAUD Awards 2012. In recognition of our efforts in a wide array of fields, we were also given prizes for our six initiatives in the "6th Kids Design Award," including two Special Chief Judge's Prizes.	63	○	● Offer housing components and living spaces incorporating Smart Universal Design to ensure "comfortable living—now and always" for residents of all ages
● The ratio of Sekisui House homes equipped with the "SHEQAS" system reached 75.0%.	59	○	● Continue our efforts to promote SHEQAS
● Our Home Amenities Experience Studio was visited by 33,377 people, the Large-scale Experience-based Facilities by 95,421 people, and Sumai-no-kagakukan (medium-sized experience-based facilities) by 87,691 people.	05	○	● Support safe, reliable, healthy and comfortable homebuilding by effective use of our innovative hands-on learning facilities such as the Home Amenities Experience Studio and Large-scale Experience-based Facilities
● We handled the subleasing and management of a total of 506,353 residential units and the occupancy rate reached 96.0%. The MAST Club service for tenants gained a membership of approximately 484,000 individuals.	—	○	● Encourage communications with tenants of low-rise apartments to enhance their satisfaction
● We held a "Community Visiting Day" event twice a year, involving a total of 529 detached houses at 134 locations and 170 condominium residential units in nine locations. We also held 54 "Community Fair" events.	23–26	○	● Organize the "Community Visiting Day" and "Community Fair" events in an increasing number of locations to encourage local community building efforts and the continuation of local culture
● We revised our personnel assessment system in part in a manner to enhance employee motivation and satisfaction. Our vigorous corporate culture is being further reinforced in line with our corporate philosophy.	67–69	○	● Improve employee interview and personnel assessment systems and take other appropriate measures to create a corporate environment where employees feel happy and motivated in their work in line with our Declaration for Human Resources Sustainability
● We were chosen from among companies in the housing and construction industry to be part of the "Nadeshiko" list by the Tokyo Stock Exchange. We saw a steady increase in the number of high-caliber married female sales personnel who successfully balanced work and family life/motherhood. The number of female managers increased to 52 within the Sekisui House Group. (1.21% of all managers)		○	● Create a work environment where female employees are fully motivated in their work and can make meaningful contributions to the company; promote career development options for female employees by increasing awareness of the principle of equal opportunities
● Twenty-one employees were assigned to a different work category under the Work Category Transfer Program, and 13 employees returned to work under the Retiree Reinstatement Registration Program. The employment rate of persons with disabilities increased to 1.90%.		○	● Leverage our pool of diverse human resources by promoting the use of various internal work programs and systems; take immediate measures to increase the number of persons with disabilities employed by the company
● We were granted the "Kurumin" certification (for the third time) for our significant support to employees with children. The number of female employees taking parental leave increased to 131, while the number of employees using the Shortened Work Hour Program increased to 223. Productivity was increased through training programs that encouraged improvement in working styles and work processes. Out of all female employees taking parental leave, 94.1% returned to work after the expiration of the leave period.		○	● Ensure best practices in labor management compliance to support work style diversity and work-life balance
● Thirty-seven occupational accidents (an increase of 7 cases from the previous year) and 9 commuting accidents (a decrease of 9 cases from the previous year) took place. Human relations training was held focusing on mental health.		○	● Encourage the health and safety committees in respective business sites to take positive measures to further enhance occupational health and safety
● We checked our subcontracting practice as part of our internal control inspections to ensure fair business dealings were in place. We held policy meetings twice a year.	65–66	○	● Ensure full compliance with our Corporate Ethics Guidelines and other rules across all Sekisui House and group company employees and maintain good relationships with our business partners
● We ensured an average dividend payout ratio of 40.5%. Annual year-end dividend was ¥28 per share, up by ¥3. We continued to implement the Shareholder Preferential Points Program and Shareholder Preferential Gift Program.	70	○	● Ensure an average dividend payment ratio of at least 40% over the medium term so that we will be able to offer a high dividend yield to our shareholders and maintain sound management on a medium- and long-term basis. The target dividend is ¥36 per share; namely, ¥18 midterm dividend and ¥18 year-end dividend.
● Our housing seminars attracted 729 participants, while 225 applications were received for our Internet housing webinar. The Real Size Thinking competition for ecological living space design, held to encourage industrial-academic collaboration and interactions among universities received 222 entries from 51 universities around Japan.	71–73	○	● Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community
● Student visitors totaled 5,947 at our Home Amenities Experience Studio, Large-scale Experience-based Facilities and Sumai-no-kagakukan (medium-sized experience-based facilities). A hands-on agricultural program was implemented for elementary school and kindergarten children on the Shin-satoyama grounds. We also continued the implementation of three other environmental educational programs, including an energy conservation seminar (Housecology) and "Letters from Dr. Forest."		○	● Further enhance educational initiatives through our hands-on learning and other facilities and expand workplace visits and teacher dispatch programs
● We purchased 35,045 "SELP product" pieces made by persons with disabilities which we used as promotional merchandise, and organized Disabled Persons Week events in cooperation with governmental agencies, economic bodies, NPOs and other companies. We continued our volunteer activities in the "Company Forest" in Wakayama Prefecture. We have implemented a total of 2,283 volunteer programs, joined by 16,665 employees in total. Six employees have taken volunteer leave.		○	● Increase the activity level of social contribution programs through improved information sharing and dissemination
● The Momo-Kaki Orphans Fund Program established to offer financial assistance to children orphaned by the Great East Japan Earthquake made a second donation of ¥9.5 million. The seventh round grant aid of the Children's Fund and Eco-Fund totaled ¥16.60 million, which was disbursed to 21 organizations, while 139 programs applied for the eighth round grant aid. The number of members of these funds reached 2,614. We also donated about ¥220 million for the construction of Child Chemo House.		○	● Disburse ¥20.4 million to 22 organizations for the eighth round of grant aid under the Children's Fund and Eco-Fund, which will make the total amount of grant exceed ¥100 million; take measures to deepen understanding of the program among employees and encourage the participation of employees in the program
● We awarded ¥19.8 million to 34 programs during fiscal year 2012. The amount of grants we have offered since the establishment of this fund totals ¥365.96 million.		○	● Award ¥19.7 million to 36 programs during fiscal year 2013

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

Environmental Targets and Actual Performance

Plan

	Major Focus	Fiscal Year 2012 Target
Reducing CO_2 Emissions	Reducing residential CO_2 emissions	● Orders for 12,000 photovoltaic systems for detached houses
		● Receive orders for 6,000 houses with fuel cell systems
		● Increase the rate of the Green First model to all Sekisui House detached homes to 80%
		● Increase window and door insulation updates to 74,400 m^2; install high-efficiency water heaters in 4,700 homes; install photovoltaic systems in 3,500 homes; sell 3,500 sets of energy-efficient bath fixtures (The social target to "actively promote eco-friendly remodeling solutions to add to the capability to conserve and produce energy for existing homes" shown in our 2012 Sustainability Report was included here.)
		● Ensure all the ready-built houses newly offered for sale are certified to be environmentally symbiotic
		● Promote sales of the "Sha-Maison Green First" eco-friendly model and increase its rate to 30% of all orders received for low-rise apartments for leasing (This target was moved from the "Social Targets" category.)
	Reducing CO_2 emissions from business activities and production process	● Achieve 6.2% and 3.0% reduction in CO_2 emissions per square meter of floor area shipment at the production and transportation stages respectively, from the fiscal year 2011 level
		● Increase the rate of fuel-efficient vehicles and that of low-emission vehicles to all company-owned vehicles to 94% and 98% respectively
Ecosystem Protection	Reduce impact on ecosystems during procurement	● Begin full implementation of the new Wood Procurement Guidelines
		● Increase the rate of S-rank and A-rank wood products as defined by the Wood Procurement Guidelines to 90%
		● Continue to consider acquiring the Chain-of-Custody (CoC) certification that verifies that wood products come from certified forests
	Preservation of ecosystems through landscaping	● Plant one million trees a year
		● Plant trees under our "Gohon no ki" landscaping concept in all ready-built houses newly offered for sale
Resource Recycling	Recycling at factories and construction sites	● Achieve a 3% reduction of waste per square meter of floor area shipment at the production stage at factories from the fiscal year 2011 level
		● Achieve 100% introduction of an electronic manifest system by the end of July 2012
		● Reduce waste at the new build construction sites to 1,200 kg per house (per 145 m^2)
Others	Recycling at offices	● Increase the green purchasing rate to 95%
	Control over chemical substances	● Encourage the installation of the "Airkis" high-quality indoor air system in our major steel-frame homes
	Environmental activities by employees	● Continue to take electricity-saving measures, especially during the summer and winter seasons

Do	Check		Action
Results of Fiscal Year 2012	Reference page no.	Rating	Fiscal Year 2013 Target
● We received orders for photovoltaic systems for 11,920 detached houses. Though the result was slightly below the target, the rate of houses with a photovoltaic system increased by 3% to 74.9% from the previous year.	50	○	● Achieve 80% in the rate of houses with a photovoltaic system
● We received orders for fuel cells for 8,095 houses. We received 35% more orders than our target. As a result, the rate of houses equipped with fuel cells exceeded 50%.	50	○	● Achieve 60% in the rate of houses with fuel cells
● The rate reached 83.8%, 3.8% higher than the target.	22 49	○	● Promote the Green First ZERO model instead of the Green First model and achieve 40% in the rate of this model
● We installed 44,052 m^2 of window and door insulation, high-efficiency water heaters in 3,887 homes, and photovoltaic power generation systems in 6,058 homes, and sold 3,513 sets of energy-efficient bath fixtures. Though we achieved a dramatic increase and met the targets in the installation of photovoltaic systems and the sales of energy-efficient bath fixtures, we failed to achieve other targets. In the installation of photovoltaic systems in Sha-Maison low-rise apartments for leasing, we achieved an impressive seven-fold increase from the previous year.	52	△	● Increase window and door insulation updates to 52,000 m^2; install high-efficiency water heaters in 4,200 homes; install photovoltaic systems in 6,100 homes; sell 4,000 sets of energy-efficient bath fixtures
● Only 80% of the ready-built houses offered for sale were certified to be environmentally symbiotic. Though we strived to obtain the environmentally symbiotic house certification for our ready-built houses offered for sale, only 80% of them were granted the certification.	—	△	● Ensure all our ready-built houses newly offered for sale are certified to be environmentally symbiotic
● The rate of the Sha-Maison low-rise apartments for leasing with photovoltaic systems increased to 44.6%. We achieved a result 1.5 times higher than the target, partly due to the feed-in tariff system.	49	○	● Achieve 60% in the rate of the Sha-Maison low-rise apartments for leasing with photovoltaic systems
● We achieved 1.3% and 2.2% reduction in CO_2 emissions per square meter of floor area shipment at the production and transportation stages respectively, from the fiscal year 2011 level. To reduce CO_2 emissions from production at our factories, we changed fuel from heavy oil (Bunker A) to gas at our Hyogo Factory. We also took measures to improve the transportation efficiency between our factories and logistics centers to reduce CO_2 emissions from transportation. Despite these efforts, however, we failed to meet the targets.	—	△	● Achieve 1.0% and 1.3% reduction in CO_2 emissions per square meter of floor area shipment at the production and transportation stages respectively, from the fiscal year 2012 level Target for our Bellburn production lines will be set separately, when regular shipment begins at the Shizuoka and Tohoku factories.
● The rate of fuel-efficient vehicles and that of low-emission vehicles increased to 94.1% and 97.6% respectively. We achieved the target for fuel-efficient vehicles, and almost achieved the target for low-emission vehicles, as well.	—	○	● Increase the rate of fuel-efficient vehicles and that of low-emission vehicles to all company-owned vehicles to 95% and 98% respectively
● We implemented the revised guidelines. We conducted a survey on the actual situation based on the revised guidelines. To ensure continuity, we used the existing procurement ranks from S to C, while introducing a point-addition scoring system.	55	○	● Give specific guidance to each supplier
● The rate increased to 89%. We almost achieved the target.	55	○	● Increase the rate to 95%, provided, however, that we will consider indicating the rate of socially conscious wood products separately
● Discussions were held by relevant departments on the acquisition of CoC certification. As a result of the discussions, we came to the conclusion that we were not ready to take action to acquire the certification, and decided to put this issue on hold for the time being. As a contractor, we undertook some CoC-certified projects.	—	△	● Continue to consider obtaining CoC certification
● We planted 1,010,000 trees a year. We ensured full implementation of the management indicators to increase orders for tree planting at each business site and shared these indicators on a company-wide basis.	54	○	● Plant 1,100,000 trees a year
● We planted trees under our “Gohon no ki” landscaping concept in all the ready-built houses offered for sale. Trees were planted in all the ready-built houses offered for sale, in addition to those offered for sale on the “Community Visiting Day.”	—	○	● Plant trees under our “Gohon no ki” landscaping concept in all our ready-built houses newly offered for sale
● We achieved a 1.7% reduction from the fiscal year 2011 level. While we achieved reduction in wood, metal, and concrete waste, the use of a wider variation of paints resulted in an increase in sludge. Consequently, we failed to meet the target.	—	△	● Achieve a 2.2% reduction from the fiscal year 2012 level Target for our Bellburn production lines will be set separately, when regular shipment begins at the Shizuoka and Tohoku factories.
● We achieved 100% introduction of an electronic manifest system by the end of January 2013. The rate of business sites with an electronic manifest system increased from 9.6% in fiscal year 2009 to 100% by the end of fiscal year 2012. We will promote the implementation and improvement of this system to enhance its usability.	57	○	● Continue efforts to develop a more effective and reliable waste management system using advanced information technology
● 1,441 kg We introduced a collective target to replace the individual target set for each housing type.	—	×	● Continue efforts to achieve a reduction in waste to 1,200 kg
● The green purchasing rate increased to 93%. The rate remained unchanged from the previous year at 93% despite our continued efforts to encourage green purchasing.	—	△	● Increase the green purchasing rate to 95%
● About 80% of our major steel-frame homes have been equipped with the “Airkis” high-quality indoor air system by the end of the fiscal year. Dramatic progress was achieved in the adoption of this system backed by increasing health awareness.	—	○	● Promote the introduction of the “Airkis” system in the Sha-Maison low-rise apartment for leasing
● We continued efforts to reduce electricity consumption, especially during the summer and winter seasons. We achieved a 26% reduction of electricity consumption from the fiscal year 2010 level at our offices and model houses during the summer season.	52	○	● Continue company-wide efforts to reduce electricity consumption during the summer and winter seasons

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

Activity Report 1

Preventing global warming

Against the backdrop of the aftereffects of the Great East Japan Earthquake that are still being felt today, Japan's energy policy is now undergoing a drastic change. To meet our responsibility to society as a leading company in the housing industry, we continued concerted efforts in fiscal year 2012 to contribute to a stable supply of electricity and prevent global warming by reducing CO_2 emissions. Specifically, we took steady and prompt action to encourage wider use of renewable energy through our Green First initiative and increased the rate of the Green First homes to all Sekisui House homes, both newly built detached homes and low-rise apartments for leasing. We also focused our group-wide efforts on installing and retrofitting photovoltaic power generation systems. As a result of these efforts, the number of houses furnished with a photovoltaic power generation system grew to 21,305, with total generation capacity amounting to 86 MW, exceeding the capacity of Japan's largest mega solar power plant. With these achievements, we are outperforming our competitors in the industry.

In April 2013, we launched the "Green First ZERO" home that enables energy-neutral living, thereby leading the initiative of the Japanese government to create a sizable market for the net zero energy house by 2020.

Contributing to a reduction promptly by promoting our

Reducing CO_2 emissions

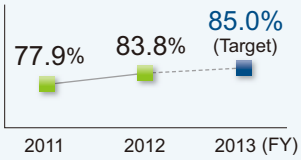
The rate of the Green First home to all Sekisui House newly built detached homes increased to 83.8%.

Newly built detached homes

Leading the eco-friendly home market by offering an optimal combination of solutions to meet individual user needs

Our Green First eco-friendly model is equipped with a highly efficient heat insulation system that meets the next-generation energy-saving standard, as well as the latest housing features such as a photovoltaic power generation system, fuel cells, and a high-efficiency water heater which are combined in a manner best suited to the respective lifestyles, family structures, and site conditions of customers. By bringing the highest level of comfort, cost performance and environmental friendliness in a well-balanced fashion, the Green First model allows residents to enjoy comfortable lives while reducing CO_2 emissions, thus contributing to the creation of a low-carbon society. The ratio of Green First homes equipped with either a photovoltaic power generation system or fuel cells to all the newly built Sekisui House homes increased from 77.9% to 83.8% in fiscal year 2012.

Growth of the ratio of the Green First home to all the Sekisui House detached homes



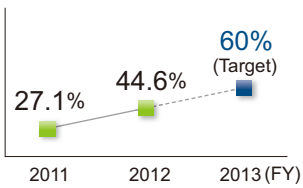
The ratio of the Green First home in fiscal year 2012: 83.8%

Sha-Maison low-rise apartments for leasing

Backed by a growing popularity among owners and tenants, photovoltaic power generation systems are installed in an increasing number of our low-rise apartments—the "Sha-Maison Green First" model.

We have been promoting the sales of the "Sha-Maison Green First" model, a low-rise apartment for leasing, equipped with a photovoltaic power generation system. This model allows tenants to reduce their utility costs with its photovoltaic power generation system, and brings a competitive advantage to owners with its environmental friendliness that can appeal to people looking for houses for leasing. In fiscal year 2012, we installed photovoltaic power generation systems in 44.6% of our low-rise apartments for leasing (2,136 apartments).

Ratio of the Sha-Maison Green First model to all Sekisui House low-rise apartments for leasing



of CO_2 emissions steadily and Green First design

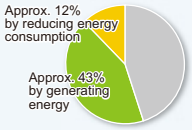
We will take positive measures to achieve reduction of CO_2 emissions from residential and industrial sources.

Green First

Equipped with a highly efficient heat insulation system that meets the next-generation energy-saving standard, and either a photovoltaic power generation system or ENE FARM fuel cells.

Photovoltaic power generation system OR Fuel cells

In comparison with ordinary homes, residential CO_2 emissions* can be reduced by:



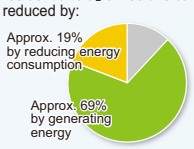
Approx. 55% in total

Green First Premium

Equipped with both a photovoltaic power generation system and ENE FARM fuel cells, which together bring greater comfort, economy and environmental friendliness.

Photovoltaic power generation system AND Fuel cells

In comparison with ordinary homes, residential CO_2 emissions can be reduced by:



Approx. 88% in total

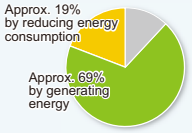
Green First HYBRID

Developed as an upgraded version of the Green First Premium model by adding storage cells. With the world's first housing design that combines three different types of cells, this model meets basic living needs even in the event of an emergency, while ensuring the same level of environmental friendliness as the Green First Premium.

Combination of three different types of cells

Photovoltaic power generation system, Fuel cells, Storage cells

In comparison with ordinary homes, residential CO_2 emissions can be reduced by:



Approx. 88% in total

*Data is based on a five-person household (consisting of an adult man, an adult woman who stays at home all day, an elementary school pupil, a high school student and an elderly woman aged over 70) living in Tokyo in a house of 155.78 m^2 (of which the living, dining and kitchen space accounts for 35.5 m^2). The amount of electricity consumed for each use is calculated based on the "Schedule" published by the Society of Heating, Air Conditioning and Sanitary Engineers of Japan. The amount of electricity generated by a photovoltaic power generation system is calculated based on the "National average solar radiation data map" issued by the New Energy and Industrial Technology Development Organization (NEDO). The CO_2 emission coefficient is taken from the Monitoring and Reporting Guidelines (ver. 2.0) for Japan's Voluntary Emissions Trading Scheme issued by the Ministry of the Environment.

Further strengthening the Green First initiative to reduce CO_2 emissions from residential sources

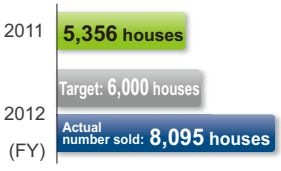
With the successful implementation of our Green First initiative, we reduced CO_2 emissions from newly built Sekisui House detached homes by 42,074 tons in fiscal year 2012, up by 9% from 39,372 tons in fiscal year 2011. In the wake of the Great East Japan Earthquake, a major shift in public awareness has been occurring in Japanese society. Today, housing and energy issues are no longer addressed in the context of reducing CO_2 emissions to prevent global warming alone; instead, we recognize these issues as our own everyday problems that can threaten the stable supply of electricity and lead to a rise in electricity rates. It should also be noted that while energy-saving efforts have contributed to curbing the increase in energy consumption at home to some extent, these efforts have not resulted in a substantial reduction of CO_2 emissions because of an increased dependence on thermal power generation. Against this backdrop, we have been promoting passive design solutions to enhance heat insulation efficiency and better control wind and sunshine with an aim to bring greater comfort while reducing CO_2 emissions and utility costs at the same time. Under this concept, we developed the "Green First ZERO" model and launched the model onto the market. This new model helps residents significantly reduce energy consumption at home with its high-efficiency heat insulation system combined with energy-saving equipment. Furthermore, this model allows residents to generate electricity at home with its photovoltaic power generation system and fuel cells, and thus enables residents to live an energy-neutral life. With the new Green First ZERO model, we took the initiative in developing the predecessor to the net zero energy house, which the Japanese government is promoting to capture a sizable share of the market by 2020. We will promote sales of the Green First ZERO model to increase the ratio of this model to all Sekisui House detached homes to 40% and 60% in fiscal years 2013 and 2014 respectively.

Growth in sales of newly built detached homes with photovoltaic power generation systems

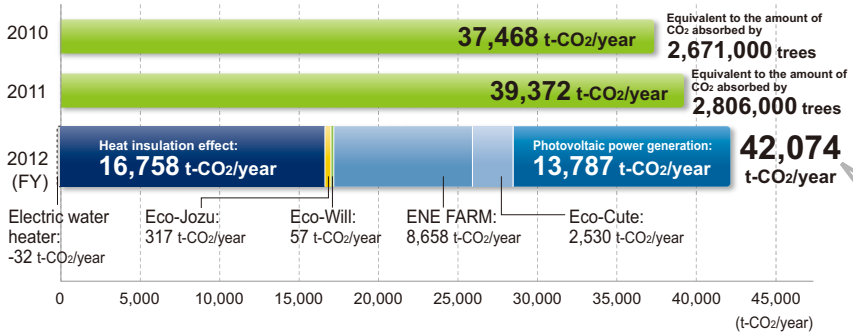
Due mainly to growing public interest in natural energy following the suspension of nuclear power plant operations, we sold a total of 11,920 houses equipped with photovoltaic power generation systems, an increase of 106% from the previous year.

Growth in sales of the ENE FARM fuel cell system

We have successfully increased the sales of our fuel cell system, which is receiving increasing attention as a new energy-producing device. We installed the ENE FARM system in 8,095 houses, an increase of 151% from the previous year, backed by growing concerns over the stable supply of electricity.



Reduction of CO_2 emissions from newly built Sekisui House detached homes



As a result of these measures, the total amount of residential CO_2 emissions reached 42,074 t-CO_2/year, which is equivalent to the amount of CO_2 absorbed by 2,999,000 trees.

Effectiveness in reducing CO_2 emissions equal to the amount of CO_2 absorbed by

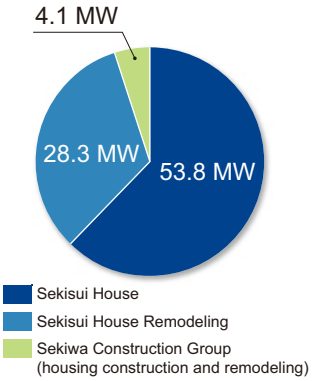
2,999,000 trees

Continuing group-wide efforts to promote the installation of photovoltaic power generation systems

Total capacity of photovoltaic power generation systems installed by Sekisui House Group during fiscal year 2012 amounted to 86 MW

At the Sekisui House Group, concerted efforts are underway to increase the adoption of photovoltaic power generation systems. Specifically, we furnish new houses built with Sekisui House's standard components with photovoltaic power generation systems. We also promote remodeling of existing Sekisui House and non-Sekisui House homes by retrofitting photovoltaic power generation systems. The former task is undertaken by Sekisui House Remodeling, Ltd. and the latter by the 19 companies of the Sekiwa Construction Group operating nationwide.

The total capacity of photovoltaic power generation systems installed during fiscal year 2012 amounted to 86.2 MW, which is equivalent to the combined capacity of 86 mega solar power plants.



Growing number of Sekisui House and non-Sekisui House homes retrofitted with photovoltaic power generation systems

During fiscal year 2012, we promoted the installation of photovoltaic power generation systems on both existing Sekisui House and non-Sekisui House homes. The total number of houses retrofitted with a photovoltaic power generation system reached 7,249, a dramatic increase of 282% from the previous year, assisted by the feed-in tariff system.

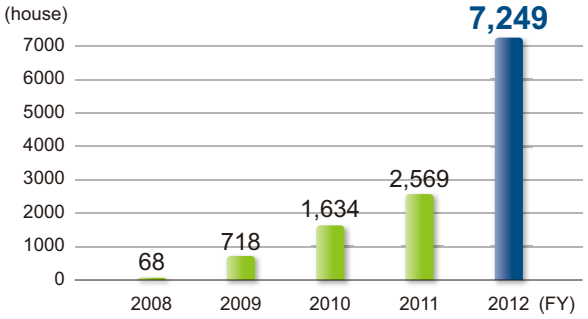
The introduction of Sekisui House's proprietary solar panel mount system that boasts higher construction and cost efficiency encouraged a sharp increase in remodeling projects undertaken by our group company, Sekisui House Remodeling, to retrofit Sekisui House homes with photovoltaic power generation systems. The increase was especially evident in the Sha-Maison low-rise apartments for leasing.

The Sekiwa Construction Group, which has a nationwide network, promoted the installation of photovoltaic power generation systems on existing non-Sekisui House homes, while expanding their services to meet the needs of industrial users by installing larger photovoltaic power generation systems on rooftops of factories and warehouses, each with a capacity of generating more than 10 kW of electricity.

Also, we continuously provide a number of training sessions on photovoltaic power generation to better serve our customer needs. As a result of these efforts, we achieved a total power-generation capacity of 34 MW during fiscal year 2012.

Sekisui House's original solar panel mount system

Increase in the number of existing houses retrofitted with a photovoltaic power generation system



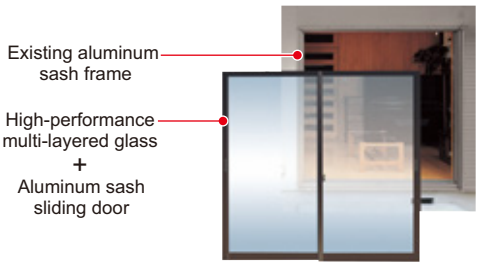
Installing mega solar power plants

As part of our efforts to achieve greater environmental performance in factory operations, we opened a photovoltaic power generation system (mega solar power plant) in each of our five factories located in various parts of Japan in line with the policy of the Japanese government to encourage the use of renewable energy. On January 29, 2013, the Hyogo Factory began generating electricity under the feed-in tariff system, followed by the Tohoku Factory, the Kanto Factory, the Shizuoka Factory and finally the Yamaguchi Factory. With a combined generation capacity of 6.7 MW (or 6,070,000 kWh a year), these mega solar power plants contribute to reducing CO_2 emissions to an amount equivalent to the amount of electricity consumed by about 1,200 standard households a year.

Promoting housing remodeling to bring greater energy-saving efficiency

Remodeling existing houses by introducing higher energy-efficient equipment

We are encouraging housing remodeling through the installation of window and door insulation, high-efficiency water heaters, and energy-efficient bath fixtures, which is undertaken mainly by Sekisui House Remodeling. To enhance the energy-saving efficiency of a bathroom, for example, we replace a conventional water heater with a more efficient one, while installing three energy-saving devices; namely, a bathtub with higher thermal insulation effect, a water faucet with a thermostat, and a showerhead with an on/off switch, as one set. In fiscal year 2012, we encouraged remodeling by taking advantage of the housing eco-point system implemented by the national government, coupled with our original W (double)-eco-point program. In 2013, when the housing eco-point system is no longer available, we will address remodeling needs under the long-term quality housing support program (refer to p. 59).



Providing window and door insulation

Remodeling options to increase energy saving efficiency	Results achieved in fiscal year 2012
Window and door insulation	**44,052** m^2
Eco-Jozu	**2,871** units
Eco-Cute	**1,016** units
Energy-efficient bath	**3,513** sets

Grand Maison Ohori Park, Japan's first condominium with an ENE FARM system installed in all the housing units

Our Grand Maison Ohori Park condominium (located in Fukuoka City, with nine residential units) is Japan's first condominium with an ENE FARM fuel cell system installed in all the residential units. This eco-friendly condominium brings a higher level of comfort as well as a greater energy-saving effect with its ability to produce more electricity for family consumption.

Each residential unit is furnished with LED lighting equipment and multi-layered insulating window glass, while room ceilings and walls have a coating that absorbs formaldehyde to maintain a pleasant indoor air environment.


Grand Maison Ohori Park (Artist's rendering)

Continuing efforts to reduce electricity consumption at workplaces during the summer and winter seasons

Amid lingering concern over shortages of electricity supplies, the Sekisui House Group continued the measures launched in fiscal year 2011 to reduce electricity consumption at offices and factories all over Japan during the summer and winter seasons. Our offices set targets for reducing the amount of electricity consumed, while our factories strived to cut peak electricity consumption. Both achieved their respective targets and contributed to the improvement of electricity supply-demand balance.

Specifically during the summer season, we set a target to reduce electricity consumption by 15% from the level of fiscal year 2010 at our offices and model homes, and achieved a 26% reduction, far surpassing the target. At the same time, we promoted the replacement of office lighting with LED lighting on a group-wide basis, which also helped us reduce electricity consumption.

Our five factories strived to reduce peak electricity consumption by more than 10% from the level of fiscal year 2010 and achieved reduction rates ranging from 10.4% to more than 24%.

Activity Report 2

Preserving biodiversity

From the initial preparatory stage to the final stage where tangible results are achieved, the process of biodiversity improvement requires a long period of time. This is because we have to take into consideration the time required for living things—trees and plants—to grow when developing projects that focus on preservation of biodiversity. Focusing on biodiversity also allows us to differentiate our projects from our competitors', but such projects, once started, cannot be interrupted halfway even if they don't directly lead to economic benefits.

We, at Sekisui House, recognize the importance of developing practical projects that incorporate biodiversity elements at an early stage, with the understanding that the benefits provided by ecosystem services and biodiversity are the basis of our social life and corporate activities. Based on this recognition, we have been promoting our projects from a long-term perspective.

For example, we propose to customers how biodiversity-oriented design adds value to their lives, while seeking the long-term cooperation of our suppliers to continue our projects for an extended period of time. This section highlights the results of our efforts to preserve biodiversity as part of our corporate activities.

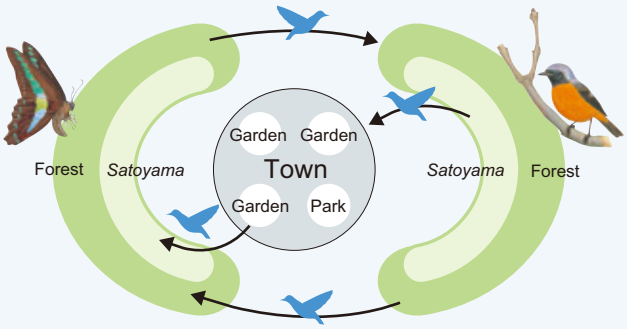
Planting 1,000,000 trees under our "Gohon no ki"

The "Gohon no ki" landscaping concept

Carrying out a tree planting project since 2001, learning from the *satoyama* environment

The "Gohon no ki" landscaping concept is an initiative we have been promoting since 2001 to create home gardens and community environments in a manner that preserves the local ecosystem. Drawing inspiration from the *satoyama* environment that has long been part of Japan's rural landscape where ecosystems have been preserved by modest intervention by humans, we create and maintain home gardens by promoting the planting of native and indigenous tree species that are best suited to the local climate. Since 2001 when this landscaping concept was introduced, we have planted 9,130,000 trees in total.

We remain committed to the creation of home gardens and community spaces that can sustain the lives of creatures, such as wild birds and butterflies, in an urban area. Such gardens and spaces may be small in size, but combined together, they can constitute an extensive green network that nurtures small animals, thus helping to preserve ecosystems and allowing homeowners to enjoy interactions with nature at the same time.



Network of *Satoyama* Landscapes

Planting 1,000,000 trees annually in the 12th year after the introduction of the "Gohon no ki" landscaping concept, with the total reaching 9,130,000 trees

When we launched the "Gohon no ki" landscaping concept in 2001, artificially modified "gardening species" and rare foreign species were mainly used in home gardens. Though these species are beautiful to look at, many of them are not suited to the Japanese climate or lack resistance to disease and pests.

While most wild birds and insects have long maintained mutually beneficial relationships with indigenous plant species, some newly developed species do not even produce nectar and therefore are of little use to wild creatures and biodiversity preservation.

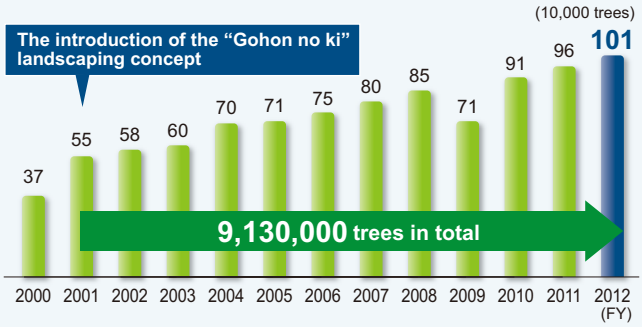
Therefore, we built a network encompassing approximately 80 tree growers who share our vision of the "Gohon no ki" landscaping concept and began our initiative by growing native and indigenous tree species. Working in close cooperation with these tree growers, we could achieve the milestone of 1,000,000 trees a year.

a year to preserve the local ecosystem landscaping concept

ECO FIRST

We will continue concerted efforts toward restoration of ecosystem networks.

No. of trees planted a year since the introduction of the "Gohon no ki" landscaping concept

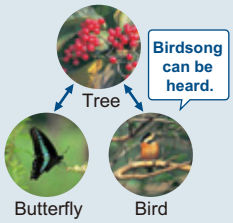


A total of 145,000 copies have been distributed.

Garden Tree Select Book

We distribute a booklet titled *Garden Tree Select Book* to homeowners. This booklet contains color photographs of more than 300 tree species planted under the "Gohon no ki" landscaping concept and the creatures these species attract; and offers information useful for landscaping home gardens.

This booklet is our "hidden bestseller" with a huge number of copies distributed since its publication in 2001.



"Gohon no ki" mobile phone website

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

- 24 bird species (including birdcalls)
- 24 butterfly species
- 92 tree species

■ Access the site through the top page of the "Gohon no ki" website

http://5honnoki.jp

■ Access the site by scanning this QR code

Tracking the benefits of the "Gohon no ki" landscaping concept through a biodiversity survey since 2008

The "Gohon no ki" landscaping concept was an original approach designed by our arborists in partnership with experts in biodiversity and NPOs to provide the best mix of plant species for local bird and butterfly species.

While promoting this concept, we conduct a biodiversity survey to track the benefits of "Gohon no ki" by examining fauna and flora populations before and after our community development projects that employ this landscaping concept and identifying the changes in such populations in comparison with nearby environments and over time.

In surveys conducted in fiscal year 2012 in Fukuoka Island City, sparrowhawks and Japanese grass lizards, which prey on small birds and insects respectively, were observed for the first time in this area, indicating an increase in populations of biological species.

Example Common Stage Hidamari no Oka (Kuwana City, Mie Prefecture)

Located in a hilly area in the western part of Kuwana City, Common Stage Hidamari no Oka is a large new town with 183 houses developed under the concept of creating an eco-friendly community. This town is conveniently accessible from Nagoya, and boasts beautiful natural surroundings, such as the greenery of Mt. Tado and the waterfront area of the Kiso Three Rivers. The entire community is located on a pleasant sloped area that faces south.

The exterior space of each house is paved with natural stones and interlocking blocks, and green areas and promenades were developed under the "Gohon no ki" landscaping concept. These features, together with a main road, community paths and landmark trees, create a pleasant, relaxing atmosphere. Currently, a project is underway to capture fireflies on the Oyamada River, grow them artificially, and release them in a "firefly channel" developed by local residents.

Enhancing our wood procurement level by managing progress through numerical scores

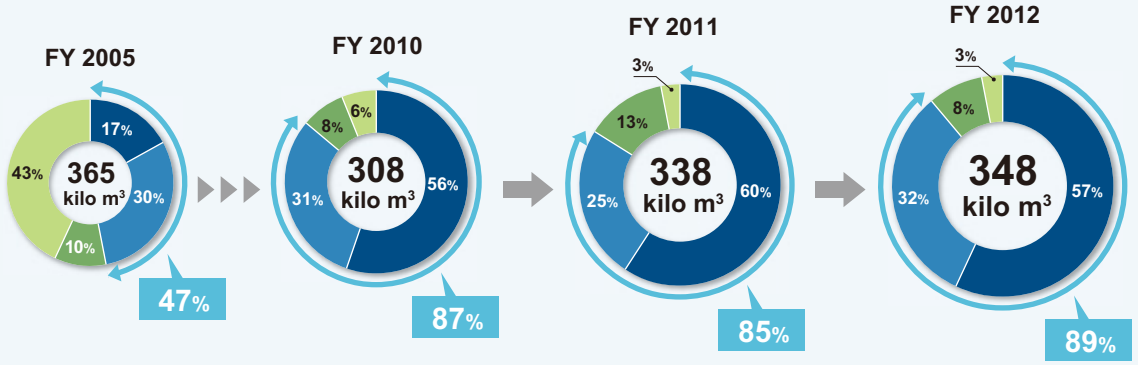
Wood Procurement Guidelines

We are promoting the procurement of the following wood products.

Wood Procurement Guidelines: 10 Principles (Revised in fiscal year 2012)

1. Wood products sourced from areas where there is low risk of illegal logging
2. Wood products sourced from areas that do not form part of ecosystems recognized as having outstanding value
3. Wood products not sourced from ecosystems that are severely damaged or areas where large-scale logging of natural forests has occurred
4. Wood products not sourced from endangered species
5. Wood products that contribute to reducing CO_2 emissions at the production, processing and transportation stages
6. Wood products that contribute to the stability of local communities by removing conflicts with local residents with regard to logging and eliminating unfair labor practices
7. Wood products sourced from areas where the amount of logging does not exceed the recovery rate of the forest
8. Wood products sourced from domestic forests where well-planned forest management is in place to preserve ecosystems
9. Wood products sourced from plantation forests that are managed according to methods that encourage the preservation and generation of a natural ecosystem
10. Wood building materials that contribute to resource recycling

Procurement Level Assessment

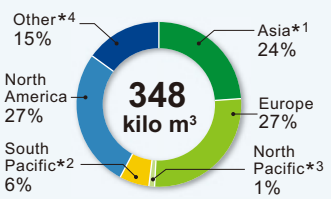


Determining procurement rankings

Total Points (maximum of 43 points)	Procurement ranking
34–43	····· S
26–33	····· A
17–25	····· B
0–16	····· C

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.

Logging area composition



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

Revising the guidelines by incorporating ethical considerations for local residents in logging areas in line with the concept of ethical procurement*1

In 2007, we developed our own "Wood Procurement Guidelines" comprised of 10 principles, under which we have selected wood products focusing on their sustainability and improved our wood procurement practice in cooperation with about 60 manufacturers of wood building materials. While the Wood Procurement Guidelines place importance on consideration of biodiversity, we have also been striving for the improvement of the social aspects of our wood procurement practice since the introduction of these guidelines in partnership with an international environmental NGO, FoE Japan.

In fiscal year 2012, we revised the guidelines partly in response to growing public interest in the ethical aspects of corporate activities. In rating wood products under the new guidelines, we also consider the extent that the supplier has documented their corporate policy or procurement guidelines concerning human rights and fair labor practices; the extent that they share such a policy or guidelines with their employees and business partners; and the extent that they procure wood in a manner that contributes to the forest management efforts led independently by local residents of the logging area, such as community forestry and agroforestry*2 initiatives.

*1 Ethical procurement concerns taking into consideration ethical factors of the supply chain as well as the environmental factors of products when making procurement decisions.
*2 Agroforestry is a form of forest management combined with small-scale production of cash crops.

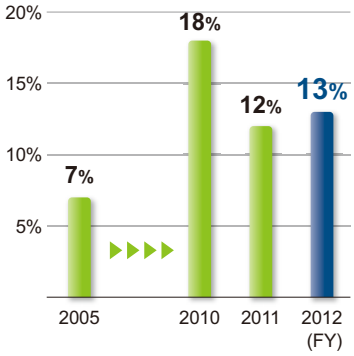
Increasing the use of wood products from domestic forests to contribute to preserving Japanese ecosystems and forests

Upon establishment of the Wood Procurement Guidelines, one of the factors to be taken into consideration to determine the procurement rankings that we adopted was that wood products should be sourced from domestic forests. In doing so, we hope to contribute to enhancing the sustainability of domestic forestry by recognizing the value of wood products sourced from domestic forests where sound management is in place focusing on long-term preservation of ecosystems and resource recycling, and by encouraging procurement of such wood products.

As our business requires large quantities of high-quality wood products, we procure FairWood (wood products sourced in a fair, sustainable manner) from Northern Europe, where it can be stably procured, to build the structures of our SHAWOOD homes. At the same time, we are ready to use building materials made from trees of local species in various parts of Japan upon request by customers, thereby offering a diverse range of options.

A handrail made from a domestic broadleaf tree

Ratio of domestic woods to all woods used by Sekisui House

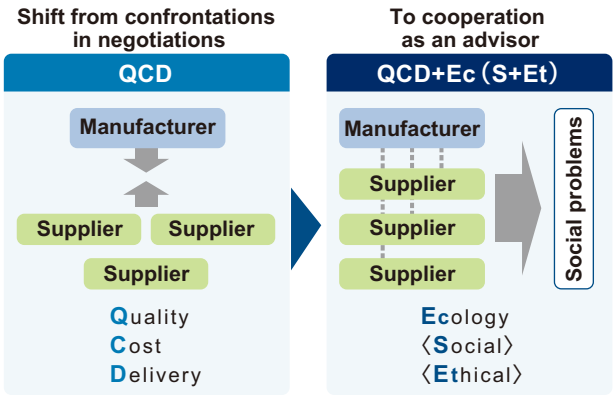


Committed to building a sustainable wood procurement process through “co-creation” efforts with our supply chain partners

Shifting to a procurement strategy focusing on biodiversity in order to grow with our supply chain partners, in response to the changing needs of the market

Homebuilding requires large quantities of wood materials. Therefore, seeking the understanding and cooperation of suppliers is a critical part of our thorough efforts to preserve ecosystems. If we are to work in harmony with our suppliers, we should refrain from making one-sided requests. Instead, we should foster relationships of trust by offering them extensive support on a wide range of aspects, such as acting on behalf of a supplier to deal with an international environmental NGO to verify the sustainability of new wood products the supplier is about to procure; and working with the supplier to select alternative wood products.

In particular, we are working to deepen our ties with about 50 manufacturers of major wood building materials to the extent that we can disclose information essential for our procurement operations that are at the core of our corporate activities. As part of these efforts, we strived to build a sustainable wood procurement process in fiscal year 2012 and achieved greater accuracy through our investigations on the sustainability of wood products than the previous year.



No manufacturer can truly establish relationships of trust with suppliers if they only make one-sided requests for quality, cost and delivery time.

With the recognition that the role of a manufacturer must change over time, we are promoting efforts to deepen cooperative relationships with our suppliers so that we can share a common sense of purpose and work together to address social problems, such as loss of biodiversity, through our business activities.

VOICE

Sekisui House’s firm determination to contribute to environmental wellbeing is behind the progress of their efforts.

As the proverb goes, persistence does pay off. Sekisui House has continued sincere efforts to implement their Wood Procurement Guidelines since 2007. Today, their initiative has sufficient weight to exert considerable effect on the upper reaches of the long supply chain of wood products. In fiscal year 2012, Sekisui House further enhanced their efforts by launching an ethical procurement practice that focuses on human rights and social impacts on areas producing natural resources: issues that will take on greater importance in the business world. If we are to give sufficient consideration to social aspects in our business activities, we have to seek information not only from suppliers but also from governmental agencies and NGOs. I think what prompted Sekisui House to embark on the ethical procurement process is their firm determination to contribute to environmental wellbeing, as well as their willingness to listen sincerely to the voice of environmental NGOs and other external bodies.

I hope Sekisui House will remain faithful to their guidelines in carrying out their core business activities, without being swayed by trends.

Mr. Junichi Mishiba
Secretary General
FoE Japan, an international environmental NGO

Activity Report 3

Building a recycling-oriented society

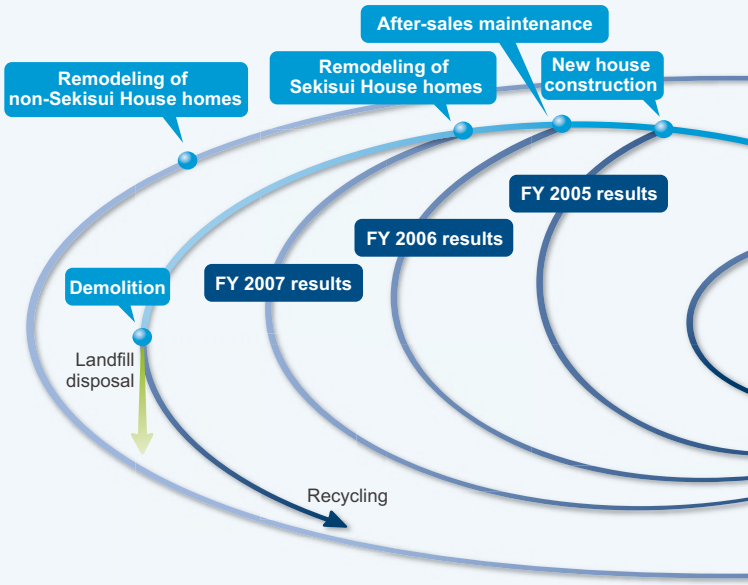
The Sekisui House Group was among the first in the construction industry to start resource recycling efforts and has since achieved zero waste at production, construction, after-sales maintenance and remodeling sites, developed new products using recycled raw materials, introduced an IC tag-based system that enables accurate measurement and proper management of waste volume, and attained a higher level of waste risk management by means of an electronic manifest system. In so doing, we have been promoting innovations to build a recycling-oriented industrial system.

We will continue our efforts in partnership with our suppliers to optimize the use of materials by improving the efficiency of our construction process and achieve zero waste at demolition sites.

Building a recycling-oriented our own innovative resource

Committed to building a recycling-oriented industrial system

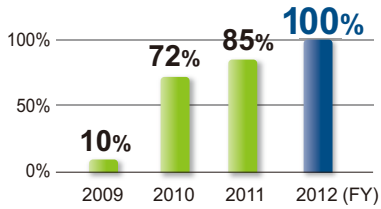
As a homebuilder continuously engaged in many different housing construction projects, we have been implementing various initiatives to minimize consumption of limited resources in our homebuilding projects. These include prolonging the lives of our homes; promoting the remodeling of homes to address changes in



Introducing an electronic system to ensure proper waste disposal management on a group-wide basis

We have replaced the conventional paper manifest (industrial waste control manifest) with an electronic manifest on a group-wide basis, which allows us to exchange data via the Internet. This system also enables us to expedite and streamline the waste management process and trace the movement of waste, while ensuring that waste is properly recycled and each construction project is carried out according to the design.

Rate of Sekisui House facilities with an electronic manifest*



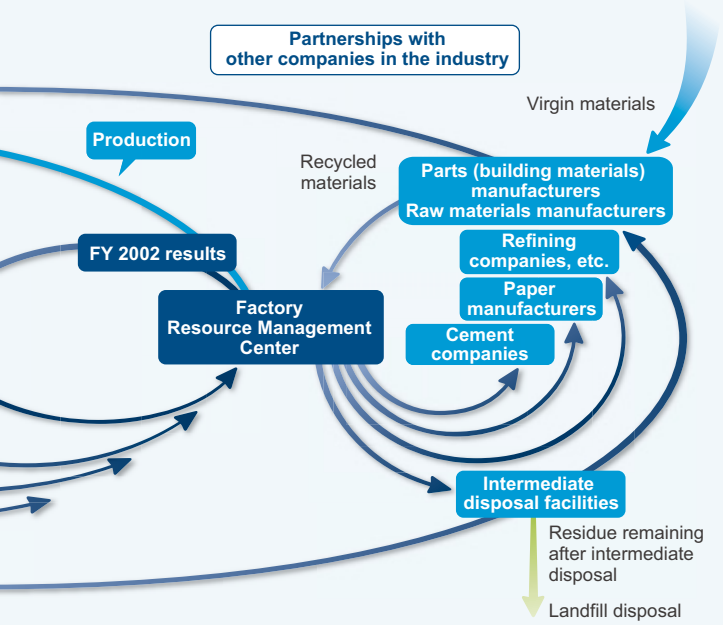
*On a non-consolidated basis

industrial system with recycling solutions

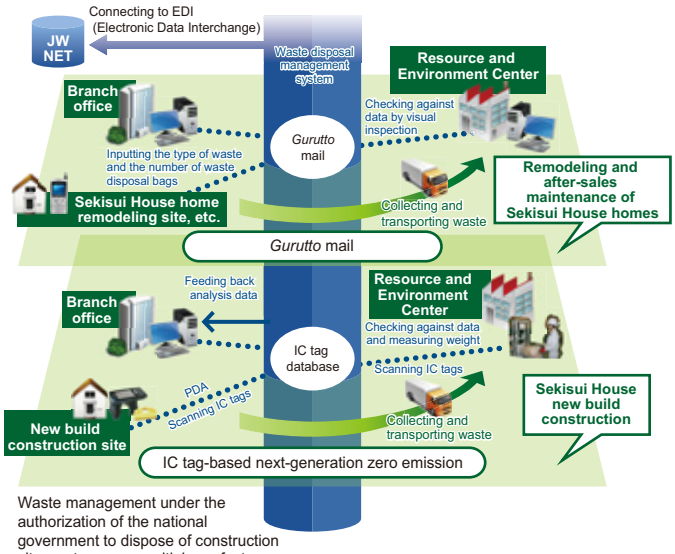
ECO FIRST

We will promote resource recycling to the fullest extent.

the lifestyles of homeowners; and renovating existing homes. We think it is our responsibility to society to use resources (housing components) that constitute social stock for as long as possible, and promote the recycling of waste for efficient reuse while minimizing waste generation. By fulfilling this responsibility, we have been leading the environmental efforts of the industry. As the first company to achieve zero waste at four stages in the industry; namely, production, construction, after-sales maintenance, and remodeling, we will continue our pursuit of the important corporate mission to enhance the resource recycling system.



Sekisui House's waste disposal management system



Waste management under the authorization of the national government to dispose of construction site waste across multiple prefectures

Developing materials by recycling waste for versatile uses

We have been promoting the development of new products by recycling waste from our operations for various uses. For example, pulverized waste roof tiles are used as filling materials for our vibration absorbent floor system, while waste resins are recycled as materials of housing components (battens for holding roof tiles). Among the popular products made from recycled materials is our field chalk, Platama Powder, which is made by mixing waste plasterboard with egg shells that have been washed and dried.

Our original vibration absorbent floor system utilizes pulverized waste roof tiles as filling materials.

Made from waste materials, Platama Powder is certified as an Eco Mark product.

Streamlining the construction process to reduce waste

We measure the effectiveness of waste management at new build construction sites taking into account the volume of waste generated per house (145 m^2). In this fiscal year, we achieved a reduction in the volume of waste by two tons per house (60%) from the level of fiscal year 1999. In November 2010, we completed the nationwide introduction of an IC tag-based next-generation zero-emission system, which enables us to promptly measure waste volume, and use the data for the design of new products. In fiscal year 2013, we will launch a new low-rise apartment model for leasing that utilizes a larger number of pre-assembled and precut components than the conventional models, with an aim to strengthen construction capabilities, shorten construction period, and enhance construction efficiency and quality, while reducing waste at the same time.

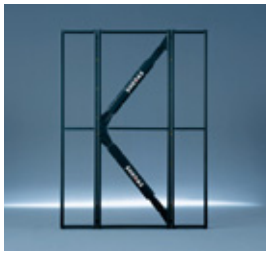
Promoting the use of pre-assembled components to construct walls in an attic space and a roof

Ensuring a higher quality and increasing the longevity of our housing products with our technical excellence and group-wide cooperation

Offering higher-level durability and earthquake-resistance technology

Our steel-frame homes employ structural components that are provided with three rust-proof layers and air-circulation walls that prevent dew condensation within walls by air flows, which together with other innovations, ensure outstanding housing durability.

In addition, our earthquake-resistant, seismic-dampening and seismically isolated structures contribute to unparalleled seismic performance. Especially important is "SHEQAS," our innovative seismic vibration absorption system accredited by the Minister of Land, Infrastructure, Transport and Tourism, which converts seismic wave energy into heat energy to absorb building movement and reduces building deformation by approximately 50%. The number of homes equipped with this system has been drastically increasing since the Great East Japan Earthquake.



Homes equipped with SHEQAS account for 75.0% of all Sekisui House homes.

Allocating approximately 10% of all our employees to Customer Centers to offer a full range of support services

We offer extensive after-sales services to promptly and efficiently cater to the needs and requests of homeowners concerning various aspects of living. We have Customer Centers in 100 locations (30 business offices) throughout Japan, where about 10% of all our employees are working as dedicated service personnel.

Providing manufacturer warranty for a longer period of time than the legally required term to maximize reliability for homeowners

At Sekisui House, we implement long-term manufacturer warranty programs, including a 20-year warranty applied to structural frames, to assure the quality of our housing components for the prescribed periods of time. After the expiration of the initial warranty period, our own U-trus system provides an extended warranty at 10-year intervals.

Implementing the long-term quality housing support program through Sekisui House Remodeling

To bring "comfortable living—now and always" to as many homeowners as possible and extend the longevity of housing, Sekisui House Remodeling implements the long-term quality housing support program.* Aimed at providing energy conserving and producing solutions and prolonging the lives of our housing products, this program covers a certain percentage of remodeling expenses of houses that meet the criteria of earthquake resistance, durability, and energy-saving efficiency, thus contributing to the process to fully realizing a recycling-oriented society.

*This program applies to houses for which remodeling contracts are to be concluded by January 31, 2016.

Eligibility for the long-term quality housing support program

Mandatory renovation work (All six required)

- Installation of high-efficiency windows and door insulation in all rooms — Enhances comfort and energy-saving efficiency
- Termite control — Extends housing longevity
- Replacement of bath fixtures with newer ones (with a heater) — Prevents thermal shock accidents and enhances comfort
- Installation of pre-track electric outlets — Prevents a "tracking phenomenon" that can cause fire
- Installation of electric shutters — Enhances ease of operation and security
- Installation of handrails — Enhances safety and prevents accidents

Optional renovation work (At least three of these options required)

- Roof renovation (covering the roof with a new surface or replacing the roof) — Improves housing durability
- Painting of outer walls — A wide variety of color options available
- Replacement of kitchen fixtures — Increases usability
- Installation of a high-efficiency water heater — Increases energy-saving efficiency and eco-friendliness
- Installation of a home security system (ALSOK) — Provides security and emergency services
- Installation of a stair lift — Enhances safety and convenience
- Installation of a floor heating system — Enhances comfort during winter months
- Replacement of the entrance door — Increases usability and security
- Installation of disinfection and deodorization equipment — Creates a germ-free clean indoor environment

+

Other renovation work

- Installation of a photovoltaic power generation system
- Change of floor layout
- Addition of storage space
- Renewal of landscaping and gardening

Renovation work other than those listed on the left are also acceptable.

Promoting the Everloop home repurchase program to maintain and further enhance the value of housing

The Everloop program is our new housing distributing system, under which we repurchase existing Sekisui House homes from the homeowners, completely renovate them using our proprietary technologies, add high-efficiency insulation and other advanced housing features, and then offer them for resale. To ensure the safety, reliability and comfort of homes offered under the Everloop program, Sekisui House personnel are in charge of the entire process of the program from appraisal of the value of homes to relocation. This program has also proven highly effective in promoting the recycling of homes and lengthening the lifecycles of homes. In 2012, we expanded the area covered by the Everloop program to the entire country, thus serving the needs of customers nationwide. (Under the Everloop program, 144 homes have been sold in total.)

EVERLOOP

Sekisui House Revitalized Homes

Due to their special value, Everloop homes are eligible for some privileges, such as a housing loan with a repayment period of up to 35 years, fire insurance, and preferential taxation.

Everloop home buyer

We sold our Sekisui House home and purchased an Everloop home.

While we were living in a Sekisui House home for many years in Saitama Prefecture, we were considering returning to our hometown of Kobe, after the retirement of my husband. We found several potential properties but none of them seemed to match our tastes. One day, we were offered an Everloop detached home by Everloop Club. We visited the home and found that it was just as expertly finished as a newly built Sekisui House home. We liked the home and decided to buy it. We are especially fond of the spacious living room on the first floor. The room has such good sun exposure that my husband's friends who visited us marveled at the brightness of the room. We are satisfied with our new home that has brought us a high level of comfort.

The T family
(Hyogo Prefecture)

Buyer

Move-in

After-sales service

Homeowner looking to sell

Before renovation

The house is entirely renovated except the foundations and structural frames

After renovation

Sekisui House sells to a new homeowner

EVERLOOPClub

This membership association offers members-only information on Everloop homes as well as invitation to various events.
Members include many prospective sellers and buyers of homes.

Renovation by Sekisui House

Home inspection and appraisal

Consultation with Sekisui House

Seller

Everloop home seller

We sold our home under the Everloop program and built a Sekisui House home.

As our three children got jobs and left home, we decided to purchase a residential lot and build a new home so that three of us—my wife, and my mother, and I—could live comfortable lives without the trouble of renting a temporary home or further relocation. We learned about the Everloop program from *Kizuna*, Sekisui House's magazine for homeowners. We were very pleased that, under the Everloop program, we could sell our Sekisui House home where we had spent so many years and build another Sekisui House home in the residential lot we purchased. We are thankful that we could move out after the completion of the new home, and appreciative of the way the value of our home was appraised. All in all, the Everloop program gave us a sense of reassurance, which differentiates Sekisui House from other homebuilders. We are glad that we can continue to use Sekisui House's extensive after-sales service for many years to come.

The K family
(Yamaguchi Prefecture)

Activity Report 4

Coping with changes in the social structure to better meet emerging needs

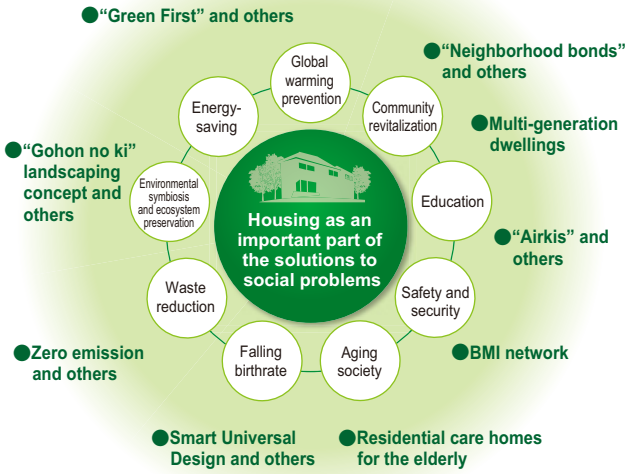
We believe that housing can be part of the solutions to various challenges arising from changes in social structure.

To meet the emerging needs of an aging society, for example, homebuilders are required to ensure healthy and comfortable lifestyles for elderly people by offering a wide range of housing options to cope with physical decline, while creating a community environment more supportive to lives of the elderly and preparing for the changes in social structures. At the same time, we should be able to create living environments ideally suited to households with children to encourage efforts to overcome the challenges arising from a falling birthrate.

To cope with changes in the social structure, we have continued R&D efforts on cutting-edge technologies jointly with universities, and incorporated the achievements of these efforts in our “lifelong housing” concept that aims to bring “comfortable living—now and always.” We remain committed to meeting the emerging needs of society by offering various housing products and facilities, including welfare facilities for people with disabilities, detached houses for the elderly to spend the rest of their lives, medical and nursing care facilities, “clinic malls” (a variety of medical clinics located in one center), residential care homes for the elderly, kindergartens and day-care centers for children.

Offering living environments and people with disabilities

Sekisui House’s commitment to catering to various social needs arising from an aging population and a falling birthrate

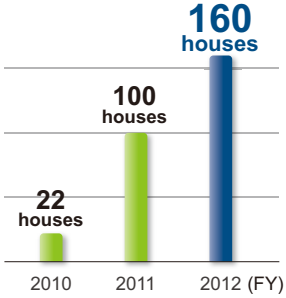


Introducing CELEBLIO, the first residential care home in the industry for the elderly, as part of our increased focus on the construction of medical and nursing care facilities and housing for the elderly

Against the backdrop of the rapid increase of the need for versatile facilities and housing products for the elderly, we launched CELEBLIO, a residential care home for the elderly, in September 2012. This rental home ensures safe and secure living for the elderly by providing support services tailored to the specific needs of elderly households. This is the first residential care home in the industry for the elderly.

With the universal design and low-formaldehyde-emitting materials employed throughout, this home offers a high-quality living space developed under our “lifelong housing” concept.

Growth in the number of houses for the elderly built by Sekisui House (including former rental homes exclusively for the elderly)



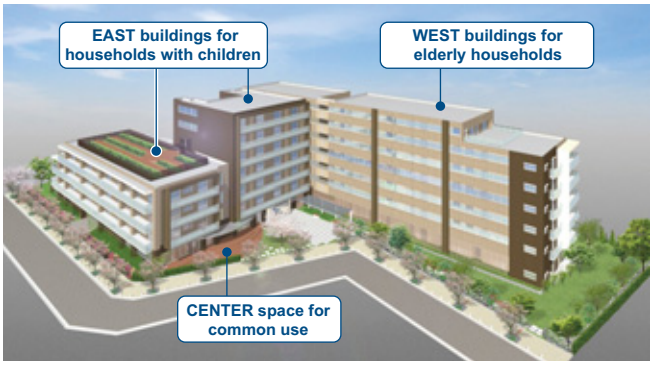
where all people, including the elderly, children, can live healthy and comfortable lives

MAST Life Furukawa Teien (Kita-ku, Tokyo), an apartment with an ideal environment for multigenerational interactions

As part of our efforts to address social problems stemming from an aging society and falling birthrate, we opened a rental apartment, MAST Life Furukawa Teien, in March 2012. With 62 residential units with care services for elderly households and 66 units for younger households with children in the same premises, this apartment is designed to encourage cross-generational communications among residents. The apartment is furnished with various facilities to meet the needs of households with children, such as a multi-purpose free space and a kids' room provided with picture books and toys. It ensures safety and comfort for elderly households by employing a barrier-free design, offering security and food delivery services, and equipping each residential unit with an emergency call device.

In addition to increasing convenience, we also put emphasis on fostering neighborhood bonds. In this apartment, opportunities for neighborhood communications have been provided through gatherings such as a "Happy Halloween Party" and various other events staged on the wood deck in the common space. These gatherings provide venues for friendly interactions among residents of the apartment of different generations, where conversations are triggered by, for example, a senior couple talking to a child and the parents accompanying the child responding to the couple, and also for interactions between residents of the apartment and local residents in the neighborhood who participate in the event.

Due to different lifestyles, it can be difficult for households of varying generations to live together. Therefore, MAST Life Furukawa Teien is drawing increasing attention as a new model for apartments for its ability to meet the needs of an aging society with a falling birthrate by creating a lively community with pleasant interactions between families with children and elderly households, and between its residents and neighbors.



I like the concept of elderly and younger households living together. I also enjoy friendly interactions with the neighborhood communities as a natural part of our lives. (A man in his 70s)

We are fond of community events that provide us with valuable opportunities to befriend elderly residents as well as families of our age group. (A family relocating from Nagoya)

Cross-generational events held in MAST Life Furukawa Teien

Tohoku Fair, a small scale market where fresh vegetables direct from farms in the Tohoku region were offered for sale. Many neighboring residents as well as residents of the apartment participated in this event, and participants of different generations shared a pleasant time together.

Planting sweet potato seedlings in the rooftop garden

Residential units for an elderly household and a younger household with children

Residential unit for an elderly household

A range of useful services are provided, such as a manned security service, food delivery service and an emergency response service.

Residential unit for a younger household with children

The unit incorporates designs to maximize the safety of children, such as rounded wall corners to prevent children from getting injured. Residents can also use the kids' room and breakfast service.

Coping with changes in the social structure to better meet emerging needs

Pursuing “Smart Universal Design” to bring greater safety, user-friendliness, and comfort

Winning the Grand Award/Minister of Economy, Trade and Industry Award at the IAUD Awards 2012 for our universal design research and the awareness-raising efforts we have continued for almost 40 years

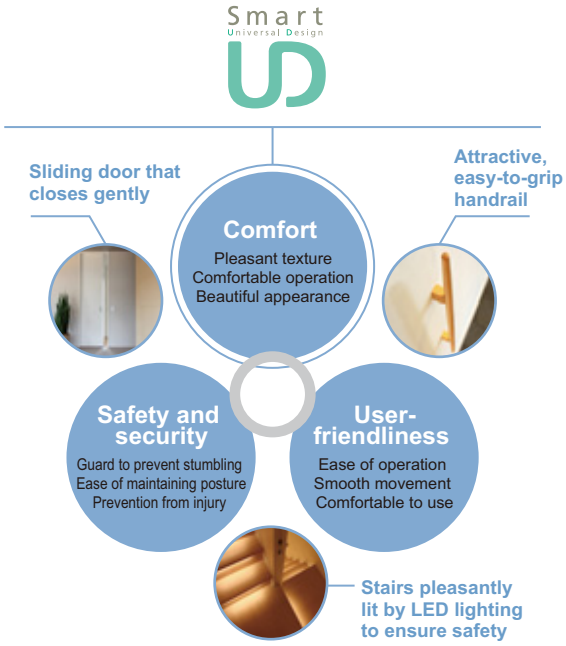
Since the 1970s, we have been engaged in the construction of housing for people with disabilities to bring “comfortable living—now and always,” not only to people with disabilities and elderly people, but also to all families under our “lifelong housing” concept, while striving to develop human resources, create ideal living environments, and pursue innovations in manufacturing to better implement this concept.

For example, we continued to provide hands-on-experience opportunities and training at the Lifelong Housing Zone of our Home Amenities Experience Studio in the Comprehensive Housing R&D Institute in fiscal year 2012. We also implemented the SH-UD master planner program to train personnel capable of playing leading roles in the promotion of universal design, and 17 employees were newly qualified as SH-UD master planners during this year, with the number of employees holding this qualification reaching 299 in total.

In recognition of our efforts over the years to raise awareness of universal design, we were given the Grand Award/Minister of Economy, Trade and Industry Award at the IAUD Awards 2012. Dr. Roger Coleman, Chair of the Selection Committee and Professor Emeritus of the Royal College of Art, London, commended our efforts to develop sophisticated universal designs with an increased level of comfort by incorporating the experience and data gained from various experiments, as well as the opinions of users. As shown by their remarks, the jury had a high opinion of the overall aspects of our sincere commitment to the “lifelong housing” concept.

IAUD Award

This award is presented by the International Association for Universal Design (IAUD) in recognition of groups and individuals who have conducted or proposed particularly noteworthy activities aimed at realizing a UD society in which everyone can live comfortably without feeling any undue inconvenience.



Basic design

Common design that ensures “safety, security, user-friendliness and comfort” for all

- Creating pleasant living environments for people of all ages, from children to the elderly
- Bringing “safety, security and user-friendliness” combined with comfort

Customized design

Design that caters to the specific needs of individuals, including people with disabilities

- Creating living environments suited to individuals with special needs and their families
- Offering comfort in addition to supporting daily life

Winning the Special Chief Judge’s Prize in the 6th Kids Design Award for our “Smart Universal Design for Children” program and other initiatives

We have developed a number of universal design items and incorporated them in our housing to bring a higher level of safety and security. In promoting universal design development, we place special emphasis on the wellbeing of children who are full of hopes for the future. Specifically, we developed a program for parents and children to learn about “smart universal design for children” with an aim to promote the healthy growth of children by developing an independent mindset while ensuring safety, and we have been encouraging wider adoption of this program.

In 2012, we produced check cards designed to make people aware of dangers hidden in living spaces that could potentially be the cause of accidents through interactive communications. We also produced explanatory boards and installed them in our model homes for parents and children visiting the model homes to learn about safety measures incorporated in our housing design first-hand. By offering these hands-on learning opportunities, we aim to help people to understand that children have the ability to turn “can’t do” into “can do” step-by-step by themselves, if we remove dangerous factors from their living environments, and take into consideration the mental and physical abilities of children at each stage of their growth.

At the 6th Kids Design Award, we were commended in four categories for our six initiatives including the “Smart Universal Design for Children” program. We take pride in having won prizes at the Kids Design Award for six consecutive years since its establishment. We will remain committed to our efforts to raise public awareness of universal design and promote our kids design concept to create safer living environments for the healthy growth of children.

KIDS DESIGN AWARD 2012

Loft steps employed in place of a ladder ensure greater safety. Going up and down the steps is an exciting experience for children. Also, children can naturally develop their physical strength by doing so.

Smart universal design for children = Greater safety + Development of an independent mindset

Incorporating the achievements of industry-academia research efforts into our “lifelong housing” design

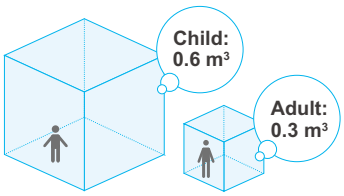
“Airkis” high-quality indoor air system for children, our hope for the future

Though not visible to the naked eye, we take in more air than any other substance, including food and water, in our everyday lives. We began R&D on indoor air quality about 20 years ago when the threat of sick building syndrome became apparent. Since 2007, we have been involved in the Chemi-less Town Project, an industry-academia project led by Chiba University, through the construction of the Chemi-less House, a test home free from sick building syndrome. Based on the results of this project, we developed the “Airkis” high-quality indoor air system, and have been promoting the adoption of this system in our steel-frame detached houses since 2009. This system can reduce indoor concentrations of five chemical substances that cause sick building syndrome to less than 50% of the guideline value set by the Ministry of Health, Labour and Welfare, and thus is effective in protecting children who are at a greater risk if exposed to these substances than adults. Since 2011, we have been accelerating the introduction of the Airkis system to a wider range of homes by expanding the lineup of building materials and reducing costs. Upon completion of an “Airkis” home, we measure concentrations of the chemical substances in the indoor space and issue an Air Quality Certificate based on the results of the measurement to the homeowner.

At the end of 2012, we began promoting the Airkis system for the Sha-Maison low-rise apartment for leasing and the Grande Maison condominium for sale.

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

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



Air sample being taken upon completion of an Airkis home

Air sample being analyzed by a third-party laboratory

An “Air Quality Certificate” is issued

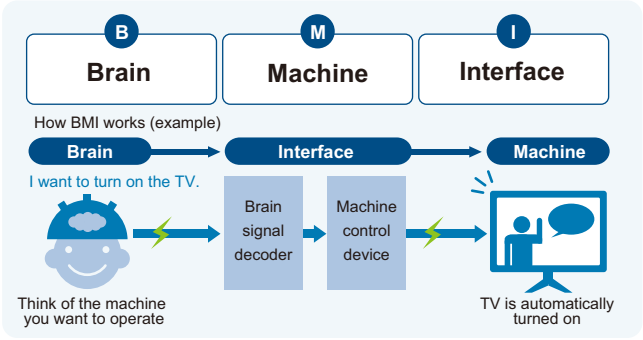
Cooperating with the Eco & Child Study to protect the health of future generations

In 2011, the Japanese Ministry of the Environment embarked on a “National survey on the health of children and the environment” (Eco & Child Study). As a housing manufacturer that has long been addressing the issue of sick building syndrome, we agreed with the purpose of this project, and have undertaken the PR activities for the project as its corporate supporter. Specifically, we engage in publicity activities in our offices and model homes throughout Japan to increase public recognition and deepen understanding of this project, while posting our messages to encourage the project and show its logo on our website and in-house magazine. Through these activities, we are striving to create an ideal living environment for the healthy growth of children.

Taking part in demonstration experiments on BMI commissioned by the Ministry of Internal Affairs and Communications to enable control of residential equipment and household appliances by a person’s thoughts

Starting July 2011, we have been engaged in an R&D project on the BMI network as a member of a joint research group together with the Advanced Telecommunications Research Institute International (ATR), Nippon Telegraph and Telephone Corporation (NTT), Shimadzu Corporation, and Keio University. BMI stands for Brain Machine Interface, and is a system that controls a computer or mechanical device by signals from the brain. As the BMI system has already proven effective in laboratory tests, the ongoing project aims to make the system workable in an ordinary residential setting.

During the project, we built a “BMI House” furnished with residential equipment for everyday life, as well as various kinds of sensors and automatically controllable devices that are necessary for a BMI-enabled environment. A lot of demonstration experiments have already been launched with a view to enabling the elderly and people with light to moderate disabilities to live independent lives.



Source: FY 2012 Research project commissioned by the Ministry of Internal Affairs and Communications: “R&D on innovations utilizing the brain mechanism (high-precision brain signal sensing technology and brain signal transmitting technology; real-time brain signal extracting and decoding technology; and technology to control life support devices based on brain signal decoding)”

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At the BMI House, a demonstration experiment is underway under the leadership of the Technical Research Division of Sekisui House’s Comprehensive Housing R&D Institute. (The BMI House is an experimental facility not open to the public.)

VOICE

Pursuing the ultimate universal design

Controlling equipment and devices just by thinking about them—it may sound like science fiction, but our efforts to make it a reality are steadily making progress, though there still remains a lot of work to be done. By participating in this project, we hope to offer the “ultimate universal design” that gives a new meaning to healthy and comfortable housing and ensures pleasant lives for all.

Masayuki Kondo
Manager
Comprehensive Housing R&D Institute

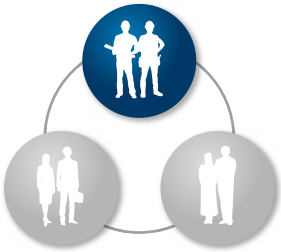
Activity Report 5

Commitment to stakeholders

As a company striving to contribute to society through the housing business, the Sekisui House Group is committed to dealing with customers and all stakeholders in good faith to achieve co-prosperity.

Specifically, we conduct fair and equal transactions with our partner building contractors and business partners and work in tandem with them to achieve our common goal of maximizing customer satisfaction. By doing so, we have fostered amicable partnerships in order to grow together and enjoy mutual benefits. We are also striving to enhance a workplace environment and employee programs to ensure that employees can fully demonstrate their competence and achieve creative growth through meaningful work. For our shareholders, we ensure fair and transparent corporate management to improve our profitability and corporate value through healthy growth.

Dealing with all stakeholders relationships of trust with



Commitment to our partner building contractors and business partners

The Sekisui House Group engages in operations that encompass the process from production, construction and after-sales service to remodeling, which requires cooperation from many people outside our group, including suppliers and building contractors. Unless every individual involved in the process is working with the same intention, we cannot fulfill our mission to protect the lives and possessions of our customers by creating comfortable and healthy living environments with the highest quality products and state-of-the-art technology.

This is why the Sekisui House Group is fostering relationships of trust among all our partner building contractors and business partners, as a community united by a common destiny,* regarding these bonds as extremely important. We will continue to increase the level of trust in our relationships, implementing supply chain management with the aim of overall optimization.

*In Japanese, this term, *unmei kyodotai*, is usually rendered with characters that literally mean "group with a collective destiny," but as the corporate philosophy of the Sekisui House Group incorporates the ideal of working by joining forces and helping each other, we write with characters meaning "group with a cooperative destiny."

Deepening cooperative ties with business partners to improve performance levels together

We, at the Sekisui House Group, established a purchasing policy focusing on achieving top quality, best cost, optimum supply, and environmental awareness, and have since been striving to adhere to and further promote this policy to ensure that our procurement operation is in compliance with our corporate philosophy and Corporate Conduct Guidelines. We believe that fair and honest implementation of this policy helps us deepen trust with our business partners and facilitate smooth and mutually beneficial transactions with them.

Twice a year, we convene a Policy Meeting, which is attended by approximately 200 business partners, with a view to deepening mutual understanding of the procurement principles and harmonizing our

associated with our business in good faith and fostering them to grow together and achieve co-prosperity

purchasing policy with the corporate policies of our business partners. At the meeting, we present a business overview of the Sekisui House Group and explain our medium-term management plan, purchasing policy, and other related matters. The meeting also provides a venue for exchange of opinions among participants. A Kaizen (improvement) Case Studies Workshop is held at the same time where we hear presentations on good examples of the activities undertaken by our business partners to improve corporate health, with the aim of enabling both Sekisui House and our suppliers to raise performance standards further.

Soon after Business Continuity Management (BCM) had been taken up as an important theme of the Policy Meeting, the Great East Japan Earthquake occurred in March 2011. Thanks to the efforts of our business partners we were able to continue our business activities without suspending work even for a day (excluding a few extraordinary circumstances). To further cement these alliances, we implemented initial response training and comprehensive disaster response training sessions to better cope with emergencies during fiscal year 2012, through which we checked how prepared for BCM our business partners were and identified and resolved problems, thus improving the efficiency and practicability of our BCM system. Furthermore, we started reinforcing the coordination of policies between Sekisui House and our business partners to ensure that all our business partners will have a correct understanding of our intentions and take action with the same amount of focus. In particular, we convene Policy Coordination Meetings to discuss the process through which each business partner implements their policy with a view to deepening mutual understanding.

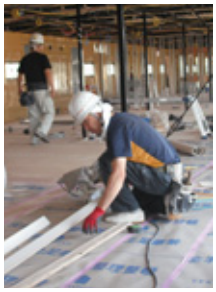
Also, we visit our leading suppliers regularly for factory inspections and quality control assessments in order to identify practices that need improvement, suggest and follow up on measures for dealing with them, and promote corporate health. In fiscal year 2012, we held Policy Management Training sessions for senior management at our suppliers, following-up on the previous year. In these sessions, we introduced a practical program covering all aspects of business management, including improving corporate health and formulating corporate policies.

The Sekisui House Association is the driving force behind our efforts to shorten construction periods and accelerate the restoration of the earthquake-stricken areas

Under our project accountability system, we have been working closely with partner building contractors with an aim to achieve co-prosperity and mutual benefit as a community united by a common destiny. As such, partner building contractors are an indispensable part of our operation. It is no exaggeration to say that we could not have developed our various construction technologies (efforts in which we have been industry pioneers), engaged in activities to promote customer satisfaction (CS), or achieved zero emissions without the collaboration of our building contractors. Behind all these efforts are the contributions by the Sekisui House Association. The Sekisui House Association is a voluntary organization composed of the Sekisui House Group companies responsible for construction and partner building contractors. The 20 Sekisui House Group companies (19 Sekiwa Construction companies and Landtech Sekiwa), together with around 7,000 partner building contractors, are active in their respective regions. Sekisui House and the Sekisui House Association work together to promote various initiatives, such as enhancing construction quality, shortening construction time, reinforcing health and safety management, developing human resources through training, and implementing various compensation and aid programs for employee welfare.

To maintain and further improve our construction capabilities and quality into the future, we run Sekisui House Training School (a vocational training school approved by the governor of Ibaraki Prefecture) to train young construction workers who will play important roles as future leaders. A total of 2,208 workers have completed the training course, who, with their professional skills and mindset, are working in various parts of Japan to bring greater satisfaction to our customers.

Two years have passed since the Great East Japan Earthquake occurred. In the stricken areas where construction demand is growing, shortages of building materials and construction workers have caused serious delays in the supply of housing. Under these circumstances, our partner, the Sekisui House Association has continued to make meaningful contributions as a group of construction professionals. The nationwide network of the Sekisui House Association enables us to mobilize teams of workers, who are well experienced in the construction of Sekisui House homes, from all over Japan to engage in the entire housing construction process in the stricken areas. To ensure that our construction quality is constantly kept at a high level, we have specified the number of houses to be constructed in the stricken areas per month and have sent construction personnel from various parts of Japan to the construction sites to reinforce our construction capabilities. These efforts have enabled us to start housing construction and deliver high-quality housing to our customers earlier than usual. In doing so, we have been able to meet the growing demand for housing and help the people affected return to their normal lives.



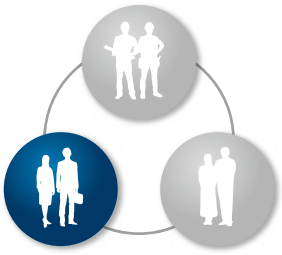
A total of about 230,000 workers have been sent to the stricken areas since the earthquake, and about 300 are engaged in restoration work each day, still today.

VOICE

Delivering high-quality housing to customers by strengthening construction capabilities and mobilizing our manpower

In the Tohoku region, especially Iwate, Miyagi and Fukushima prefectures, demand for construction has been growing on an unprecedented scale. We are doing our utmost to offer the highest-quality housing built with the best of the technologies, assisted by member companies of the Sekisui House Association all over Japan. Even today, many people are living inconvenient lives as refugees. To cater to the demand for housing, which is likely to continue to increase, we have reinforced our corporate strength to ensure that we can start construction work soon after an order is placed with Sekisui House and complete the work without delay. Under the motto, “Sekisui House—Your only home,” we will remain fully committed to starting and completing construction as early as possible with a view to bringing safe, secure and high-quality housing to our customers.

Mr. Teruo Hikichi
President
Tohoku Sekisui House Association (Hikichi Construction Co., Ltd.)



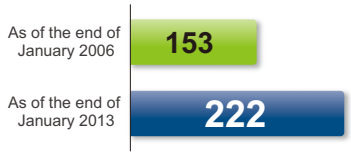
Commitment with employees

In 2006, we announced the Declaration for Human Resources Sustainability as our basic personnel policy to develop workplaces and work rules that enable all employees to demonstrate their competence and explore possibilities to the fullest extent. We are striving to create a work environment where all employees feel happy and motivated in their work by promoting the career development of female employees and supporting work-life balance.

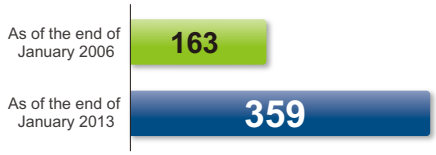
Growth of female sales and technical personnel in terms of both number and competence since the establishment of the Diversity Development Team

Since its establishment in 2006, the Diversity Development Team has been promoting training of female employees and contributed to their career development. As of fiscal year 2012, 52 female employees are in managerial positions nationwide, while the number of female sales persons who have returned to work after parental leave is increasing. Backed by a wealth of experience, these female employees are capable of offering practical housing plans from the viewpoint of a wife, expectant mother, and a parent and have earned greater trust from customers. Besides these female sales personnel, female technical personnel are also increasing in number, and are being given more opportunities at work. In 2012, the "Working Group to Promote Career Development of Female Technical Personnel" was established, and various measures have since been taken to ensure that female employees in technical positions are fully motivated to pursue higher career goals and make long-term, meaningful contributions to the company. In recognition of these efforts, we were chosen by the Tokyo Stock Exchange to be part of their women-empowering roster named the "Nadeshiko" list* in February 2013. We will continue our commitment to encouraging female employees to pursue their career development, while creating workplace environments that further motivate them at work.

No. of female sales personnel



No. of female technical personnel



Supporting female sales personnel

Since 2007, a "Female Sales Personnel Meeting" has been convened annually. This meeting is attended by female sales persons from all over Japan, and is intended to inspire them through interactions with the top sales personnel, and information exchanges among themselves.

Supporting female technical personnel

The "Working Group to Promote Career Development of Female Technical Personnel" is endeavoring to develop workplace environments that enable female technical personnel to continue to work after marriage and childbirth and make long-term contributions to the company. Specifically, meetings for female technical personnel to get together and study technical issues are held regularly to help them deepen technical knowledge and improve skills, while keeping them motivated at work.

Working successfully as a branch manager

Striving to create a pleasant workplace environment where employees enjoy their work while achieving higher performance

I took maternity and parental leave twice and returned to work after each leave to continue my career as a sales person. In February 2013, I was appointed branch manager, and have since been striving to balance work and motherhood so that I can be a role model for other female sales persons to follow. As I have to fulfill my parental responsibilities such as taking and picking up my children from a day-care center, I have renewed my awareness of the importance of setting priorities for work to be done effectively in a limited time. Now, as a branch manager with additional duties, I am further pressed to improve work efficiency in order to juggle work and family responsibilities as a mother. With the assistance of the members of my branch office, I will work for the creation of an ideal workplace environment where employees enjoy working while achieving good performance levels.

Fumiko Kuroki
Tokyo North Branch

Working as the first female "Chief Architect"

Building deeper relationships with customers as a professional

Thanks to the support of my colleagues at the branch office and homeowners, I was qualified as the first female chief architect under Sekisui House's internal qualification program. This qualification is granted to individuals with outstanding design capacity and a high level of trustworthiness. Since acquiring this qualification, I have relished the chance to negotiate with prospective customers, most of whom expect me to act in a professional capacity as chief architect. Encouraged by this, I now focus more on efforts to foster relationships of trust with prospective customers. As a chief architect, I will continue to offer attractive design ideas to customers while flexibly addressing their needs.

Tomoko Tonomura
Nara Branch

Work-life balance

In order for employees to constantly perform at their best, it is important for them to succeed at work and enjoy their private lives. At Sekisui House, we take various measures to help employees strike a work-life balance and make enough time for their families and for themselves.

For example, we implement extensive programs to support employees with children, as well as the retiree reinstatement registration program that allows employees who left the company due to marriage, childbirth, childcare, nursing care, or other family reasons to return to work. We also relaxed the criteria to be met to take nursing care leave, while introducing the accumulated annual leave program. By catering to the needs of individual employees through these programs, we are striving to create workplace environments that enable employees to perform to their fullest potential.

Promoting diversity of human resources

To create workplaces where a diverse range of employees can demonstrate their respective competence, we implement various programs such as work category transfers and internal open recruitment. These programs are designed to encourage motivated employees to develop their career paths and achieve higher performance.

In fiscal year 2012, we began nationwide implementation of the "Chief Constructor Program." Under this new program, 21 high-caliber on-site supervisors were awarded the designation of "Chief Constructor." They passed very high criteria in terms of the trust placed on them by customers, employees and partner building contractors and the ability to cope with difficulties at construction sites and improve work processes. These chief constructors are now being role models for on-site supervisors in construction sites all over Japan.

We will continue our efforts to maintain the corporate culture that allows each employee to remain enthusiastic and motivated about their work by promoting these programs.

Returning to work after parental leave

Grateful for the company for this once-in-a-lifetime experience

I decided to take parental leave when asked by my pregnant wife to take care of our first daughter (a first-grade pupil at elementary school) and our newborn baby girl (second daughter) after she had left hospital and until her physical condition had restored. I myself did not want to miss this once-in-a-lifetime chance to take care of my newborn baby. When I consulted with my boss, he readily accepted my request to take the leave, and my colleagues were also willing to cover for me in my absence. I am very thankful for the cooperative culture of my workplace. During the parental leave, I spent a very meaningful time and had an invaluable life experience. Now, it is my turn to lend a hand to colleagues considering taking parental leave.

Kiyohisa Kayano
Keijina Customer Center

Becoming qualified as a "Chief Constructor"

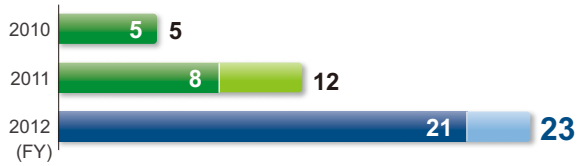
Contributing to the growth of younger construction workers with focus placed on customer satisfaction

I qualified as a chief constructor in April 2012, as a result of the questionnaire responses given by customers, branch offices, Sekiwa Construction, partner building contractors, and Customer Centers, as well as the evaluation of my ability to conduct quality control in the construction works in my charge, contribute to corporate performance in quantitative terms, and introduce innovations in work processes. I am very happy that the efforts I have been making as an on-site supervisor have been rewarded in this manner. I constantly ask myself if I can do more than is required of me, if I am attentive to every detail and how I can contribute to the company and society. With these questions in mind, I perform tasks assigned to me, however difficult they may be, steadily and in a methodical manner, while focusing on customer satisfaction. I will continue efforts to show that I deserve this qualification, while striving to create an environment that facilitates the growth of younger construction workers.

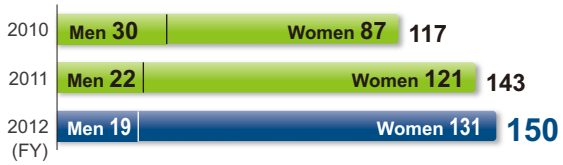
Kenichi Sakamoto
Aomori Branch

Increase in the number of women in managerial positions
(total of the Sekisui House Group)

Employees applying for work category transfers
(Figures in white indicate the number of employees switching to a different category.)



Employees taking parental leave
(including short-term usage)



Employees using the shortened work hour program

***Selected as one of the "Nadeshiko" companies by the Tokyo Stock Exchange in recognition of our extensive support to female employees**

In February 2013, we were chosen by the Tokyo Stock Exchange to be part of their women-empowering roster named the "Nadeshiko" list. On the Nadeshiko list are 17 companies, selected from among about 1,700 companies listed on the first section of the Tokyo Stock Exchange. Selection took into consideration the degree of the commitment to promoting female employees to important positions and contributions to work-life balance as well as return on equity. In Japan, the empowerment of female workers is deemed critical to reviving the domestic economy and maintaining the working population. Against this backdrop, our efforts to create workplace environments which are supportive to female employees and promote their career development are highly commended.

Commitment to stakeholders

Promoting initiatives on human rights and labor practices

Sekisui House has been working to create a corporate culture of zero tolerance for infringements of human rights, by ensuring that all employees correctly understand and practice compliance and our Corporate Ethics Guidelines. Since 1980, we have engaged proactively with a range of human rights issues, including the so-called Dowa issue (discrimination against descendants of former outcasts) and discrimination against women, foreign residents, and people with disabilities, while continuing efforts to raise the awareness of every individual employee. In view of our intended business expansion overseas, we remain committed to putting our resources into human rights initiatives to build up a corporate climate in which all associates respect each other's human rights, while understanding the necessity to respect international laws and differences between cultures.

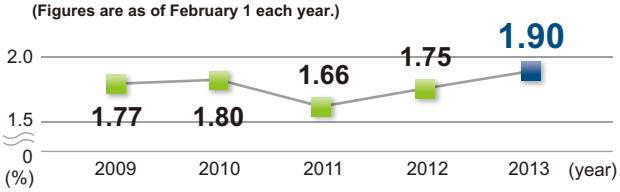
Human relations training (for all employees)

In fiscal year 2012, the training focused on "assertion," a communication style that allows for a good balance of respect for others and oneself, with the aim that every employee would raise human rights awareness and would not be involved in any human rights violations, whether as an offender or a victim. The training also addressed the issue of stereotyping to encourage trainees to think about what causes people to discriminate. Based on actual cases of stereotyping, trainees engaged in group discussions to deepen their understanding and awareness.

Initiatives toward hiring people with disabilities

As a company committed to the "lifelong housing" concept, we place special emphasis on hiring people with disabilities by way of performing our responsibility to society, and for this purpose, we participate in joint recruitment events held in various parts of Japan as much as possible. The ratio of employees with disabilities to all Sekisui House employees has reached 1.9% as of February 2013, above the legal requirement of 1.8%. Starting from fiscal year 2012, we implemented an internship program for people with disabilities, and accepted university students with developmental disorders as interns. We will continue our efforts to offer greater opportunities for all people, whether with disabilities or not, to help increase their opportunities and contribute to society with confidence.

Ratio of hires with disabilities
(Figures are as of February 1 each year.)



Offering job opportunities to people with disabilities

Striving to increase what I can do encouraged by the warm support of my colleagues

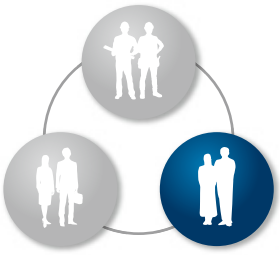
Before I began working at Sekisui House, the fact that I am visually impaired was communicated to everyone in my department and also all over the office, which made it easier for me to speak about the disability when introducing myself. I am now engaged in R&D on services that enhance living comfort, and use various support devices such as a magnifying reading aid while working. For me, operation of a copying machine was an especially difficult part of my work. To overcome this difficulty, I learned by heart the layout of the operation panel so that I can make copies without any problems. At first, my colleagues used to tell me to be careful whenever they saw me using a box cutter or half-running in the office, but today no one takes excessive notice of me. Instead, they show me consideration, as they would to any other colleague, quite naturally and warmly. I believe that by working just like my colleagues, I can prove that even with a disability, I can be a productive part of society. With this belief in mind, I will continue to strive to enhance my skills, step by step.

Minami Yamamoto
Comprehensive Housing R&D Institute

Promoting initiatives toward occupational health and safety

At housing construction sites, it is of utmost importance to ensure the safety of construction workers as well as their mental and physical health, as this is critical to maintaining high construction quality and achieving customer satisfaction. At Sekisui House, we are focusing our efforts on providing a consistent system covering not only employees of the entire group but also staff of associated companies and those working for our partner building contractors.

To minimize risk factors, we are implementing and expanding our own proprietary Sekisui House Zero Risk System as part of our health and safety management efforts to make sure that employees of Sekisui House and partner building contractors can work safely with no risk to their health. We also carry out the Construction Health and Safety Yearly Plan for all people associated with construction work, both Sekisui House employees and those of building contractors, to reinforce measures to prevent accidents, while offering a wide range of guidance and training sessions such as the Health and Safety Education and Training session, to maximize occupational health and safety.



Commitment to shareholders and investors

At Sekisui House, we not only disclose our business information to shareholders and investors in accordance with legislation, but also proactively and fairly release voluntary information that might be of their interest via a range of media, including press releases and on our website. We also strive to promote dialogue with shareholders and investors by means of direct communications and value their opinions as a useful reference for our management decisions. Through these activities, we are doing our best to ensure that our corporate value is assessed properly.

Encouraging communications with shareholders and investors

In fiscal year 2012, we renewed our website to offer more detailed corporate and IR information, make information more easily searchable and the website more user-friendly. We also issue “BUSINESS REPORT” to shareholders biannually in which our business strategy and plans are clearly explained and easily understandable.

To facilitate direct communications with investors, we also participate in seminars for private investors from a variety of perspectives, offering opportunities for participants to have a better understanding of our company.

Corporate and IR information offered on our website

http://www.sekisuihouse.co.jp/english/index.html

BUSINESS REPORT

Returning profits to shareholders

To enable a high distribution of profits over the medium and long term and maintain its business health, Sekisui House is allocating a minimum 40% mean dividend payout ratio for the medium term. When necessary, the company will also engage in the buyback or cancellation of shares, endeavoring to return profits to shareholders through improvements in capital efficiency.

For the fiscal year ending January 2013, we issued a midterm dividend of 12 yen and a year-end dividend of 16 yen for a yearly dividend of 28 yen, up from the previous year by 8 yen.

Yearly dividends per share

(year/January quarter)	2009	2010	2011	2012	2013
Dividend (¥)	**24**	**10**	**21***	**20**	**28**
Dividend ratio (%)	**140.8**	**—**	**46.6**	**46.6**	**40.5**

*Including 5 yen dividend to commemorate the 50th anniversary of the company’s establishment

Increasing shareholder satisfaction

Shareholders who are unable to attend the Annual General Meeting may exercise their voting rights not only on paper but also via the Internet, in an attempt to make the process more convenient.

In some cases, Uonuma Koshihikari rice sent to shareholders under the Shareholder Preferential Gift Program has been returned to the company because it has been refused or the recipient has moved and their location is unknown. In such cases, since the Preferential Gift Program was introduced, this rice has been donated to welfare facilities and organizations for people with disabilities and the elderly, with the understanding of shareholders.

Donations in fiscal year 2012 are shown below.

Recipients

- Social Welfare Corporation Kochi Parents’ Association for the Intellectually Challenged (Nankoku City, Kochi Prefecture)
- Unoura Hospital (Rikuzentakata City, Iwate Prefecture)
- Medical Corporation Heart (Hitachinaka City, Ibaraki Prefecture)
- Medical Corporation Shojinkai (Hitachi City, Ibaraki Prefecture)

Preferential treatment for shareholders

Sekisui House has established two programs offering preferential points and preferential gifts to shareholders, to encourage them to hold onto the company’s shares for the long term.

Shareholder Preferential Points Program

Points are allocated every half-year according to the number of shares and the length of time they have been held, and can be used when doing business with Sekisui House (new construction or remodeling, etc.).

Shareholder Preferential Gift Program

Shareholders who hold more than one share unit (1,000 shares) at the end of the accounting period receive a gift of 5 kg of Uonuma Koshihikari rice every year.

Activity Report 6

Contributing to the wellbeing of society

With the awareness that our corporate activities directly affect people's lives and local communities, we have been promoting various social contribution activities as a member of the community and society.

With a "love of humanity" at the core of our corporate philosophy, and placing emphasis on "housing culture," "sound growth of next-generation citizens" and "environmental preservation," we have developed programs to enable employees to voluntarily take socially meaningful action, while working for the wellbeing of communities as part of our core corporate activities. We also encourage employees to take part in volunteer and charitable activities, work in partnership with NPOs and NGOs and support their activities, and extend support to educational activities in cooperation with educational institutions.

Acting in cooperation with as our guiding principle to addressing social challenges

Principles of our social contribution activities

Collaborating with NPOs to support the independence of people with disabilities

At Sekisui House, we have been working with NPO Together (Nara City) since 2000 in proactive initiatives to support the independence of people with disabilities. As part of this support, we use SELP products* made by people with disabilities as novelties to give out to visitors at Sekisui House Visiting Days and model homes nationwide. In fiscal year 2012, we purchased 35,045 items.

*SELP products: Products made in welfare facilities by people with disabilities with the aim of job training and social inclusion.

A pot stand and cell-phone straps made of waste wood from the construction of our wood-frame house, SHAWOOD

Participating in Disabled Persons Week events

Since 2005, we have participated in the planning and implementation of "Disabled Persons Week" events (supported by the Cabinet Office) which are held in the Umeda Sky Building, where our head office is located.

In the Symposium Connecting People with Disabilities to Society, we hosted a keynote lecture and a panel discussion on the enactment of the Act on Promotion of Preferential Procurement of Goods Made by People with Disabilities. This discussion involved the audience, and thus provided a meaningful opportunity for government personnel, business persons, NPO members and citizens to get together and share opinions.

The symposium was attended by 150 people, where both the panelists and audience were involved in discussion.

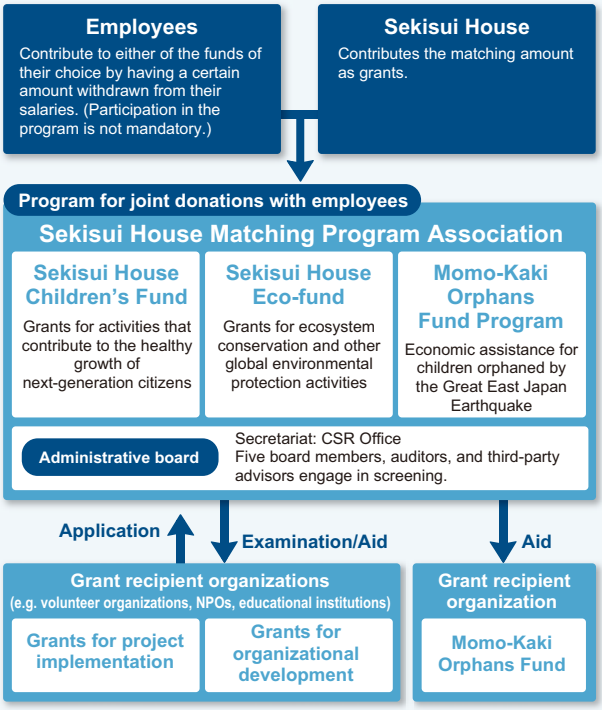
various sectors with a “love of humanity” continue working for the wellbeing of communities and

Supporting NPOs and other organizations working to meet social challenges

Sekisui House Matching Program

Since fiscal year 2006, we have been implementing the Sekisui House Matching Program (with membership of approximately 2,600 people), under which we match employee donations to NPOs and other organizations engaged in activities to benefit society. Employees who join this program have an amount of their choice (1 unit = 100 yen) withheld from their salaries for donations, and Sekisui House matches the donations and contributes the same amount as grants. Grant money is disbursed from two funds, Sekisui House Children’s Fund and Sekisui House Eco-fund, and the administrative board consisting of representatives of the program members determines recipient organizations. We also established the Momo-Kaki Orphans Fund Program to support the Momo-Kaki Orphans Fund (chaired by architect Tadao Ando), which provides financial assistance to children orphaned by the Great East Japan Earthquake. In fiscal year 2012, we donated a combined total of 16.6 million yen to 21 organizations from our Children’s Fund and Eco-fund. Under our Momo-Kaki Orphans Fund Program, we are planning to donate 100 million yen over the next ten years.

Sekisui House Matching Program



Grants for project implementation (awarded to organizations upon application)

Children’s Fund
￥8.6 million donated to 7 organizations

- NPO International Children’s Action Network
- NPO ADRA Japan
- NPO Kokkyo naki Kodomotachi
- NPO Shonan DV Support Center
- NPO Childline Support Center Japan
- NPO Japan Good Toy
- NPO Florence

Eco-fund
￥6.4 million donated to 6 organizations

- NPO Kamiechigo Yamazato Fun Club
- NPO Shirakami Mountains Preservation Society
- NPO Eco-works
- NPO Eco Future Fund
- Steering Committee for the Chikugo River Preservation Project
- NPO Japan International Volunteer Center

*In addition, we implement the “grants for organizational development” program to help organizations improve their internal infrastructure and quality of their activities in anticipation of their future development. Under this program, we offered grants to eight organizations (five organizations from our Children’s Fund and three organizations from our Eco-fund).

Supporting the creation of local communities with the Kobe Machizukuri Rokko Island Fund charitable trust

The Kobe Machizukuri Rokko Island Fund was established as a charitable trust in 1996 jointly by Sekisui House and P&G, both of which are closely associated with Rokko Island City (Higashinada-ku, Kobe City), with a view to supporting projects and activities that can contribute to the process of creating international and culture-rich communities in Kobe City.

Through this fund, we have awarded grants to many NPOs and organizations to support their community-building efforts, and by fiscal year 2012, had awarded 496 grants totaling 365.96 million yen.

Supporting the Real Size Thinking competition for ecological living space design, with entries from 51 universities nationwide

Since fiscal year 2005, Sekisui House has been participating in the planning and management of the Real Size Thinking competition for students, for which entrants must construct a scale model of a living space that can fit within a volume of 2.4 cubic meters. Its main objectives are to raise awareness of the importance of environmental consideration in designing living spaces, strengthen collaboration between industry and universities, promote communication between students, and foster young designers. In fiscal year 2012, 222 models from 51 universities nationwide were entered.

Contributing to the wellbeing of society

Collaborating in the construction of Child Chemo House, a medical facility where children with cancer can receive treatment in a home-like setting

Child Chemo House is a care home for children with cancer, and is a vision that NPO Child Chemo House has been striving to materialize since 2006. This facility is more like a home than a hospital or clinic, where children can spend time with their family while undergoing therapy. We, at Sekisui House, have been supporting the activities of NPO Child Chemo House through our Matching Program (see p. 72). To support the Child Chemo House construction project, we donated approximately 220 million yen, while undertaking total design, planning and construction of the facility. After the opening of the Child Chemo House, we will continue to offer administrative support in various ways.

Outline of the Child Chemo House facility

Construction site: 8-5-3 Minatojima Nakamachi, Chuo-ku, Kobe City (in the KOBE Biomedical Innovation Cluster in Port Island)
Client: Child Chemo Support Foundation
Total design and planning: Takaharu and Yui Tezuka, Tezuka Architects, and Sekisui House, Ltd.
Construction: Sekisui House, Ltd.
Structure: Heavy-steel one-story building (BEREO model)
Total floor area: 1,931.50 m^2

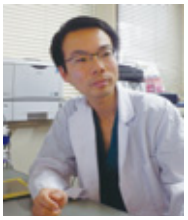
The building is provided with several skylight windows to let in plenty of natural light, and furnished with the "Airkis" high-quality indoor air system to maintain a clean air environment to protect the health of children (see p. 64).

VOICE

I am grateful for the generous support of our efforts to create an ideal treatment environment for children with cancer

In June 2005, medical personnel and parents of children with cancer met together to discuss how to create an ideal environment for children with cancer and their families. This meeting was the beginning of the Child Chemo House initiative. Typically, treatment of childhood cancer requires long-term hospitalization, while the use of anticancer drugs weakens the immune system and can expose the patient to life-threatening risks if an infection, including a cold, is contracted. Taking into consideration these two factors, and also the mottoes, "children can grow with a smile even with cancer" and "the ideal hospital is our home," we have been exploring how we can provide an environment where children receiving treatment can live normal family lives and grow soundly.

I am pleased to note that thanks to the kind donations of many people and the dream collaboration between Sekisui House and Tezuka Architects, we could make our hope a reality. The completed facility has been built with state-of-the-art technologies including an advanced air conditioning system that is critical to protecting children against infectious diseases. I would like to take this occasion to extend my heartfelt gratitude to Sekisui House for their donation of more than 200 million yen for the construction of the facility and for their continued support to our research activities. Encouraged by the warm support of everyone involved in this initiative, we will continue our commitment to developing new medical practices to ensure the greater wellbeing of children with cancer.



Dr. Shigenori Kusuki
Head Doctor
Child Chemo Clinic

Participating in the "Bento Day" promotion project to instill confidence and appreciation in children

The "Bento Day" or "lunch box making day" program is designed to educate children to be self-reliant by making their *bento* (lunch box) on their own. Through this program, children are expected to become aware of the importance of foods, develop an attitude of appreciation, and discover the joy of cooking by doing everything themselves from shopping for ingredients to clearing the kitchen after use. We agreed with the purpose of the Bento Day program and participated in the project to promote this program. Specifically, we hosted a seminar inviting Mr. Kazuo Takeshita, an advocate of this program, as a lecturer, and organized a *bento* cooking event for children at our Comprehensive Housing R&D Institute in August 2012.

For more information, refer to the official website of the Bento Day program.
http://d.hatena.ne.jp/bentounohi/ (Japanese only)

Twenty children enjoyed making lunch boxes during our event.

Implementing the environmental education programs at schools and event venues throughout Japan

We implement three enjoyable hands-on learning programs throughout Japan as extension classes at schools and as part of events, focusing on the three commitments we made with the Minister of the Environment as an Eco-First Company—reduce CO_2 emissions, restore ecosystem networks, and promote resource recycling. Through these programs, children can learn about energy-saving measures they can take at home, and increase awareness of the importance of preservation of the natural environment and efficient use of resources.

Focusing on the joy of learning, our programs are designed for children to deepen understanding of the environment as the next-generation leaders.

Comments from External Members of the CSR Committee

At Sekisui House, a CSR Committee meeting is convened every three months to develop and promote important CSR policy issues and verify the relevancy and effectiveness of current CSR activities (refer to p. 36). During the meeting, three external members are asked to present third-party opinions, which provide the basis for discussion among Committee members, including the board members. The following are comments given by the external members in the light of the discussions held during fiscal year 2012.

Mr. Haruo Tsuji
Special Advisor,
Sharp Corporation

Observation, sensitivity, and consideration, from the customer's perspective

The Great East Japan Earthquake and subsequent nuclear accident two years ago cast into sharp relief the importance of saving and creating energy, as well as safety and reliability, from a different standpoint to that of environmental issues. In this context, I am pleased to see that Sekisui House is producing results tailored to social needs, such as the fact that the company's Green First model accounts for over 80% of newly built detached houses, and that it was one of the first to engage in the development of smart houses and smart cities based on this model. Although some people regard CSR as a business strategy, this initiative may justly be described as an example of true CSR management that is being incorporated into business activities.

With the advance of globalization, the pace of change is accelerating ever more rapidly, and in business management it is now essential to be observant, sensitive, and considerate, all from the customer's perspective. Being "observant" involves noticing visible matters and responding to them carefully. Being "sensitive" means going one step further by responding in a manner tailored to the client. And being "considerate" entails perceiving the customer's deeper needs and ideas, and meeting them in advance.

I hope all employees will put these into practice, and in so doing raise the corporate value of Sekisui House and the level of its CSR to new heights.

Excerpt of his comment given at a CSR meeting

Now, when good results are being achieved, is the time when the greatest care is required with respect to any problems that may arise. I hope Sekisui House will strive to strengthen its internal controls for "fundamental CSR" by such means as repeatedly enforcing rigorous compliance. The medium-term management plan also envisages that overseas business will account for 10% of sales in fiscal year 2014, and I hope the company will also endeavor to raise the level of its CSR activities overseas.

Dr. Tadao Kagono
Special Visiting Professor,
Konan University

Financial services and CSR

Providing services that customers want, accepting compensation for them, and making a profit from this compensation are the foundations of long-term sustainable CSR. Sekisui House is providing industry-leading services in terms of dealing with environmental issues and increasing the value of buildings. The company's CSR is the industry leader in this field, and may also be the most advanced among all Japanese companies. It might therefore be assumed that there is little room for further improvement. Looking at the margins of the company's business, however, there are still some things that remain to be done. Many of those that I have identified are related to financial services. For a product as expensive as housing, sales and financing are inseparable. Borrowers of home loans in Japan bear a heavier burden of risk compared with other countries, and this is a problem. There are many actions that housing makers can take to help alleviate this burden. This connection with financial services is also evident with respect to photovoltaic power generation and cogeneration. If effective financial products in these areas could be developed, this would provide major benefits for both borrowers and investors. I hope financial products for these areas will be developed in future.

Excerpt of his comment given at a CSR meeting

Fifty years hence, Japan's population will have decreased, and there may no longer be any need to build new housing. What sort of businesses will Sekisui House be able to develop at this point? One is the company's overseas business, but another may be the housing stock business. Sekisui House must make preparations that enable the company to raise income from services, with a view to developing its housing stock business.

Mr. Shunsuke Kano
Lawyer

Supporting women's achievements in Sekisui House

The magnificent achievements of Nadeshiko Japan, the national Japanese women's soccer team, have made a superb impression of Japanese women's strength and greatness worldwide. They have also given the Japanese people, who were losing confidence in themselves as the country appeared to be slipping from its position as an economic powerhouse, the fresh courage and confidence required for recovery. The precipitously declining birthrate, increasingly aging population, and decreasing number of people of working age that Japan currently faces will necessitate the active participation of women in all areas of society. To achieve this, however, will require support for combining work with home-making and child-raising, and the creation of environments and frameworks that make it easier for women to work. In February 2013, Sekisui House was selected to be on the "Nadeshiko" list of companies on the Tokyo Stock Exchange that actively promote women's participation in the workplace. This can also be regarded as an important recognition from a CSR perspective. I believe that the strength of Sekisui House as a leading housing company with the foremost advanced technology and sophisticated construction capabilities lies in the fact that the company is concentrating on its core business in-depth, without becoming distracted. Adding the activities of "Nadeshiko employees" to this will double the company's drive.

Excerpt of his comment given at a CSR meeting

The increasingly elderly nature of the Japanese population will mean an increasing focus on safety and reliability in future. Older people with financial resources may increasingly choose to put their money into housing in order to live together with younger generations. I hope that more and more housing that is safe and reliable for aging communities will be put on the market. The strength of Sekisui House is that its business is specialized in housing. I hope the company will further improve its quality as a top maker in future.

Independent Assurance Report for the Japanese Version of the Sustainability Report 2013

This is an English translation of the "Independent Assurance Report" dated April 10, 2013 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the "Sustainability Report 2013" published in Japanese by Sekisui House, Ltd..

Independent Assurance Report

To the Board of Directors,

Purpose and Scope

We were engaged by SEKISUI HOUSE, Ltd. (the "Company") to provide limited assurance on its Sustainability Report 2013 (the "Report") for the fiscal year ended January 31, 2013. The purpose of our assurance engagement was to express our conclusion, based on our assurance procedures, on whether:

- the greenhouse gas indicators marked with "  " (the "Indicators") for the period from February 1, 2012 to January 31, 2013 included in the Report are prepared, in all material respects, in accordance with the Company's reporting criteria; and
- all the material greenhouse gas information defined by the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS") is included in the Report.

The content of the Report is the responsibility of the Company's management. Our responsibility is to carry out a limited assurance engagement and to express our conclusion based on the work performed.

Criteria

The Company applies its own reporting criteria as described in the Report. These are derived, among others, from the Sustainability Reporting Guidelines 2006 of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan's Ministry of the Environment. We used these criteria to evaluate the Indicators. For the completeness of material greenhouse gas information, we used the 'Greenhouse gas Report Assurance and Registration Criteria' of J-SUS (http://www.j-sus.org/kitei_pdf/logo_fuyo_ghg.pdf).

Procedures Performed

We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines of Sustainability Information Assurance' of J-SUS.

The limited assurance engagement on the Report consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviews with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report.
- Reviews of the Company's reporting criteria.
- Inquiries about the design of the systems and methods used to collect and process the Indicators.
- Analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also a recalculation of the Indicators.
- Visit to the Company's 2 domestic factories selected on the basis of a risk analysis.
- Assessment of whether or not all the material greenhouse gas information defined by J-SUS is included in the Report.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that:

- the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report; and
- all the material greenhouse gas information defined by J-SUS is not included in the Report.

We have no conflict of interest relationships with the Company that are specified in the Code of Ethics of J-SUS.

KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
April 10, 2013

Third Party Review

Sekisui House, Ltd.

April 12, 2013

Third Party Review

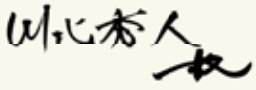
I wrote the following comments based on the information contained in this report and interviews I had with Sekisui House personnel in charge of environmental, human resources, procurement and CSR affairs. I believe that Sekisui House has remained steadfast in their commitment to CSR efforts. They have been properly implementing the PDCA management cycle focusing on reducing the burden on the environment and preserving the environment by, for example, promoting the nationwide introduction of the “Gohon no ki” landscaping concept—an innovative project involving customers in biodiversity protection efforts and one of the first of its kind in the world—and convening quarterly meetings of the CSR Committee that includes external members.

Achievements that deserve special recognition

- Sekisui House has demonstrated an exceptionally high contribution to reducing the burden on the environment and preserving the environment by launching some of the world’s most innovative initiatives, which include introducing the Environmental Future Plan in 1999; issuing the Declaration of Sustainability in 2005; specifying 4 values and 13 guidelines to accelerate the process to a sustainable society (p. 20); achieving more than 80% in the ratio of the Green First model that employs a highly insulated and airtight structure coupled with a photovoltaic power generation system and fuel cells (p. 49); and planting more than 9 million trees in total in cooperation with customers under the “Gohon no ki” landscaping concept. Especially noteworthy are their long-standing, close partnerships with NPOs and NGOs, with which they have been promoting the “Gohon no ki” landscaping concept and FairWood procurement practice.

Areas where some notable achievements have been made but further efforts are required

- I think highly of the efforts of Sekisui House to improve the value of the housing stock for customers by extending the warranty at 10-year intervals after the expiration of the initial warranty period with their U-trus system; implementing the “Everloop” program to repurchase Sekisui House homes and renovate them for resale; and covering part of the remodeling expenses of houses that meet certain criteria (p. 59). At the same time, I strongly hope that Sekisui House will offer further information and opportunities to enable more customers to become aware of the benefits resulting from maintaining and improving housing value over a long period of time.
- In order to increase the diversity of its workforce (p. 67), Sekisui House issued the Declaration for Human Resources Sustainability in 2006, while placing importance on promoting women’s successes, diversity of human resources, and work-life balance. As a result, the ratio of employees using parental leave, nursing care leave and the shortened work hour program to all Sekisui House employees reached 2.77% on a non-consolidated basis. Sekisui House also accepted university students with developmental disorders as interns. While these achievements deserve recognition, I expect Sekisui House will continue its ongoing commitment to increasing the diversity of its workforce to better cater to the needs of an aging Japanese society with fewer children and developing personnel capable of promoting international business. Specifically, I strongly propose that Sekisui House should offer training where employees who have used nursing care leave or the shortened work hour program serve as trainers, and enhance their consultation service for employees to address a wider range of concerns, including non-work related issues.
- I think highly of the continued efforts of Sekisui House to improve the performance of their business partners to help them fulfill their responsibility to society (p. 66) by assessing the quality control program in place at their business partners in order to identify practices that need improvement and suggest measures for dealing with them, and also by holding Policy Management Training sessions. On the other hand, I expect Sekisui House will have a better understanding of the progress in the measures taken by their business partners to reduce the burden on the environment and address social issues, and prompt their business partners to continuously improve and enhance their efforts by conducting assessment on a wider range of practices in greater depth and collecting more accurate information.
- Sekisui House has demonstrated leadership in promoting social contribution activities (p. 71) by encouraging procurement of novelties made by people with disabilities and supporting the construction of Japan’s first care home for children with cancer and their families. These achievements deserve high recognition. I further expect that Sekisui House will offer more opportunities for involvement in social activities, by encouraging their managerial personnel to monitor the activities of the organizations that receive donations from Sekisui House and take part in their activities as volunteers, so that their Matching Program will be joined and supported by more employees.



Mr. Hideto Kawakita
CEO
IIHOE (International Institute for Human, Organization and the Earth)

IIHOE is an NPO established in 1994 under the principle of “Democratic and Balanced Development for All the Lives on Earth.” IIHOE mainly engages in offering management support to civil groups and philanthropists, while working for many large companies to support their CSR efforts.

http://blog.canpan.info/iihoe/ (Japanese only)

Main Third Party Evaluations of the CSR Activities of Sekisui House during FY 2012

Environment

Sustainable Design Laboratory

April 2012

Prize of Excellence in the "II. Integrated M&E Design" category of the Environmental and Equipment Design Awards
Organizer: Association of Building Engineering and Equipment

Smart Common City

November 2012

Excellence Award for Energy Saving Service in the Eco-Service Category, at the Eco-Products Awards
Organizer: Eco-Products Awards Steering Committee

Environmental learning program through environmental preservation activities

March 2012

Saitama Environmental Award in the Business Division
Organizer: Saitama Prefectural Government

Products, technology, etc.

SHAIDD55 high acoustic insulation floor system

May 2012

Technical Development Award
Organizer: The Acoustical Society of Japan

Sekisui Nattoku Kobo Studio experience training and SH-UD Master Planner Programme

October 2012

Grand Award/Minister of Economy, Trade and Industry Award at the IAUD Awards 2012
Organizer: International Association for Universal Design

Corporate serial advertisement "Sekisui House —Your only home"

April 2012

Grand Prize in the Newspaper Advertisement Category in the Media Division at the Fujisankei Communications Group Advertising Awards
Organizer: Fujisankei Communications Group

October 2012

Gold Prize in the Serial Advertisement Division at the Business Advertising Awards
Organizer: Fujisankei Business i.

Townscape, landscape

Gotenyama Project

February 2012

Grand Prize for Greening Initiative at the Outstanding Greenery Project Awards
Organizer: Shinagawa Ward Office, Tokyo

September 2012

The Minister of Land, Infrastructure and Transport Prize in the Rooftop Greening Division, at the Competition for Specialized Greening Technology for Rooftops, Wall Facings and New Green Spaces
Organizer: Organization for Landscape and Urban Green Infrastructure

October 2012

President Prize of the Organization for Landscape and Urban Green Infrastructure in the Green Community Development Division at the Urban Green Space Awards
Organizer: Organization for Landscape and Urban Green Infrastructure

Honmachi Garden City

February 2012

Governor of Osaka Award at the Osaka Sustainable Architecture Awards
Organizer: Osaka Prefectural Government

Honmachi Minami Garden City

December 2012

Incentive Prize at the Osaka Urban Landscape and Architecture Awards (Osaka Machinami Award)
Organizer: Osaka Prefectural Government, Osaka Municipal Government, Osaka Association of Architects and Building Engineers, Osaka Association of Architectural Firms, the Kinki Branch of the Japan Institute of Architects, Architectural Association of Japan

Grande Maison Iseyama

October 2012

Incentive Prize in the Green Center Development Division at the Urban Green Space Awards
Organizer: Organization for Landscape and Urban Green Infrastructure

Grande Maison Takarazuka Kiyoshikojin

December 2012

Governor Prize in the Streetscape and Architecture Division at the Human-oriented Community Development Awards
Organizer: Hyogo Prefectural Government

Grande Maison Utsubo Park

January 2013

Special Prize at the Osaka City Housing Design Awards
Organizer: Osaka Municipal Government

Kids Design Award

Special Chief Judge's Prize in the General Entries Section in the Child-friendly and Safety/Security Design Category

Smart Universal Design for Children —housing design to create a safe environment for sound growth of children in cooperation with customers

Special Chief Judge's Prize in the Creativity Section in the Design for Children's Future Category

Development of "Playful Design Cards," a tool for creating designs based on Kids OS, and verification of their effectiveness*1

Creativity Section in the Design for Children's Future Category

"Active Floor + Loft Steps," an exciting secret base in the upper space

Literacy Section in the Design for Children's Future Category

Keyaki Kindergarten—living with a forest with a 400-year-old *keyaki* tree*2

Research on housing education focusing on children's ability to design interior space*3

Regional and Society Section in the Design for Supporting Child Bearing and Rearing Category

Fostering "neighborhood bonds" in a multi-generational community—MAST Life Furukawa Teien

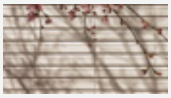
July 2012

Organizer: Kids Design Association

*1 Joint entry with the member local governments and companies of the Kids OS Study Group
*2 Joint entry with an educational corporation, Osakabe Gakuen
*3 Joint entry with Kyoto Women's University

Good Design Award

Housing and House Fixtures Category



Bellburn ceramic exterior wall tiles

"Kazusa no Mori: Chihara Dai" residential land for sale

October 2012

Organizer: Japan Industrial Design Promotion Organization

CSR efforts in general

Sustainability Report 2011

March 2012

Special Prize for Excellence in Biodiversity Reporting (Global Environmental Forum President Award) at the Environmental Communication Awards
Organizer: Ministry of the Environment, Global Environmental Forum

Sekisui House, Ltd.

February 2013

Selected to be part of the "Nadeshiko" list, a women-empowering roster, by the Tokyo Stock Exchange

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

Social activities

Two years have now passed since the Great East Japan Earthquake of 2011, and we have developed our CSR activities to respond to the wishes of a changing society. The most important example is the nationwide development of “smart common cities,” which are based on the concept of building community as well as overcoming energy insecurity while continuing to fulfill the basic role of housing as a place to live in safety and security, health and comfort.

In fiscal year 2013, we are continuing to concentrate on CSR activities in the context of our main business, such as encouraging the adoption of net zero energy housing (ZEH). It is the dynamism of our employees that is generating these business achievements. I hope we will engage in further initiatives toward human resources sustainability from the medium- and long-term perspective by creating workplaces in which a diverse range of employees find it easy to work together, based on the belief that this will both increase the added value our company can offer still further and contribute to solving social issues such as the declining birthrate and increasingly elderly population.

In supply chain management, we had already been working to build relationships of mutual harmony and benefit with our trading partners, and we will engage in further dialogue from the viewpoint of CSR procurement with the aim of strengthening our social impact.

We are now actively establishing ourselves overseas, and by the end of January 2015 our overseas business should account for 10% of overall sales. We are aware that improving the level of CSR management in other countries is also an important issue, and are focusing on initiatives in this area.

With respect to social contributions, funding from the Sekisui House Matching Program has now reached a total exceeding 100 million yen. Although awareness of giving on the part of our employees has risen steadily since the Great East Japan Earthquake, only a little over 10% of our employees belong to the matching program. We will endeavor to increase this number in the effort to embody the “love of humanity” that constitutes the core of our corporate philosophy of “desiring happiness for others and treating their joy as our own.”

In terms of assistance for recovery after the Great East Japan Earthquake, the entire group will make every effort to respond to the increasing demand for construction with a view to the speedy rebuilding of people’s livelihoods and reopening of businesses. We will also collaborate with NPOs and other sectors in continuing humanitarian assistance, which has now leveled off.

We will also return to basics this year and engage in thorough employee education with the aim of further improving the level of CSR activities.

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

Environmental activities

The housing business involves more than simply building houses: supporting customers after they have moved in is also important. The expression “200-year house” does not refer to a house that will endure for 200 years, but rather to our promise to customers that we will continue to offer maintenance support for that time. This means that Sekisui House will have to stay in business for at least the next 200 years, and in order to achieve this, Sekisui House must become a company that is needed by the world at large. This is one reason we are putting our efforts into CSR.

CSR means making a profit, paying taxes, and then contributing to society, of course while complying with the law. At Sekisui House, the fact that we provide many different houses that solve a wide variety of social problems is in itself a contribution to society. To obtain the support of as many customers as possible, we need to consider things from their standpoint and provide the sorts of homes that they can accept. The Green First initiative, which is highly regarded by both external committee members and third parties, is one such example.

As described in the third-party comment, if customers are to remain living in our houses over the long term, they will require a comprehensive framework that includes guarantees and a repurchase and remodeling business, and this is an area in which Sekisui House excels. Our biodiversity and resource recycling initiatives also far outstrip those of our competitors. It is true, however, that these are not sufficiently well known, and publicity for them has been inadequate.

We will put even greater effort into CSR in future, with the aim not only of providing comfortable, environmentally friendly products, but also of making opportunities to publicize our initiatives more actively to society as a whole in order to improve our customer engagement.

Kenichi Ishida
Executive Officer,
Chief Manager of Environment Improving Department and General Manager of the Global Warming Prevention R&D Institute

Editors’ Note

We are grateful to receive so many responses to our questionnaire concerning the Sustainability Report 2012. These responses include some negative comments, such as “many terms are unfamiliar to me” and “the report provides an extensive coverage of the corporate activities, but contains too much textual information.” In producing the Sustainability Report 2013, therefore, we reduced the topics in this report to a necessary minimum and made descriptions as simple as possible, while providing a glossary at the end of the report.

In principle, the Key Performance Indicators (KPI) cover the numerical data of the past five years, which were disclosed honestly, on a bona fide basis. Also, we have had our data on greenhouse gas emissions independently reviewed and certified by a third party. While the editing work required as much devotion and energy as in past years, we hope to continue to improve the contents of the report year by year. Your frank opinions and comments on this report are highly welcome and appreciated. Please see our official website for more information.

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

Sustainability Report 2013 Editorial Team
Members of the CSR Office of the Corporate Communications Department, the Environmental Improving Department, and the IT Operation Department

Glossary

B

Basic Act for Housing	Basic Act for Housing is a law enacted in Japan in 2006 to provide guidelines for housing policy, which has largely shifted its focus to the improvement of housing quality in terms of disaster preparedness, safety, security, social welfare and global environment protection to cater to the emerging needs of an aging society with fewer children.
BCP	BCP stands for business continuity planning, and is a strategic preparation process that ensures critical business operations are not disrupted in times of emergency.
Biodiversity	Biodiversity is the rich variety of lives on Earth and their linkages. We depend on biodiversity for our daily necessities, including food.
Biomass	Biomass is any renewable organic material made from animals and plants, excluding fossils. As a new energy source, biomass is expected to replace fossil fuels and contribute to reducing CO_2 emissions.

C

Chain-of-custody (CoC) certification	Chain-of-custody (CoC) certification is a third party verification mechanism that certifies appropriate and sustainable forest management practices as well as management bodies engaged in such practices according to certain set criteria, with a view to promoting sound forest management. CoC certification is a component of the forest certification.
Compliance	Compliance is about the observation of basic rules such as applicable laws and bylaws by companies to meet the expectations of society.
Corporate governance	Corporate governance is a mechanism for corporate decision making. Due to an increase in corporate scandals, corporate governance plays a key role in preventing organization-wide violation of corporate ethics.
CSR	CSR stands for corporate social responsibility and refers to the responsibility of companies to contribute to the good of society focusing on relationships with all stakeholders as part of their corporate activities, in addition to pursuing profits.
CSR procurement	CSR procurement is a procurement practice that takes into consideration the CSR aspects of suppliers, such as compliance and fairness, as well as their attitudes toward human rights and labor issues.

D

Diversity	Diversity is about respecting individual differences, whether it be gender, age, race, origin, nationality, language, culture or values, and whether with or without disabilities, and taking advantage of such differences to enhance business performance.

E

Eco-First Company	Eco-First Company is a designation given to companies that are recognized by the Minister of the Environment as leading the industry in environmental initiatives, including efforts to prevent global warming, reduce waste and promote recycling, under the Eco-First program implemented by the Ministry of the Environment.
Environmental accounting	Environmental accounting is a mechanism to quantitatively measure the costs incurred in environmental preservation efforts undertaken as part of corporate activities, with a view to achieving corporate development in a sustainable manner while promoting environmental efforts.

F

FairWood	FairWood refers to woods and wood products sourced in a manner that takes into account the conditions of the forest environment and local communities where logging takes place.
Fuel cell	Fuel cell is a device that converts chemical energy into electricity through an electrical and chemical reaction between oxygen and hydrogen (oxidation of fuel). In Japan, it is commonly known by the name “ENE FARM.”

G

Greenhouse gas	Greenhouse gas includes carbon dioxide and methane, and it exerts a huge impact on natural ecosystems and human society, and is the main cause of global warming.
Green Purchasing Law	Green Purchasing Law is the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities, which was enacted in Japan in 2000 to create to a recycling-oriented society from a supply-demand balance perspective.
GRI Guidelines	GRI Guidelines are international CSR guidelines issued by the Global Reporting Initiative (GRI), an NGO headquartered in the Netherlands. The guidelines provide a framework for corporate reporting focusing on economic, environmental and social performance, known as the “triple bottom line.”

H

Heat pump	Heat pump is a device that effectively takes in heat from air or other sources by using a small amount of energy and utilizes the heat as huge energy source. This technology is employed in air conditioning and water heating systems (Eco-Cute).
HEMS	HEMS stands for home energy management system.

I

Industrial waste	Industrial waste refers to solid or liquid materials generated by corporate activities, which are no longer used or that are not adequate for sale to any third parties.
Internal control system	Internal control system is designed to build a control and audit process to prevent the organization from engaging in illegal acts or violating rules and ensure fairness of corporate activities.
IR	IR stands for investor relations and refers to corporate activities to disclose a company’s data such as financial, business and performance information to investors.
ISO 14001	ISO 14001 is an international standard for environmental management which was introduced to minimize the impacts of corporate activities on the environment.
ISO 26000	ISO 26000 is guidance on social responsibility issued in November 2010. Unlike other ISO standards that are certifiable, ISO 26000 is intended to provide guidelines only.

Glossary

K

Kyoto Protocol	Kyoto Protocol was adopted under the United Nations Framework Convention on Climate Change (UNFCCC) in the third session of the Conference of the Parties to UNFCCC convened in Kyoto in 1997.

L

LED lighting	LED lighting employs a light emitting diode (LED), which is characterized by high energy-saving efficiency and extended life. LED lighting also emits less heat and ultraviolet rays.
Low-carbon society	Low-carbon society is a society with low greenhouse gas emissions.

M

Material balance	Material balance is the sum of resources and energy input in the process of corporate activities, from procuring materials to sales, and also to collecting and recycling waste, and the total impact the process has on the environment.
Mental health	Mental health is also referred to as sound mind, psychological well-being, and mental hygiene. This term is also used to indicate reducing and easing mental fatigue, stress and trouble and offering support in order to do so.

N

Net zero energy house (ZEH)	Net zero energy house (ZEH) is a house that consumes almost no primary energy on a net basis. The Japanese government is promoting ZEH so that this housing design will be adopted widely by 2020.
NGO	NGO stands for non-governmental organization, and is an organization founded by citizens or private groups.
NPO	NPO stands for non-profit organization, and is an organization engaged in activities for the good of society, not for distributing profits among its members.

P

Power harassment	Power harassment is any behavior by a person in a superior position at the workplace or in a personal relationship who takes advantage of their position to hurt an individual, whether mentally or physically, or makes the work environment hostile to the individual, beyond the normally permissible level at the workplace.

R

Recycling-oriented society	Recycling-oriented society is a society with a system to control waste generation or properly recycle and dispose of used products, thereby minimizing the consumption of natural resources and impacts on the environment.
Renewable energy	Renewable energy includes sunlight, solar heat, hydraulic power, wind power, biomass, and geothermal power. It can be renewed in a short period of time after use and does not deplete.

R

Residential care home for the elderly	Residential care home for the elderly is a home that employs various safety designs including barrier-free structures to ensure comfort for the elderly, while offering support services in partnership with external nursing care and medical facilities.
Risk management	Risk management is a process for identifying and controlling risks in corporate activities to avoid or disperse them and prevent or minimize possible damage or loss.

S

Sexual harassment	Sexual harassment is unwelcome verbal or physical conduct of a sexual nature that causes an individual to feel unpleasant or uneasy.
Sick building syndrome	Sick building syndrome is a general term for a variety of physical disorders caused by indoor air pollution, such as fatigue, dizziness, headache, eczema, sore throat, and respiratory disorders.
Smart house	Smart house is a type of house that can ensure optimal control of energy consumption at home through centralized management of energy devices such as a photovoltaic power generation system, storage cells and fuel cells, as well as home appliances, residential equipment, and an electric vehicle.
SRI	SRI stands for socially responsible investment. Socially responsible investing encourages management to fulfill the company's responsibility to society by exercising the power and rights of shareholders.
Stakeholders	Stakeholders are individuals and groups associated with corporate activities, including customers (consumers), employees, shareholders, business partners, local communities and governmental agencies.
Storage cell	Storage cell is a cell that can be recharged repeatedly, and thus can supply stored electricity when necessary. It is also called a secondary cell or a battery.
Supply chain management	Supply chain management is about building an integrated system involving business partners to control the entire process of a supply chain from source to consumers, through the stages of materials procurement, production, distribution, and sale.
Sustainability	Sustainability is about continuing efforts in the future to balance economic development, environmental preservation and social progress.

U

Universal design	Universal design is the design of facilities, products or information that is usable by all people, without regard to differences in age, gender, physical condition, nationality, language, knowledge, or experience.

Z

Zero emissions	Zero emissions is a concept advocated by the United Nations University in 1994 to reuse all waste materials and byproducts generating from industrial activities as resources, and to emit no waste on a society-wide basis.

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