

Sustainability Report 2020

For the year ended January 31, 2020

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SEKISUI HOUSE, LTD.

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This document serves as Sekisui House's report on the status of implementation for the 10 Principles of the UN Global Compact (UNGC), which the group submits to the UN Global Compact Office.

Published July 2020

Make home the happiest place in the world.

People are born to be happy.

People can help others find happiness, too.

At Sekisui House, we embrace that truth in everything we do.

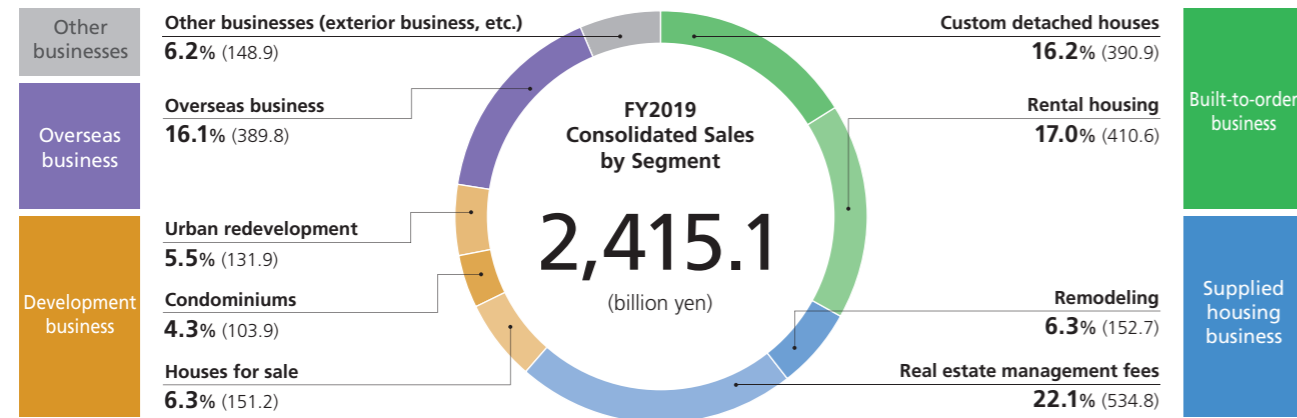
Our extensive track record in the housing sector, where we have built more homes than any other company across the globe, speaks for itself: we have the ability—and responsibility—to make home the happiest place in the world.

We strive to help people find happiness, be it enriching families' lives through housebuilding projects and services or connecting people across the globe through business and procurement efforts.

In pursuing that aim, we look forward to finding solutions to social issues and making the world we inhabit a better, more sustainable place.

Scope of Business & Business Model

Scope of Business



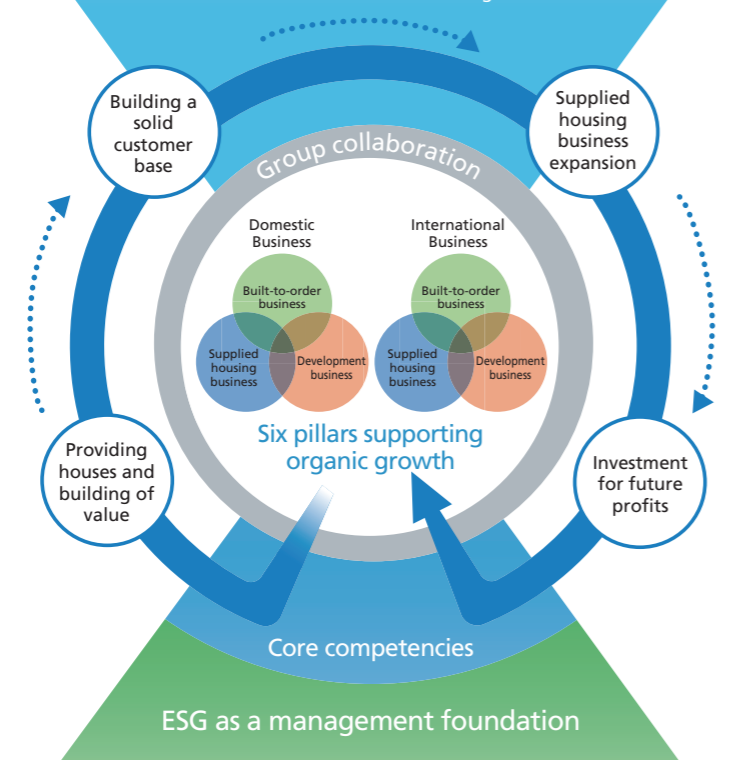
Business Model

Our management foundation comprises our ESG (environmental, social, and governance) initiatives as well as our value chain and core competence. By engaging in close collaboration across our group, we are establishing a business model that creates value for our many stakeholders. While our built-to-order housing business has established a solid foundation with a strong customer base by providing valuable, high-quality residences and buildings, our supplied housing business has developed renovation businesses and other enterprises. We invest the profits earned by these businesses

into our Development Business, which contributes to high-quality urban development. Through these businesses and our future investments, we have formulated a sustainable value creation process. Going forward, we will establish an international business model similar to the one we operate in Japan by expanding our built-to-order business globally. The Sekisui House Group has set its sights on developing as a global enterprise that provides contentment by integrating tangible and intangible products and services capable of driving sustainable growth.

Making home the happiest place in the world

Tangible and intangible products and services
Safety & security/comfort/environmental performance/
health/connection/learning



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Editorial Policy

This report is published with the objective to spread awareness about the Sekisui House Group's efforts to create a sustainable society. We also seek to communicate with various stakeholders and improve the quality of our activities through it. We refer to the following for identifying and editing the contents of the reports.

- Environmental report: The Environmental Reporting Guidelines 2018 published by the Ministry of the Environment
- CSR report: Guidance on Social Responsibility ISO 26000

Moreover, this report and our website comply with the GRI Core Standards by including general disclosures (those whose publication is required to ensure compliance with the Core Standards) as well as the material disclosures required under the standards.

As for initiatives related to the novel coronavirus, this report does not address the effects nor does it outline a specific response to the virus.

[Content of Report and Applicable Scope]

This report covers Sekisui House, Ltd. and 276 consolidated subsidiaries.

- Period covered: FY2019 (February 1, 2019 to January 31, 2020)
- Note: Some activities undertaken in FY2020 are covered in this report.
- Date of publication: This report is published annually in Japanese in May and in English in July.

Summary of Information Communicated

	Financial information	Non-financial information
Dialogue	<ul style="list-style-type: none"> Release of financial results Management plan briefing Conference call with analysts and institutional investors General meeting of shareholders 	<ul style="list-style-type: none"> Expert dialogue Stakeholder meeting
Reports	<ul style="list-style-type: none"> Securities Report Business Report 	<ul style="list-style-type: none"> Integrated Report: A report that integrates important financial and non-financial information Sustainability Report TCFD Report
WEB	<ul style="list-style-type: none"> Information for Shareholders & Investors 	<ul style="list-style-type: none"> ESG Information



Toshinori Abe
Chairman &
Representative Director

A company highly responsive to the effects of climate change on future generations and society in general

The Sekisui House Group is committed to mapping a path forward.

The role and mission of housing in addressing social issues

To those who lost family and friends to COVID-19, the novel coronavirus, we extend our deepest sympathies and most sincere condolences. To the many individuals whose lives were severely disrupted by the disease and to everyone suffering hardship due to the spread of the infection, we offer our thoughts and support. We would also like to express our gratitude to the medical professionals and first responders who are providing care under such difficult conditions, as well as those who are working under challenging circumstances to maintain the supply of essential goods.

Rest assured that the Sekisui House Group places the highest priority on the safety of its customers, business partners, stakeholders, and employees. Working in cooperation with public health officials and local governments, we are implementing all necessary countermeasures to minimize the spread of the infection.

For the world of politics and the global economy, of which Japan is a part, the dawning of 2020 was expected to mark a major turning point in the very structure of society itself. In the midst of this situation, however, the world suddenly fell under the threat of the novel coronavirus. How this continuing peril will ultimately affect our lives and our economies going forward cannot be anticipated with any degree of certitude. Society has had to respond with new approaches, such as changing social interactions due to requests to practice social distancing as part of the measures to prevent the spread of infection. At the same time, however, we must take urgent measures to protect against large-scale natural disasters and the impacts of climate change that are occurring frequently in various parts of the world. Clearly, 2020 has marked a turning point, but the nature of the change is quite

different from what we had imagined. In addition to focusing our efforts on implementing antivirus measures, I believe that we need to engage in a fundamental rethink of our entire approach to housing, our relationships with our customers, and all that we do.

For years, much discussion has centered on the economic ripple effect resulting from housing construction. Furthermore, when we consider disaster preparedness initiatives such as the adoption of seismic resistance measures and their relationship with human life and our health, it is clear that the mission and scope of the housing industry should expand in many respects.

The value of housing is said to lie in its role in underpinning human contentment, which in turn leads to improved national welfare as well as a stronger economy. The construction of high-quality housing contributes to the safety, security, and happiness of the populace and represents essential social capital; it must not be impeded by taxation or economic trends. Now more than ever, the need exists for national policies focused on accelerating the development of quality housing that will maintain its value for posterity.

At the same time, housing is very closely related to climate, and every nation on earth is gaining a growing awareness of climate change. As the Paris Agreement comes into effect and provides a long-term scenario for establishing a decarbonized society, the Sekisui House Group in 2018 was among the first to support a proposal by the Task Force on Climate-related Financial Disclosure (TCFD) to disclose its financial impact on climate change. In December 2019, we issued a TCFD Report that exposed the risks and opportunities together with our financial information. This put us at the top of the 141 non-financial companies on the list of participating domestic companies and institutions.

At Sekisui House, which places sustainability at the core of its management approach, we introduced our Environmental Future Plan in 1999; in 2008, we declared our 2050 Vision aiming

for zero carbon dioxide emissions attributable to our housing throughout its lifecycle. Specifically, we registered concrete initiatives to guide our transformation into a decarbonization business. In 2017, we became a member of RE100, a global corporate leadership commitment to shift the energy we consume in our business to 100% renewable electricity sources. Currently, 87% of our new detached houses are rated as ZEH (Net Zero Energy House), bringing the cumulative total to 51,793 houses and placing us at the top of the world's ZEH providers. As a pioneer in environmental management, we are driven to continue taking on challenges to realize the decarbonization ideal, as a house is a structure with a long lifespan with which the residents maintain a close relationship. Our singular mission is to grow our business soundly and continue to increase our profitability. At Sekisui House, a housing company with the world's largest customer base, we are determined to implement further measures as a company most sensitive to climate change, a risk that could threaten our business continuity.

Two years ago, I participated in the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP24) held in Katowice, Poland. There, I was able to observe the state of progress in renewable power generation in various countries, and I came to realize that Japan has fallen behind in this regard. This state of affairs eventually become widely recognized when it was reported that Japan had been given the satirical "Fossil of the Day" award at COP25 last year. Japan, a member of the global community, has a role to play and responsibilities to meet in the critical housing industry. The Sekisui House Group shares a sense of crisis with concerned citizens around the world and seeks to further raise Japan's environmental awareness through our approach to housing development. In an effort to contribute to the emergence of a decarbonized way of life, we will continue focusing on the development of new technologies and value propositions.

The housing industry's increasing focus on safety and security

It has now been 25 years since the Great Hanshin-Awaji Earthquake, and next year will mark 10 years since the Great East Japan Earthquake, which I myself experienced while on a business trip to the city of Sendai. We need to remember our experiences of these disasters and value the lessons we learned from them.

We are all aware that natural disasters can occur anywhere at any time, and Japan has gained a critical awareness of disaster preparedness. The seismic performance of new houses has improved dramatically, as demonstrated by the SHEQAS seismic absorption system that Sekisui House developed. However, the critical issue is that about nine million homes in Japan still do not meet the new seismic resistance standard, which is defined as reinforcement sufficient to resist collapse even at a seismic intensity of 6 to 7. Resolving this issue through improvements remains an important social issue and a major challenge for the housing industry.

Looking at the energy saving standards for homes, data reveal that nearly half of all houses, or about 22 million of the houses in Japan, have not yet reached the standard. Improving the energy-efficiency of houses is now considered an urgent issue at the national level. Apart from the energy-efficiency aspect, we must not overlook how much thermal insulation and airtightness contribute to the quality of life and health of the people living in the house. Recently, a growing focus has been placed on health problems such as heat stroke in the summer and thermal shock sparked by sudden temperature differences in houses during the cold winter months. "Cool in summer and warm in winter" is a phrase reflecting the growing awareness of the importance of efficient cooling and heating for maintaining home comfort. This, along with improved seismic resistance, is now recognized as a fundamental issue for ensuring high-quality housing stock and a good living environment.

Housing and the housing industry alike are becoming more

sophisticated and are playing a more varied role in our lives. Sekisui House, which has been researching barrier-free designs and applying them since the 1970s, is currently promoting Smart Universal Design, our unique effort to drive the evolution of this field with greater consideration given to comfort that resonates with all five senses. SumStock, a distribution system for existing housing stock led by the Sekisui House Group, is a related initiative that holds the key to transforming housing toward the emergence of a society focused on maintaining quality housing stock.

Solving social issues and achieving goals

Sekisui House celebrates its 60th anniversary with positive financial performance and is grateful to all who helped make this possible. This milestone is the result of the significant structural reforms we implemented on our 50th anniversary, a time marked by the very challenging economic environment resulting from the global financial crisis of that time. One of the main pillars of that initiative was our effort to strengthen group collaboration. Eliminating barriers within our group enabled us to strengthen our organizational reforms and our renovation business. In February 2020, Sekiwa Real Estate was reorganized as Sekisui House Real Estate under SEKISUI HOUSE noie, which was established as Sekisui House's second brand for selling new houses of wood construction.

Through the diversified strengths of the entire group as a whole and its cohesiveness and comprehensive strength, we have expanded our multifaceted points of contact with society with a focus on our housing-related businesses. Furthermore, we are strengthening our collaborative efforts in order to further integrate our group. As a result, our social responsibility is becoming more demanding and the scope of our responsibility is expanding.

Sekisui House Group is entering a new era. Our 5th Mid-term Management Plan incorporates a policy of strengthening our core business while taking on the challenge of developing new businesses. In 2018, we further expanded the governance reforms that we launched with six items. In 2020, we launched and implemented a total of 17 initiatives, including seven that included a significant review of the executive compensation system; the formulation of standards and procedures for hiring and dismissing management executives; and improvements to the independence of the board of directors. We intend to further improve our governance reforms as we proceed in a steady and gradual manner so that the various institutional reforms we have introduced are well reflected in our organizational reforms. We will continue to focus on fostering an organizational culture that cuts across both the top management and business management levels as we strengthen our group governance structure inside and outside Japan.

The task of a corporate leader is to pursue profits, to nurture the next generation of leaders, and to enrich employees and society. Their task also entails the creation of an environment in which our employees can work comfortably in the exciting and vibrant workplace promoted by the Sekisui House Group. By multiplying these initiatives, we will develop as a good corporate citizen capable of earning the trust of all stakeholders. This is my ideal.

The mindset required for this effort is to focus not "for me" but "for you." I talk to our employees on a regular basis, and I emphasize that the "for you" mindset is necessary if we are to achieve the sustainable development goals or SDGs, which are universal. Solutions to social issues cannot be achieved by a single company, and collaboration among companies and society is essential. Companies are not self-centered, and as a company on which society depends, we must implement our solutions with empathy for others. The corporate philosophy of the Sekisui House Group mirrors the meaning of "love of humanity"—in short, we develop homes and environments that are rich in their human aspect. We will do what we can do humbly and honestly, and the entire group will continue to meet challenges with a unified spirit and a broad outlook on the world.



Yoshihiro Nakai
President &
Representative Director

Providing happiness as a global partner committed to creating value for the next 30 years

NEXT SEKISUI HOUSE is beginning to meet the challenge of pursuing a righteous cause with a sense of mission.

Embarking on a new challenge: Making home the happiest place in the world

Our 4th Mid-term Management Plan, committed to a policy of underpinning our housing-related businesses beyond 2020, entered its final year in 2019. Notably, we succeeded in achieving record highs in both sales and operating income as a result. In addition to implementing a strategy of high added value in our domestic business that included promotion of the Net Zero Energy House (ZEH) and regional marketing strategies for rental housing, we posted steady growth in our international business that contributed significantly to our business performance. Moreover, this year represented a period of preparation for the mission and the new challenges we have mapped out for the next 30 years.

Our company will mark its 60th anniversary in the year 2020, during a time when the world is suffering the impact of the novel coronavirus. For its part, the Sekisui House Group will continue its business operations while maintaining close cooperation with government departments and other relevant organizations. At the same time, we will give top priority to the safety of our customers, employees, and everyone involved on our construction sites and elsewhere as we do our utmost to instigate countermeasures against the spread of the virus.

In March 2020, we announced our 5th Mid-term Management Plan as well as our new 30-year Vision. Our group, which identifies our upcoming phase as “NEXT SEKISUI HOUSE,” has developed a growth strategy that focuses on our housing segment under our 5th Mid-term Management Plan. Our goal is to further strengthen our core business while developing new businesses. We are pursuing our business objectives with a policy of “meeting the challenge.”

The housing industry is closely intertwined with many of the issues confronting society today. Sekisui House has been meeting the challenge of devising solutions to social issues as we have dealt with every one of our customers over our 60 years of history. Looking back on our history with the perspective of addressing our social mission, our first phase was to establish the basic housing performance that provides residents with safety and security. In other words, it has been 30 years since we first identified the function of housing as a form of shelter that protects our lives and assets. We also responded to the national policy of providing a certain target level of housing. Our second phase was the 30-year period during which we pursued comfort and environmental performance and sought to create human-centered housing and living environments. In 1990, we opened the Comprehensive Housing R&D Institute to conduct research and development in terms of both tangible and intangible elements. We have helped to create industry-leading living environments noted for their comfort through a focus on universal design, the eco-friendly Airkis air quality specification, the *Gohon no ki* (“five trees”) project, and environmental technologies such as high-performance thermal insulation that inspired our “Green First” strategy. The third phase is represented by the 30-year period leading up to 2050; through this initiative, the Sekisui House Group has launched its new 30-year Vision. With the global vision of making home the happiest place in the world, we aim to become a global company that integrates tangible and intangible products and services with a focus on housing.

Combining tangible and intangible products and services that contribute to contentment

The Platform House Concept is an important initiative intended to achieve our vision. We introduced this concept a year ago at the Consumer Electronics Show (CES) 2019, one of the electronics industry’s largest trade shows, held in Las Vegas, U.S.A. Because we feel that happiness is an intangible asset over the long term, we factor it into the health, connection, and learning aspects we incorporate into our houses to assist in engendering happiness. Our first effort in this project was the construction of the world’s first HED-Net (In-Home Early Detection Network), a network that responds quickly to incidents of acute illness at home. In fact, responding to such instances has become an urgent issue these days; HED-Net responds by detecting an abnormal physical condition through non-contact sensors that can report an emergency without causing stress to the resident. This safety confirmation and early response system can consistently issue reports and provide guidance to emergency services. This innovation was also presented at CES 2020 held in January. One such acute illness is stroke, which strikes about 290,000 people annually in Japan. The data shows that 79% of strokes occur in the home. If we also consider the prevalence of heart disease, drowning, and falls, a total of about 70,000 people die in their homes in Japan each year. The introduction and widespread adoption of HED-Net would enable early detection and emergency response to the onset of an acute illness or accident at home. In addition, trial calculations indicate that, when HED-Net is combined with the Platform House Concept, the potential for reducing social costs such as medical costs, nursing care costs, and lost labor costs is about 20%, or 1.9 trillion yen. Expectations for this innovation are thus quite high. In addition, we believe this could reduce the number of people who require nursing care or who take medical leave. Clearly, this project offers new value for Japan, a developed country with a mature and aging population. By fusing tangible and intangible products and services, we aim to become a partner in the generation of contentment in an era of centenarians while also maintaining close contact with homeowners.

Sekisui House Technology: Becoming the world’s de facto standard

If we take a global perspective, we can see that issues such as climate change and the changing economic environment are having a profound impact. As a provider of high-quality housing in Japan, we can make a significant contribution to issues such as housing shortages and supply-demand gaps. Moreover, we offer environmental technologies and address the basic performance of houses capable of withstanding natural disasters.

Today, we aim to achieve sustainable growth through our international business by promoting the three businesses that we are currently operating in Japan: our development business, our built-to-order housing business, and our supplied housing business. In order to advance our business overall, we believe it is essential that we address the salient social issues in the various countries and regions in which we operate. For example, in the United States, the seasonal climate varies considerably by region, and natural disasters such as earthquakes and hurricanes present a variety of housing challenges that must be addressed. We believe that the technologies and expertise we have developed at Sekisui House can be useful in solving these issues. In the U.S.A., the *chowa* concept home uses Sekisui House’s SHAWOOD wooden housing system, which was presented at the opening of CES 2020. When I introduced our company, the first thing that surprised visitors was the high level of seismic performance and the technical advances demonstrated by our houses. In fact, during the Hanshin-Awaji Earthquake and the Great East Japan Earthquake, not a single Sekisui House collapsed or suffered severe damage. In addition, in light of the

frequent power outages that occur in some regions, the ZEH specification attracted great interest. As a consequence, I feel that good potential exists for our international business there. Of course, we will also promote our SDG initiatives from this perspective. As a global company specializing in housing, I am confident Sekisui House technology will become the de facto standard in the world. By transplanting the environmental, disaster preparedness, and construction technologies developed by Sekisui House to other countries, we can contribute to the happiness of people around the world.

Becoming a leading company in ESG management

Through its focus on sustainable growth, the Sekisui House Group aims to become a leading company in ESG management. For example, under our environmental initiatives, we have achieved a ZEH ratio of 87% for newly built houses. By utilizing the technical expertise we have gained in constructing a cumulative total of 51,793 such buildings, we are promoting rental housing, condominiums, and non-residential buildings built to ZEH standards. Furthermore, we have expanded into the field of remodeling and renovation, as reflected in our *Idokoro Dan-netsu* renovation service that suggests ways to raise the comfort level of existing detached houses to the ZEH level. Contributing to the emergence of a low-carbon lifestyle and a comfortable living environment for our customers is an important aspect of managing for a decarbonization business. Moreover, Sekisui House Owner Denki, our business that purchases surplus electricity from solar power generators in order to power business operations within the group, received more applications than expected. If we continue with the purchase of so-called post-FIT electricity at this pace, we may be ahead of schedule in reaching our RE100 objective: obtaining 100% of the electricity required for business operations from renewable sources.

In order to realize our global vision of making home the happiest place in the world, I believe it is necessary to make Sekisui House the happiest company in the world. In order to become a “kids first company” that supports the healthy growth of the children who will lead the next generation, one of our initiatives is *Ikumen* Leave, a childcare leave system for male employees extending over a period of at least one month. Within its first year of operation, this program achieved 100% uptake. In addition to giving male employees the opportunity to make new discoveries through greater participation in childcare and housework, the program inspired comments such as “my work was able to be shared, and I improved my awareness of time management” and, “I improved communication in the workplace.” We expect this program to lead to further reform of our work style.

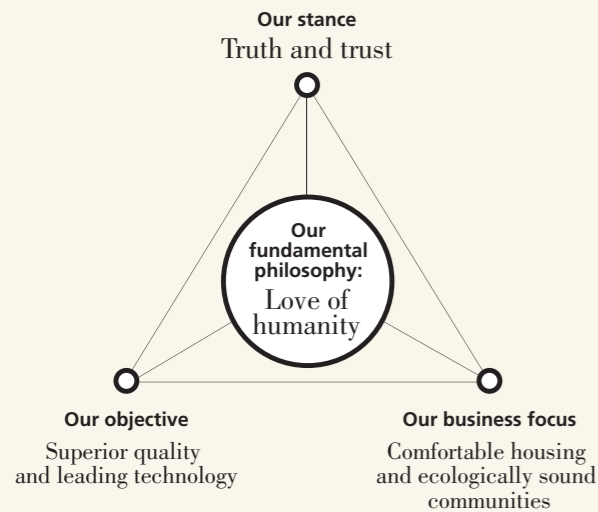
Recently, employee diversity has been promoted as a management strategy, and one of our personnel policies, Promotion of the Active Participation of Women, has brought solid results. The number of female managers and women in leadership roles is increasing. We plan to continue training while focusing on the promotion of women to managerial positions as we actively recruit women to sales and technical positions. We will further promote health management by introducing IT and other advanced technologies for our health initiatives targeting all employees. At Sekisui House Group, our corporate philosophy is focused on the concept of “love of humanity.” Guided by this corporate philosophy, we will all remain engaged in promoting innovation and communication. We have already launched an innovation competition internally that has given rise to many new ideas. To be clear, innovation is the challenge and mission of the Sekisui House Group. Driven by a commitment to active communication, we have all adopted a common goal and have pledged to continue creating and providing value to our customers and society at large for the next 30 years.

Promoting sustainable management through our Four

In keeping with our corporate philosophy of "love of humanity," the Sekisui House Group creates value by responding to social change and to shifting demand. Our Sustainability Vision, which we adopted in 2005 and which comprises our Four Key Values and 13 Guidelines, continues to serve as the basis of our approach to value creation. At the root of this is the mindset and the roles we have demonstrated throughout our 60 years of history. These include promoting lifelong contentment, protecting the life and property of our customers, protecting the global environment, and conserving the ecosystem. These are beliefs we continue to support.

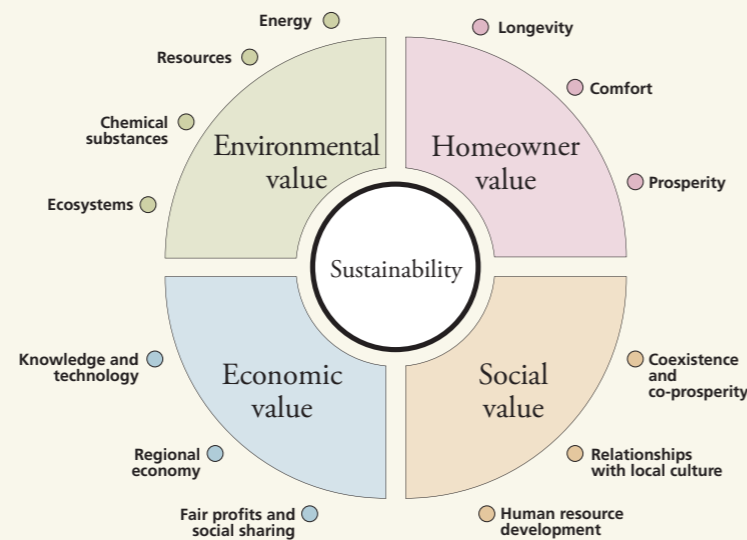
Corporate Philosophy (fundamentally, "love of humanity")

At the core of the Sekisui House Group's corporate philosophy is a love of humanity: recognizing the irreplaceable value in each and every person, we maintain a fervent hope for the wellbeing of others and a sense of joy in others' joy, doing whatever we do in good faith and a spirit of service. This philosophy took root in 1989 with the unanimous approval of every group employee.



Four Key Values and 13 Guidelines

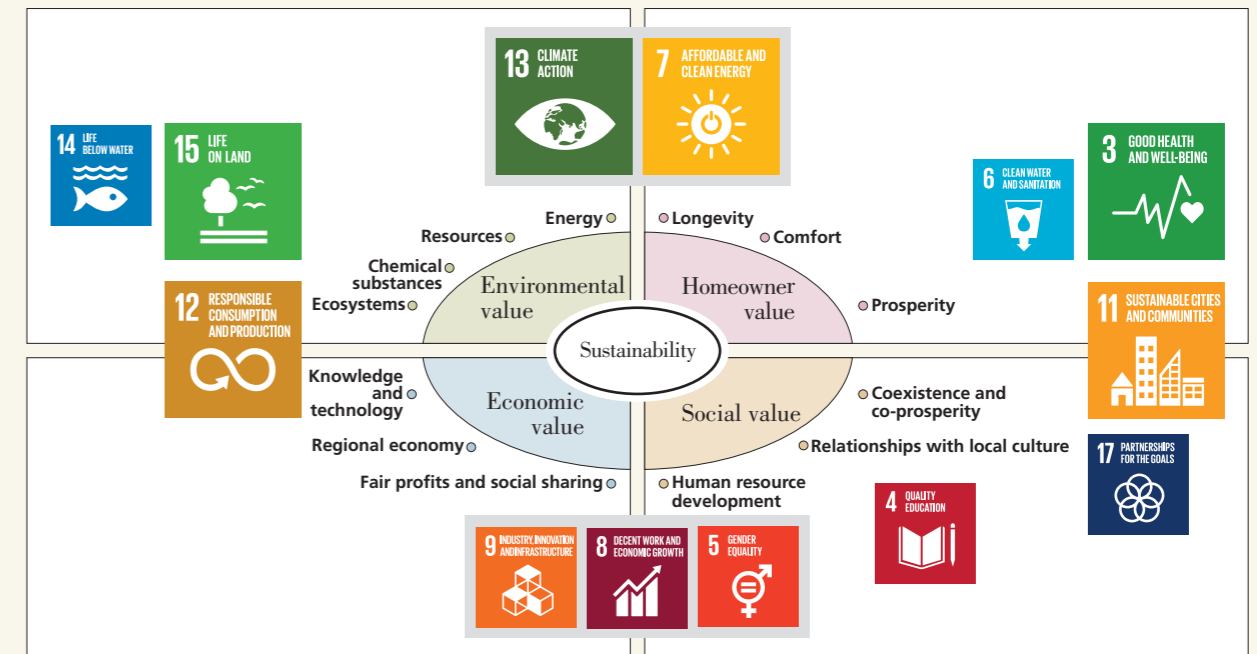
In 2005, we announced our Sustainable Vision targeting balanced management based on four key values that focus on sustainability as the cornerstone of our management. In 2006, we formulated 13 guidelines as guiding principles based on these four key values.



Key Values under our philosophy of "Love of Humanity"

Four Key Values, 13 Guidelines and the SDGs (Direct and indirect contributions through our businesses)

The Sekisui House Group declared its Sustainability Vision 10 years before the United Nations adopted its sustainable development goals, or SDGs. The SDGs were adopted in 2015 as common objectives of the international community in terms of maintaining the health of society, the economy, and the environment. Since establishing its Four Key Values and 13 Guidelines in its Sustainability Vision, our group has taken a direct approach to pioneering and implementing sustainability. Many expect that, going forward, social issues will become more complex and increasingly global in nature. To address these issues, we are placing ever greater emphasis on implementing the SDGs and targeting "Society 5.0," which is a vision of an optimized future society utilizing the Internet of Things (IoT) and artificial intelligence (AI). We remain committed to enhancing our corporate value and contributing to the achievement of the SDGs through our business with diligence and a spirit of innovation.



The sizes of the pictographs conceptually represent the degree of relation to our group's four key values.

The Era of Safety and Security

We have created a unique system not offered by our competitors; it encompasses direct contracts and responsible construction, as well as a commitment to safe and secure housing noted for its quality and high performance. In 1989, we formulated the concept of "lifelong housing" so that all could look forward to lives of comfort and contentment. These ideas formed the underpinnings of our corporate philosophy of "love of humanity" and represent the basis of our current focus on contentment.

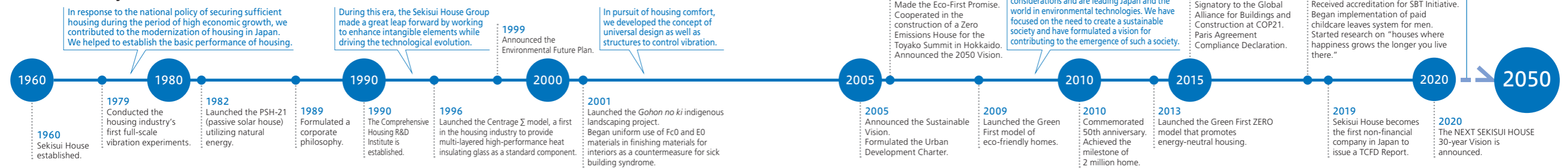
The Era of the Environment, Comfort and Sustainability

As a company that provides housing, we adopted a major strategy focused on the environment. In 1999, we became the first in the industry to introduce an Environmental Future Plan. In 2005, with our commitment to restoring the global ecosystem to its original balance, we established a clear vision of a society in which all can live comfortably in the sustainable society of the future. We publicized this position as the foundation of our business operations.

Contributing to 100 Years of Contentment

For 60 years, Sekisui House has been cultivating "love of humanity" as well as our Sustainable Vision comprising our Four Key Values and 13 Guidelines complemented by the SDGs. Through our new value of serving as a "partner in promoting contentment in the era of the centenarian," we are addressing new challenges with a focus on health and happiness.

Actions taken by Sekisui House



Phase I : Safety and Security

Phase II : Comfort

Phase III : The Era of the Contented Centenarian

Maximizing the contentment of our customers, employees, and communities

Forecasting the future has become a difficult undertaking, as climate change, technological innovation, and demographic changes are significantly transforming the economic environment in which we operate. In order to ensure steady progress toward 2050, the target year of our long-term vision, the Sekisui House Group has formulated a 30-year vision we call "NEXT SEKISUI HOUSE."
With our global commitment to making home the happiest place in the world, we are implementing initiatives to maximize the contentment of our customers, employees, and communities as a global enterprise offering integrated and housing-centered tangible and intangible products and services.

and communities

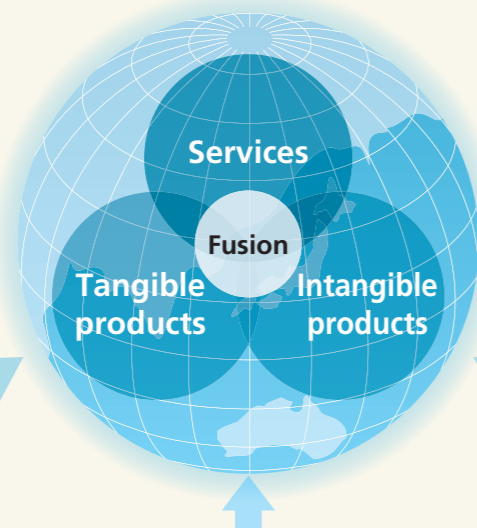


NEXT SEKISUI HOUSE 30-year Vision

Sekisui House Global Vision
Making home the happiest place in the world

Climate change, ecosystem conservation & resource recycling

Demographic change



Becoming a global company that offers integrated housing-centered tangible and intangible products and services

Initiatives to support greater contentment

- Becoming a partner in contentment while building a close relationship with homeowners.
- Suggesting how to boost happiness by recognizing the value as of intangible assets such as health, connection, and learning.

Sekisui House Technology: Becoming the world's de facto standard

- Proprietary technologies developed in Japan that contribute to safety and security, such as robust resistance to earthquakes, fires, and impacts.
- Proprietary technologies that contribute to comfort, such as thermal insulation, universal design, and technologies to provide healthier indoor air.

Becoming a leading company in ESG management

- Leading the world with Net Zero Energy Houses. Contributing to the world through the RE100 initiative.
- Adopting diversity as a growth driver.
- Focusing on innovation & communication.

Societal and economic change



We spread Sekisui House Technology worldwide by providing high-quality houses that combine safety, security, and comfort.

We contribute to the emergence of a sustainable society by promoting ESG strategies such as a decarbonized society, improving our sociability and personnel strategies, and governance reform.

Technological innovation



2050

Our Vision for 2050

Maximizing the contentment of our customers, employees, and communities

	Customer contentment	Employee contentment	Social contentment
Environmental	<ul style="list-style-type: none"> • Energy efficiency • Exterior enhancement • Securing energy • RE100 (purchase of surplus power) 	<ul style="list-style-type: none"> • Energy efficiency • RE100 initiative (Renewable energy for business use) 	<ul style="list-style-type: none"> • Minimizing disasters caused by climate change • Prevention of global warming • Greening by enhancing exteriors • Enhancement of local communities
Social	<ul style="list-style-type: none"> • Contributing to health, connection and learning • Universal design • Comfortable, safe and secure homes and community development • Disaster-resistant housing • An affluent way of life with consideration for the elderly 	<ul style="list-style-type: none"> • Health management • Diversity • Flexibility in work styles • Human resource development • Respect for human rights 	<ul style="list-style-type: none"> • Regional revitalization • A society committed to disaster response and mitigation • A market of high-quality housing stock • Respect for human rights • Diversity
Governance	<ul style="list-style-type: none"> • A company with integrity trusted by its customers 	<ul style="list-style-type: none"> • A fair and equitable corporate culture • A workplace culture in which employees can work safely and with peace of mind • Innovation & communication 	<ul style="list-style-type: none"> • A company trusted by society • An equitable and fair society

Our Vision for Society

Decarbonized society Society in which humans and nature coexist
Circular economy Society of health and longevity Diverse society



Risks and Opportunities for 2050

As societal circumstances change at an accelerated pace, corporate operations are also exposed to various evident and potential impacts. In order to create value with a business, it is not enough to make a plan based on the current forecast. With a focus on sustainability, the Sekisui House Group analyzes medium- and long-term trends that may affect value creation, identifies risk factors, and positions itself for opportunities through future business development. This is then reflected in our strategic planning over the medium and long terms.



Risks and opportunities from the perspective of global megatrends related to the environment, society and the economy

• Our response to TCFD

The TCFD (Task Force on Climate-related Financial Disclosures) recommends that companies issue climate-related financial disclosures in an effective manner in order to encourage investors to make appropriate investment decisions. In December 2019, Sekisui House published a TCFD Report dedicated to disclosing information on its response to the risks of climate change.

• Important ESG themes and material items

The essential themes related to ESG adhere to the GRI Guidelines (G4) and reflect important issues related to the environment, society and the economy.
→ For material items, please refer to our website.



	ESG Megatrends	Next 30 Years	Business Environment for the Housing and Construction Industries	Risks	Opportunities	Main ESG Themes	
Environmental	Climate change	Ongoing climate change	Ongoing temperature rise	Living difficulties caused by extreme heat	Increasing need for living environments resistant to extreme heat	▶ Decarbonized society	
			Increase in abnormal weather events	Decreased productivity at production and construction sites due to extreme heat	Increasing competition for comfortable workplaces		
		Acceleration of the decarbonization trend	Mainstreaming of decarbonization housing	Increasing severity of natural disasters	Growing need for durable housing		
	Ecosystem conservation	Change in the ecosystem due to climate change and loss of biodiversity	Changes in vegetation range and adaptation range of plants for afforestation	During construction, growing demand for consideration of local ecosystems and changing vegetation	Increasing need for tree planting and other ecosystem conservation initiatives	▶ Society in which humans and nature coexist	
			Increase in regional differences in water resources	Increasing requirements for buildings and facilities to be designed for water conservation	Growing awareness of material certification and ease of procurement		
	Resource recycling	Ongoing natural resource depletion	Resource depletion and changing selection in natural resources	Increasingly stringent recycling regulations	Increasing need for housing designed for water conservation	▶ Circular economy	
			Increase in regional differences in water resources	Growing cost of processing fossil fuel-derived plastic waste	Increasing competitiveness among resource-recycling businesses		
	Society and economy	Demographic change	Growing world population	Increase in housing demand in emerging and housing-deficient countries	Growing country risk and likelihood of labor shortages at construction sites	Expanding market potential. Demand for housing construction technologies that reduce construction labor requirements and shorten the construction period	▶ Compliance and risk management; Pursuing customer satisfaction through our value chain
			Increased numbers of countries with aging populations	Increase in ratio of elderly customers and employees, and changing requirements for living environments	A growing shortage of construction, nursing care, and health care workers as health and safety needs increase with the aging of the population	Increasing competitiveness of housing and workplaces with consideration for the health of the elderly, and increasing need for support for nursing care and health care businesses	▶ Contributing to health, longevity and wealth; Human resources development
Growing influx of immigrants and migrant workers around the world			Increase in customers and employees immigrating from other countries	Growing numbers of people with unstable housing circumstances, and increased cost of communication	Growing demand for workplaces that accept diverse workers who invigorate housing and labor markets	▶ Promoting diversity; Respect for human rights	
Population decline in Japan due to the declining birthrate			Change in social capital as the market shrinks in size and demand for buildings decreases	A decline in the number of housing starts, a decrease in the occupancy rate of managed properties, and an increasingly serious problem with vacant houses	Ongoing trends toward high-quality housing, urban migration, and compact cities	▶ Contributing to health, longevity and wealth; Pursuing customer satisfaction through our value chain	
Societal and economical change		Ongoing urbanization	Ongoing depopulation in local regions	Increasingly intense competition in cities	Growing need for regional revitalization	▶ Pursuing customer satisfaction through our value chain; Respect for human rights; Contributing to society	
		Ongoing transition from ownership to usage	Expansion of the real estate rental market	Fewer business serving property owners	Rising need for good rental housing		
		Increasing disparity between the rich and poor and widening income disparity among households	Shrinkage of the middle class and growing differentiation of the market	Increasingly intense business competition for the wealthy, and the emergence of low-cost housing	Increasing need to provide housing brands by target and range		
		Shrinking of the gender pay gap	Ongoing outsourcing of housework	Inadequate numbers of workers available for working at home, including child-care and nursing care	Expanding demand for childcare and educational facilities, and expansion of markets related to housework (childcare, nursing care, etc.)		
		Diversification of working styles	Increasing employee needs for diverse working styles	Increased employee turnover when needs are not met	Increasing competitiveness in workplaces with high employee satisfaction		
		Acceleration of corporate globalization	Increasing localization of core competencies and local partnerships	Increasing disagreement with local requirements for employment and business practices	Use of proprietary technologies to solve social issues		
		Increasing diversification of personal values	Growing numbers of customers and employees who value the environment and sociability	Growing risks to environmental reputation and social reputation	Growing need for housing that contributes to sustainability		
Technological innovation		Increasing utilization of big data and the speed of information and communications technologies	Major transformations in financial markets through financial technology and ongoing corporate collaboration on technology	Increasing social demand for customer management and other security measures	Increase in technologies that contribute to sustainability	▶ Strengthening our corporate governance system	
			Increasing opportunities for using advanced medical care	Increasing numbers of customers and employees returning after recovering from illnesses	Enhanced competitiveness of housing and workplaces focused on health and safety	▶ Occupational health and safety management	

Initiatives Targeting 2050

In 2008, the Sekisui House Group announced Vision 2050 with the aim of eliminating CO₂ emissions attributable to housing. As a result, we quickly shifted our management focus to decarbonization. In FY2016, during a time of changing demographics and rapid technological innovation, we released Sustainability Vision 2050, our long-term vision for 2050 that prepares for future environmental changes across a wider range of business domains. In FY2017, we announced mid-term initiatives for 2030 in order to publicize our progress to stakeholders who are interested in the group's achievement of long-term value. In FY2019, we further clarified our society-centered goals by dividing them into two aspects: a diverse society and an advanced, healthy and long-lived society.



Sustainability Vision 2050

Our Goals	2050 Challenge Objectives	Main Actions Taken	2030 Goals	Measures for ESG
 <p>Leading the Way to a Decarbonized Society Climate change attributed to global warming is beginning to have a visible impact on our lifestyles. Secure, high-quality lifestyles will realize a sustainable society that is not dependent on fossil fuels or constrained by energy problems.</p>	<p>Zero CO₂ Emissions within the Housing Lifecycle As a leading company in housing products, we will eliminate CO₂ emissions from the entire housing lifecycle, from the purchase of materials to manufacturing, sales, occupancy and demolition, including renewable energy usage.</p>	<ul style="list-style-type: none"> ● Announced the Eco-First Promise (2008) ● Launched the Green First model of eco-friendly homes (2009) ● Launched Net Zero Energy House Green First ZERO (2013) ● Paris Agreement Compliance Declaration (2015) ● Joined RE100 international initiative (2017) ● TCFD Report published (2019) 	<p>Achieving SBT Goals With the goal of achieving zero CO₂ emissions throughout the housing lifecycle, we aim to reduce emissions by 50% for Scope 1 & 2 and 45% for Scope 3 (category 11: Housing) compared to FY2013 (SBT goal). Also, as a RE100 member company, we will ensure that 50% of the electric power consumed by our business activities is from renewable energy sources.</p>	<p>E Environmental</p>
 <p>Leading the Way to Society in Which Humans and Nature Coexist Rich natural networks contribute to the protection of biodiversity and alleviate climate change, contributing not only to the protection of ecosystem services that support our lifestyles, but also to improving the quality of people's lifestyles and strengthening connections between people. We will maximize this network function to realize coexistence between humans and nature.</p>	<p>Maximizing Ecosystem Networks through Business We will procure 100% FairWood products to realize Zero Deforestation, which is linked to the destruction of ecosystems. We also aim to become Japan's number one corporation in terms of urban greening contributions, intelligently utilizing green infrastructure functions such as ecosystem conservation, disaster prevention/reduction and comfort through green housing construction and community development.</p>	<ul style="list-style-type: none"> ● Launched <i>Gohon no ki</i> indigenous landscaping project (2001) ...Total number of trees planted: 16.11 million (2019) ● Formulated Wood Procurement Guidelines (2007) 	<p>Leading the Mainstreaming of Biodiversity Regarding the number of trees planted under the <i>Gohon no ki</i> indigenous landscaping project, which proposes the planting of mainly native tree species in consideration of local ecosystems, we will maintain the pace of planting 1,000,000 trees each year and promote further expansion of urban greening while also aiming for 100% procurement of sustainable FairWood fair lumber products for use in all standard Sekisui House homes.</p>	<p>E Environmental</p>
 <p>Leading the Way to a Circular Economy Amid increasing demand for resources and energy in line with the growing world population, we will work toward a circular economy that uses recycled resources sustainably without depending only on natural resources, through technological and economic system innovations to enable all people to live a stable lifestyle.</p>	<p>Expanding Zero Emissions Initiatives within the Housing Lifecycle To cultivate housing as a quality asset, the Sekisui House Group provides remodeling and renovation services that are matched to living styles and societal changes. To deal with the waste generated from these activities, we will expand our industry-leading zero emissions initiatives to realize zero emissions at the social infrastructure level through industry alliances.</p>	<ul style="list-style-type: none"> ● Initiated the Zero Emissions Project (2000) ● Achieved zero waste emissions at all our factories (2002) ● Achieved zero waste at each stage of production, including new home construction, and after-sales maintenance to remodeling (2005–2007) ● Transitioned to a next-generation system compatible with big data utilization (2017) 	<p>Recycling Business System Development Acceleration We will expand the targeted scope of the Wide-Area Certification System, a special system of the Waste Management and Public Cleansing Law, which Sekisui House was first to acquire in our industry, while enhancing support for housing stock-related businesses. At the same time, we will accelerate the use of IT technologies, increase the accuracy of waste recovery management and electronic management systems mainly using cloud computing and promote efficient and smooth management.</p>	<p>E Environmental</p>
 <p>Leading the Way to an Advanced, Healthy and Long-lived Society We committed ourselves to providing safe, secure, and healthy housing according to guidelines for creating abundant housing focused on people and the environment and to solving regional issues at the global level. As a developed country with a mature and aging population, we aim to contribute to a society in which everyone can live in good health with pride.</p>	<p>Contributing to Health and Longevity through Housing Development We will contribute to the development of high-quality social assets by establishing a rich living environment and local communities that can continue to live in safety, security, and comfort. We will develop the intangible assets of health, connection and learning while creating houses that contribute to a long-lived society. In the process, we aim to eliminate domestic accidents in the houses we provide by employing our advanced technologies.</p>	<ul style="list-style-type: none"> ● Built Japan's first model house for people with disabilities (1981) ● Defined lifelong housing as the ideal for Sekisui housing construction (1989) ● Established Sekisui House Universal Design (2002) ● Instituted Smart Universal Design in pursuit of comfort as well as safety, security and ease of use (2010) ● Launched the Airkis high-quality indoor air system (2011) ● Began research on happy living (2018) ● Introduced the Platform House concept (2019) 	<p>Creating Value with Respect to Social Issues We aim to continue playing the role of a housing provider in the interests of an advanced, healthy, and long-lived society. In particular, we will contribute to the contentment of centenarians by focusing on intangible assets such as health, connection and learning, as well as tangible assets such as structures, interiors and environment-friendly products. In short, we are helping to build homes that add to health and longevity.</p>	<p>S Social</p>
 <p>Leading the Way to a Diverse Society We aim to create a sustainable society by driving innovation while allowing diverse individuals from around the world to have a positive impact on one other.</p>	<p>Contributing to a Society in which All can Demonstrate Their Individual Abilities We will provide opportunities and create an environment in which diverse groups of people can make the most of their individuality. Through innovation and communication, we are creating value in society in diverse ways.</p>	<ul style="list-style-type: none"> ● Announced Human Resource Sustainability (2006) ● Launched Sekisui House Women's College, a training program for promising female management candidates (2014) ● Initiated Diversity Exchange events (events for employees with disabilities; 2015) ● Formulated a health management policy (2018) ● Introduced the <i>Ikumen</i> Leave program (2018) ● Introduced the Heterosexual Common-law Marriage and Same Sex Partnership Personnel Registration System (2019) 	<p>Sustainable Growth Through Diversity & Inclusion As a leading company committed to ESG principles, we are implementing management that can make the most of the unique abilities of all individuals including women, people with disabilities, the elderly, foreign nationals, and members of the LGBT community. We are raising awareness of and promoting diversity by publicly disclosing the results and challenges of our management initiatives.</p>	<p>S Social</p>

Message from Management

Vision and Goals

E Environmental

S Social

G Governance

Aiming to be a leading company in ESG management,

and creating a sustainable society

The Sekisui House Group has formulated Sustainability Vision 2050 as a long-term goal reflecting our efforts in relation to ESG (Environmental, Social, Governance) management. Among the initiatives we have adopted to achieve our long-term vision, we have identified 13 key themes under the ESG trend as goals to be achieved during the period between 2020 and 2022. These correspond with the 17 goals of the SDGs (sustainable development goals) adopted by the United Nations, and we are making daily progress to contribute to the emergence of a sustainable society.



	Activity Report	Main ESG Themes	Main Corresponding SDGs	ESG Incorporated in the 5th Mid-term Management Plan (FY2020–2022)	Key Indicators (FY2022 Target Values) (For details, see pages 65–66)	Reference
E Environmental		Decarbonized society		Environmental: Introducing Initiatives Contributing to a Decarbonized Society Strengthening and Expanding our Net-Zero Energy House (ZEH) initiative <ul style="list-style-type: none"> Enhancing resilience Promoting and expanding the net-zero energy initiative for target buildings Promoting RE100 under Sekisui House Owner Denki <ul style="list-style-type: none"> Purchasing post-FIT power from homeowners and using the electricity for the group's business purposes Global Leader in ESG management	<ul style="list-style-type: none"> Green First ZERO ZEH rate: 90% CO₂ emissions reduction rate in business operations: 34% CO₂ emissions reduction rate for new housing: 43% Post-FIT power purchasing rate: 15% 	Page 19–
		Society in which humans and nature coexist			<ul style="list-style-type: none"> Sustainable wood procurement rate: 96% Ecosystem-friendly tree planting: 19 million planted 	Page 25–
		Circular economy			<ul style="list-style-type: none"> Waste generation rate (new construction): 5.2% Waste recycling rate (new construction): 100% Waste recycling rate (remodeling): 90% or higher 	Page 29–
S Social		Contributing to health, longevity and wealth		Social: Improving Sociability and Our Human Resource Strategy Establishing a human resources pipeline that strategically trains the next generation of managers and leaders Recruiting and hiring individuals with a diverse array of skills for new fields of business <ul style="list-style-type: none"> Expanding hiring channels for new graduates: year-round hiring and other strategies Promoting diversity: Creating a workplace that encourages employees to demonstrate a diversity of skills <ul style="list-style-type: none"> Promoting the active participation of women Supporting the active participation of diverse personnel Workstyle reform: Creating dynamic growth through the use of intangible assets <ul style="list-style-type: none"> Continuing with the full implementation of male childcare leave for a minimum of one month Providing support to encourage a balance between work and childcare, nursing care, or medical treatment Promoting teleworking Promoting management of good health Addressing social issues: Contributing to the emergence of a society that maximizes customer value and adheres to the SDGs <ul style="list-style-type: none"> Supporting a long-lived society, regional revitalization, child education, and collaboration among industry, government, and academia through business and social initiatives 	<ul style="list-style-type: none"> Customer satisfaction rate: 95% or higher SDG procurement adoption rate: 90% SDG procurement score: 88.0 points 	Page 33–
		Pursuing customer satisfaction through our value chain			<ul style="list-style-type: none"> Female managers: 260 Full-time female employee rate: 28.0% Hiring rate for new female graduates: 42.0% Number of female directors (non-consolidated basis): 1 or more Employment rate of persons with disabilities (non-consolidated basis): 2.61% 	Page 37–
		Promoting diversity			<ul style="list-style-type: none"> Take-up rate for male childcare leave (non-consolidated basis): 100% Annual paid leave take-up rate: 60% Average monthly working hours per person: 164 	Page 43–
		Workstyle reforms			<ul style="list-style-type: none"> Total cumulative number of workers who have acquired major qualifications required for employment: 22,900 	Page 45–
		Human resource development			<ul style="list-style-type: none"> Governance awareness survey score Work culture that prohibits abuse of power imbalances: 83.0 points 	Page 47–
		Respect for human rights			<ul style="list-style-type: none"> Sign-up rate for Sekisui House Matching Program: 40% 	Page 49–
		Contributing to society				Page 51–
G Governance		Strengthening our corporate governance system		Governance: Implementing Reforms For top management <ul style="list-style-type: none"> Reforming the corporate governance system and strengthening effectiveness Enhancing information disclosure and dialogue with stakeholders For business operations management <ul style="list-style-type: none"> Improving the integrity of operations management Strengthening the group governance system 	<ul style="list-style-type: none"> Governance awareness survey score Workplace culture: 83.0 points Compliance: 87.0 points Employee satisfaction: 83.0 points 	Page 55–
		Compliance and risk management			<ul style="list-style-type: none"> Serious violations of laws and voluntary norms: 0 	Page 57
		Occupational health and safety management			<ul style="list-style-type: none"> Frequency rate of accidents in construction department resulting in lost worktime: 2.13 Frequency rate of occupational illnesses in the construction department: 0.31 	Page 58



Main ESG Themes

Decarbonized Society



Basic concept

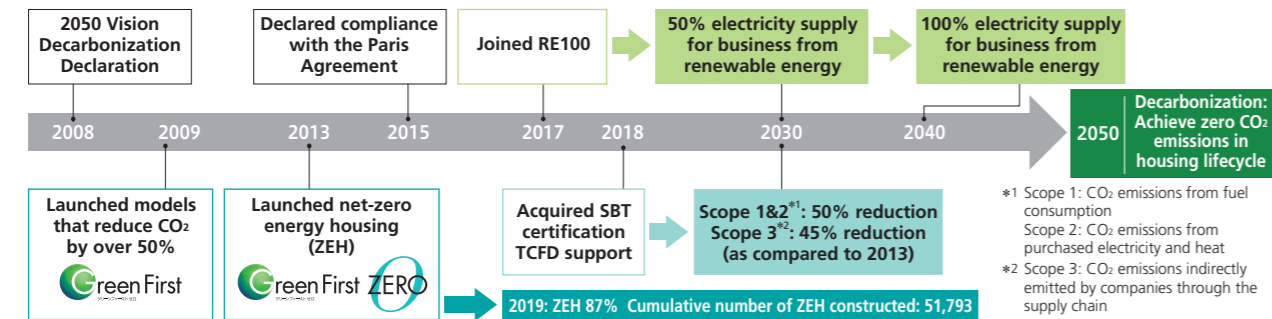
We encourage the adoption of ZEH and ZEB* to reduce CO₂ emissions in the dwelling and usage phases of houses and buildings; these phases account for the largest proportion of CO₂ emissions in the entire industry. At the same time, we are working to reduce CO₂ emissions throughout the value chain, which includes promoting energy efficiency and the use of renewable energy sources in our business operations. Our goal, as reflected in the IPCC Special Report, is to contribute to the emergence of a decarbonized society by 2050.

*Net-zero energy houses and net-zero energy buildings aim to achieve an annual balance of primary energy of plus or minus zero while providing a comfortable indoor environment by generating power and focusing on energy efficiency.

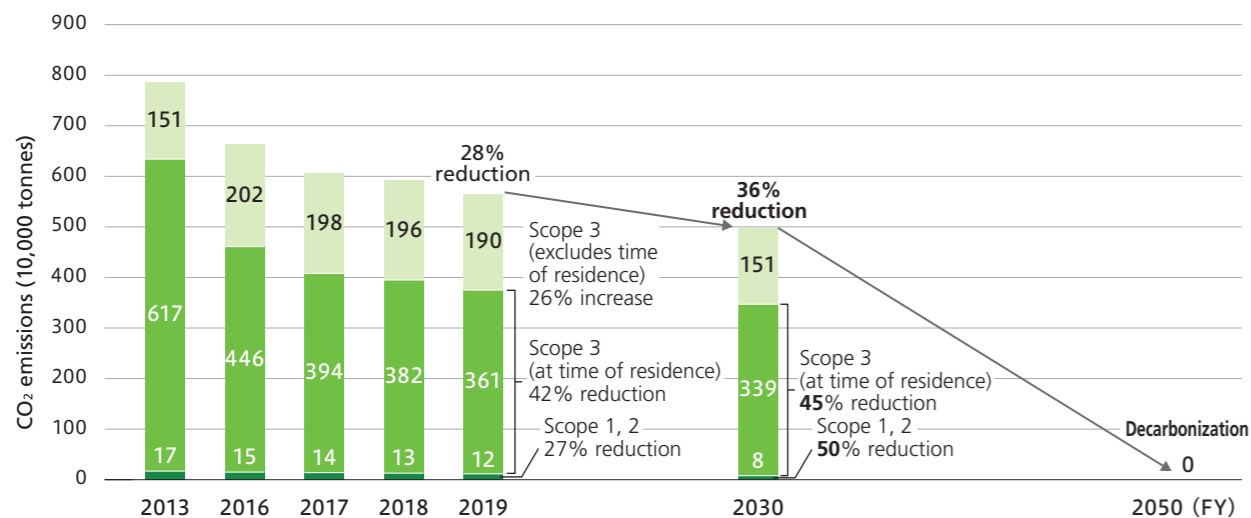
Approach

We were quick to introduce ZEH Green First ZERO products for new detached houses placed on the market. We are leading the ZEH transition in the housing industry by constructing Japan's first ZEH rental units and condominiums. We also launched Sekisui House Owner Denki, which aims to achieve RE100*¹ by purchasing surplus electricity from post-FIT*² homeowners. Having obtained SBT certification*³, we are implementing decarbonization efforts.

*1 An initiative to obtain sufficient renewable energy to offset all the electricity consumed by a business
 *2 A reference to the expiration of 10-year (or 20-year) contracts for purchase of renewable power by an electric power company under a feed-in tariff (FIT) framework
 *3 Certification of greenhouse gas reduction plans based on scientific data



Sekisui House value chain CO₂ emission reduction plan and progress (All reduction rates are relative to FY2013 levels)



Action policies ① Expand net-zero energy housing (ZEH)

Ratio of new detached houses classified as Green First ZERO ▶ **90% by 2022**

Activity report

87% of our new detached houses are ZEH, for a cumulative total of 51,793 units.

Our Green First ZERO (ZEH) homes demonstrate a high level of comfort, economy, and environment-friendly design. In FY2019, 87% of our detached houses were ZEH. As a result, we reached our FY2020 target of 80%*¹ ahead of schedule. This result is far higher than the ZEH ratio of 13%*² achieved in Japan in FY2018. Since we launched this initiative in 2013, we have attained a cumulative total of 51,793 ZEH units (as of March 31, 2020), which represents the highest total in the industry in Japan.

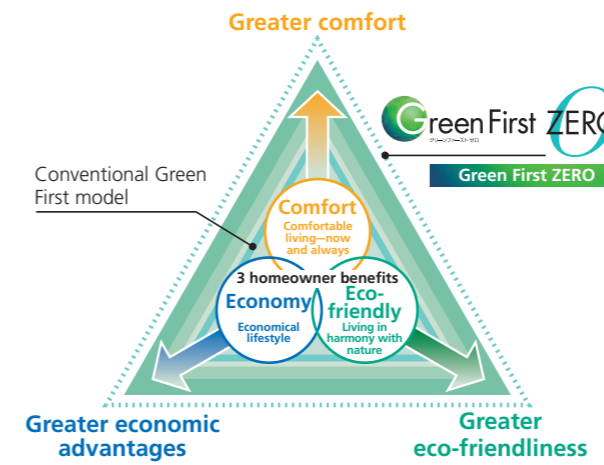
We have implemented various initiatives to promote the benefits of ZEH, including tours and regular seminars at exhibition halls and at our *Sumai-no-Yume-Kojo* Centers. By developing the necessary technologies, we have provided solutions in cases where barriers to ZEH conversion exist. For example, ZEH standards require the installation of high-capacity solar panels, but securing the required capacity with general large-format panels is difficult on roofs with complicated shapes due to the circumstances of the site or the building design.

For this reason, we have developed a proprietary tile-shaped solar panel that allows for the installation of many panels on a roof with a complicated shape. In addition, the panels are inconspicuously integrated with the existing roof tiles, so the exterior appearance of the building and the surroundings are considered in the installation. In addition, in three- and four-story residences, which are increasing in popularity mainly in urban areas, columns are used to provide direct support for the roof. Moreover, because solar panels are required for ZEH conversions, we have developed large roofs that provide the necessary support regardless of the building configuration.

By solving such difficult challenges with technology and by highlighting the various benefits of ZEH design to our customers, we are continuing to promote adoption of the ZEH standards through our Green First ZERO initiative with the goal of reaching a ZEH ratio of 90%.

*1 ZEH diffusion target required for ZEH builder registration at the Sustainable open Innovation Initiative (SII). Registrants were required to set a target of at least 50% by 2020; we adopted a target of 80%.

*2 Result published at the Net-Zero Energy House Support Project Survey Presentation 2019



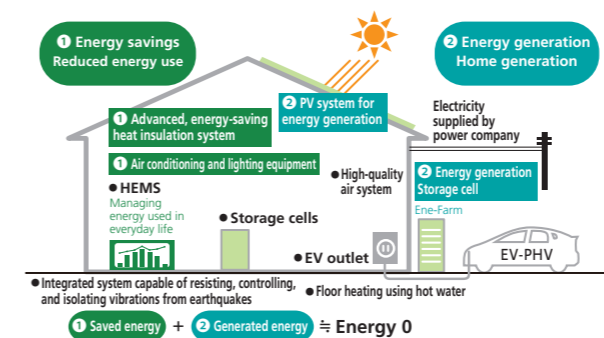
Green First ZERO homes provide a high level of comfort, economy, and environment-friendly design.



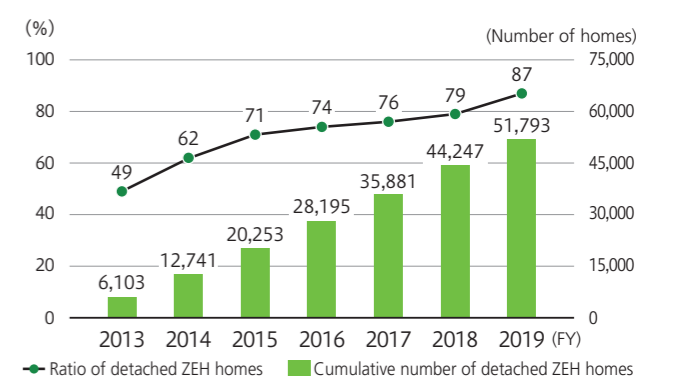
Both the open balcony space and the installation of high-capacity solar panels are made possible with columns that support the large roof on the second floor.

Green First ZERO model

We aim to build zero energy houses by improving insulation and installing energy-saving equipment, in addition to using photovoltaic systems and other advanced energy-generating equipment.



Growth in the number of Green First ZERO (ZEH) homes

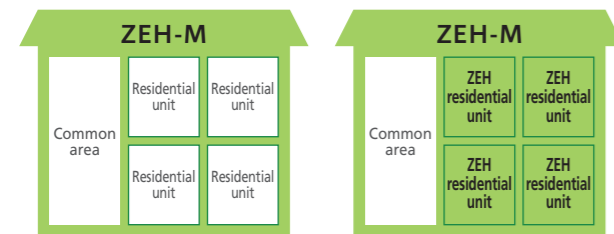


Our Sha Maison ZEH rental housing offers 447 units in 58 buildings.

About 30% of the CO₂ emissions attributable to the residential sector are emitted from multi-unit housing complexes, and rental housing accounts for a large portion of this. Clearly, the conversion of rental housing to ZEH standards is an essential aspect of the trend toward decarbonization. By utilizing the expertise we gained through the construction of detached houses, we managed to complete our first rental housing units in January 2018 in which all residential units are fully ZEH.* This project, under our Sha Maison rental house brand, was constructed in Kanazawa Japan. Since then, we have been increasing the number of ZEH rental units across Japan, from Hokkaido to Kyushu.

Two types of ZEH standards apply to multi-unit housing complexes: ZEH-M, which applies the net-zero energy standard to the entire residential building, including common areas; and ZEH, which applies the net-zero energy standard to the individual housing units, in the same manner as detached housing.* While the ZEH-M standard substantially reduces CO₂ emissions from the entire residential complex, the individual units do not have to meet the ZEH standard on their own. We place significant emphasis on highlighting the benefits of our rental housing to prospective tenants, and we are working to popularize ZEH-M, which satisfies all ZEH requirements. ZEH residential units offer the many benefits of the ZEH standard, such as the comfort provided by high levels of thermal insulation, reduced utility costs, and the sense of security

Illustration of ZEH multi-unit residence

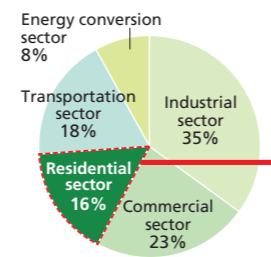


A multi-unit housing complex that aims to achieve a net balance of annual primary energy consumption for the entire building, including common areas

A multi-unit housing complex that aims to achieve a net balance of annual primary energy consumption for each unit in the entire building, including common areas.

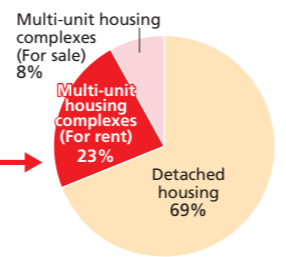
*For a multi-unit housing complex, four types of ZEH standards are defined depending on the difference in energy efficiency. ZEH is the most effective standard, as it is capable of reducing primary energy consumption by 100% in balance. In contrast, Nearly ZEH represents a 75% reduction in CO₂ emissions, ZEH Ready represents a 50% reduction, and ZEH Oriented represents a 20% reduction. In addition, ZEH-M and ZEH differ in their definitions of evaluation targets, which are "residential building" for the former and "dwelling units" for the latter. [Based on the definition of ZEH for multi-unit housing revised on March 2019 by the Agency for Natural Resources and Energy.]

Energy-derived CO₂ emissions breakdown by sector



From the Draft Japanese Proposal (Global Warming Prevention Headquarters)

Breakdown of CO₂ emissions in the residential sector



Estimates from the 2018 Housing and Land Statistical Survey (Ministry of Internal Affairs and Communications) and the 2018 Residential Sector CO₂ Emissions Statistical Survey (Ministry of the Environment)

that comes from knowing that electricity will continue to be supplied in the event of a disaster. When those living in ZEH units voice their high praise of the results, we are confident that demand for ZEH residential units will rise, leading to an increase in the number of ZEH residential units in the market, thus helping to address the climate change issue.

In fiscal 2019, we supplied 58 ZEH-M buildings and 447 ZEH dwelling units for a cumulative total of 103 buildings and 691 dwelling units.

We will continue to strive to popularize ZEH rental housing, which offers value to tenants, building owners, and the environment.



Sha Maison ZEH rental housing in Hiroshima (All units are ZEH.)

Construction of a super-high-rise ZEH condominium

We are also promoting condominiums built to ZEH standards. In February 2019, we completed construction of Grande Maison Kakuouzan Kikuzakacho in Nagoya. This is Japan's first condominium complex to meet the ZEH standard. It has been considered difficult to build multi-unit housing complexes to ZEH standards because of the small rooftop area available for installation of solar panels compared relative to the large number of housing units in the structure. This is a low-rise condominium with only 12 units, however, so it offers sufficient rooftop area.

On the other hand, with respect to high-rise condominiums on which solar panel installation is difficult, Japan has defined and promoted the ZEH Oriented standard, which provides for as much energy-efficiency as possible without the installation of solar panels. For this reason, in fiscal 2019, we broke ground on Grande Maison Uemachidai The Tower PJ in Osaka City. This is a 36-story super-high-rise multi-unit condominium complex in which all dwelling units meet the ZEH Oriented standard. In order to improve energy efficiency, we have equipped all units with high-efficiency air conditioners as well as fuel cells that generate electricity for hot-water supply. One appeal of super-high-rise condominiums is the view from the large windows; however, increasing the area given over to windows, which have inferior thermal insulation performance compared to walls, is a disadvantage when attempting to meet the ZEH standards. However, we have achieved comfort levels equivalent to ZEH while also offering the views available with large windows by specifying high-performance vacuum double-glazed windows and by providing additional thermal insulation in each unit. In fact, the insulation levels exceed the energy-efficiency standards of Hokkaido in chilly Northern Japan.

We will continue to promote ZEH standards with consideration for the unique added value they offer for condominium dwellers.



High-performance vacuum double-glazed windows are used throughout. (Illustration)



Grande Maison Kakuouzan Kikuzakacho in Nagoya, a low-rise condominium complex (All units are ZEH.)



Grande Maison Uemachidai The Tower PJ in Osaka City (All units are ZEH Oriented.)

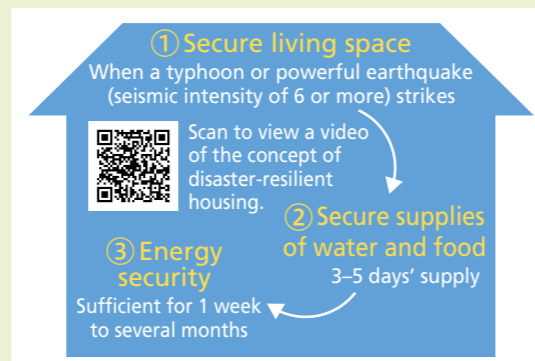
Highlights

Sekisui House ZEH structures are disaster-resilient.

In recent years, a series of large-scale natural disasters have sparked interest in the potential of housing to offer safety and security. Sekisui House provides secure living spaces even in the event of a disaster due to their high resistance to earthquakes. We also offer facilities for storing food as well as potable and non-potable water. Similarly, ZEH structures demonstrate their strength in providing the energy needed to maintain the independence of residents in the event of a disaster.

Should a disaster result in a power outage, residents of ZEH structures have access to electricity on sunny days thanks to the solar power generation systems installed. Moreover, residences provided with fuel cells have access to hot water, as they can generate power even in the rain and at night. Similarly, those structures equipped with storage batteries store accumulated power over time, allowing for residents to live independently for longer periods.

In the future, we will continue to promote ZEH structures offering comfort, economy, and environment-friendly features while strengthening and publicizing our disaster-resilient designs.



Net-zero energy standards for commercial buildings

ZEB, like ZEH, is a net-zero energy building standard that the government is encouraging the construction industry to adopt. The buildings targeted for ZEB have a variety of uses, and a unique ZEB design is required for each application. Sekisui House is focused on promoting ZEB designs employing the Flexible β System, a highly insulated structural skeleton similar to that used in detached houses and Sha Maison rental housing. Utilizing the technology and expertise we gained in the ZEH field, we offer ZEBs that incorporate innovations inspired by energy simulations for business buildings, energy consumption surveys, and questionnaires of facility users. To date, we have a track record of constructing office buildings, nursing facilities, and childcare facilities to the ZEB standard.



The ZEB childcare facility is a bright and comfortable space with large, well-insulated windows.

Action policies ② Strengthen energy-saving and energy-generation proposals for remodeling and renovation

Promoting renovation of existing homes to net-zero energy standards ▶ **Implementing *Idokoro Dan-netsu* renovation**

Activity report

Proposing “Family Suite Renovation” for our existing housing

Under the slogan “Comfortable living—now and always,” our group operates remodeling and renovation businesses that contribute to the safety, security, and comfort of our customers.

In September 2019, Sekisui House Remodeling Group, a specialized subsidiary of Sekisui House, launched three remodeling companies* involved in what we call the lifestyle design business, which encourages families to spend their time together with greater excitement by going beyond the

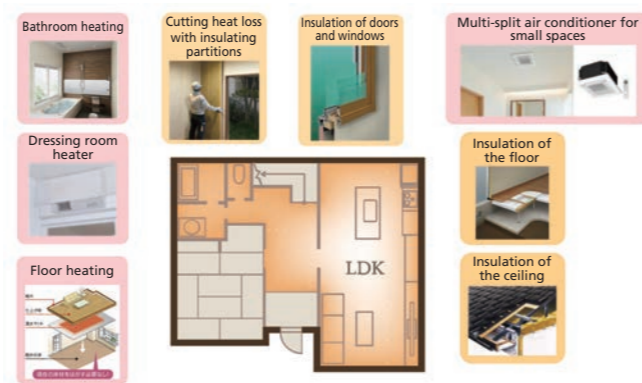
conventional concept of a living room, dining room, and kitchen. By reinforcing the structure of our existing lightweight steel-framed housing, we can renovate partitioned rooms into larger living rooms. In addition, by simultaneously introducing the warming concept of *Idokoro Dan-netsu* by upgrading thermal insulation in the living room, dining room, and kitchen area and by installing equipment offering greater comfort, we can help to reduce CO₂ emissions while enabling families to live in greater warmth and comfort.

* Sekisui House Remodeling East, Ltd., Sekisui House Remodeling Central, Ltd., and Sekisui House Remodeling West, Ltd.

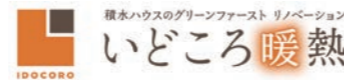
Thanks to enhanced thermal insulation and more comfortable equipment, the *Idokoro Dan-netsu* concept is an excellent way to enjoy roomy and more comfortable living spaces.

Under the *Idokoro Dan-netsu* concept, we can provide greater comfort to residents by installing additional thermal insulation and remodeling with a focus on the living spaces and in keeping with the desired lifestyles.

By combining the newly developed RF Support Beam System with the *Idokoro Dan-netsu* concept, thermal insulation is upgraded for greater efficiency with emphasis on the living room, dining room, and kitchen spaces. Moreover, the Cocotas multi-split air conditioner is installed for utility areas such as corridors in order to reduce the temperature differences between each room. When undertaking a remodeling project, the Sekisui House Group accurately determines in advance the current state of thermal insulation and other circumstances based on the history of each dwelling unit. By appropriately combining our proprietary thermal insulation and renovation materials, we undertake renovations in a short period of time to exacting specifications even in houses more than 20 years old while enhancing comfort, economy, and environmental considerations.



Idokoro Dan-netsu Component List (Selected according to customer needs.)
 ■ : Upgraded thermal insulation
 ■ : Installation of equipment providing greater comfort



Details of *Idokoro Dan-netsu Premium*

Ceiling insulation (attic space)

We improve thermal insulation by adding insulating material on top of the existing insulation or by replacing it with upgraded insulation.

Window insulation

We upgrade the weather resistance of the windows by mounting a window on the interior of the existing window or by dismantling the existing sash and replacing it with a new one.



Wall insulation

We improve insulation performance by adding superior insulation panels to existing walls or replacing them with a base frame with new insulation.

Underfloor insulation

We improve the floor insulation by adding thermal insulation from below the floor without allowing any gaps, or by replacing it with a new floor base (which incorporates thermal insulation).

Action policies ③ Reduce CO₂ emissions in business activities of the Sekisui House Group

Adopting renewable energy ▶ **50% by 2030, 100% by 2040 (under RE100)**

Activity report

We established Sekisui House Owner Denki to purchase post-FIT power from homeowners for use in powering the company’s business operations.

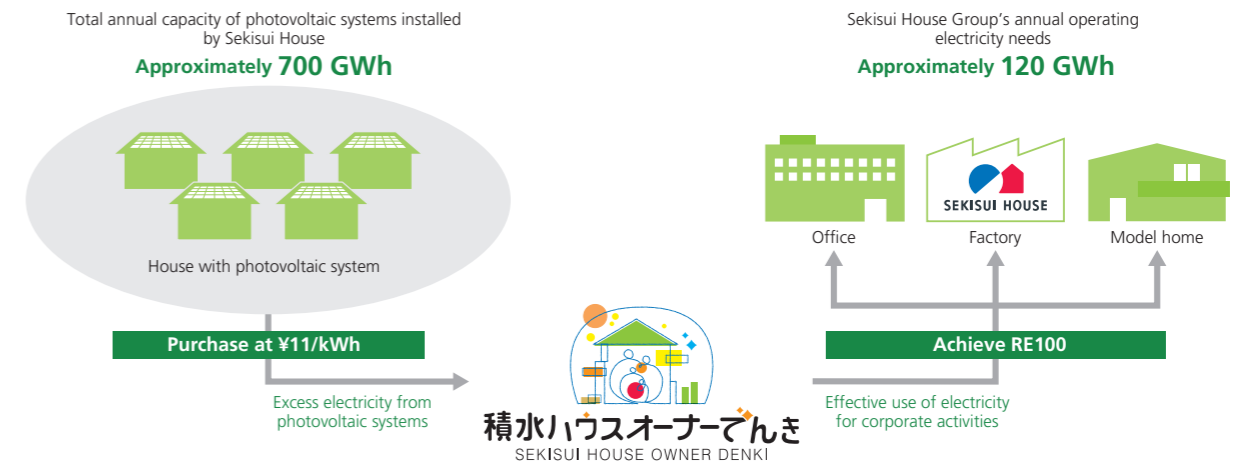
In November 2019, we launched Sekisui House Owner Denki, a system by which surplus power from solar power generators is purchased from homeowners and is used to power the business operations of our group.

Electricity companies began purchasing surplus electricity from solar power systems at a fixed price in 2009. Under the feed-in tariff (FIT) system, the power purchase period (10 years) for residential solar power (less than 10 kW) has expired. This system allows our company to satisfy homeowners by purchasing this post-FIT power at the industry’s highest rate* of 11 yen/kWh.

In October 2017, the Sekisui House Group joined the Japanese construction industry’s first RE100 initiative. We committed to sourcing 50% of the electricity used in our business operations from renewable energy suppliers by 2030, with renewables rising to 100% by 2040. For this reason, the electricity purchased at Sekisui House Owner Denki is used for business operations.

As of March 31, 2020, about 47% of homeowners eligible for post-FIT electricity sales have joined Sekisui House Owner Denki.

* Applicable when no other incidental conditions apply, such as the designation of the power company purchasing the electric power or the requirement that storage batteries be installed



Year-on-year reduction in CO₂ emissions from commercial vehicles by 1,160 tonnes (3.8%)

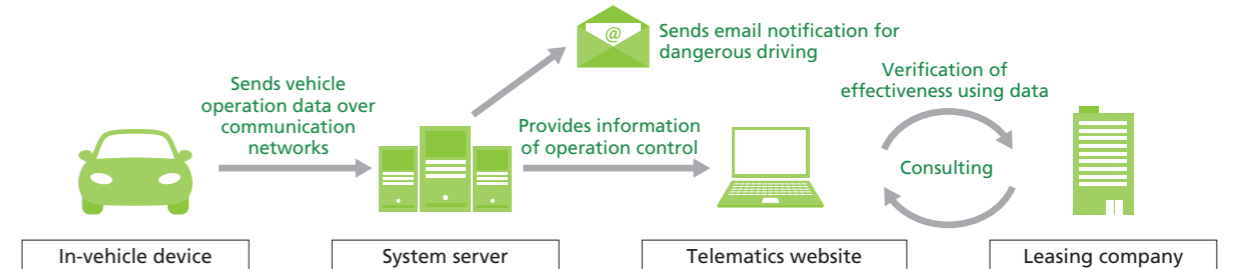
The Sekisui House Group’s 12,000 commercial vehicles are equipped with telematics* devices. We encourage safe and eco-friendly driving practices by promoting routine improvement activities at our business sites and through company-wide, long-term improvement initiatives that utilize driving data such as instances of rapid acceleration or braking. Our group held safe driving training sessions more than 400 times during the year, resulting in a year-on-year reduction in CO₂ emissions of 1,160 tonnes (representing a decrease

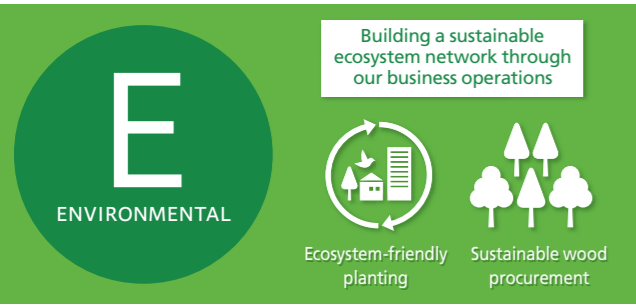
of 3.8%) thanks to ongoing practices such as distribution of safe driving notebooks, DVD teaching materials, and sticker production.

Since the introduction of telematics devices for vehicles in 2011, our efforts have earned high praise. Notably, we received the Minister of the Environment’s FY2018 Commendation for Global Warming Prevention Activity (Implementation of Countermeasures Category).

* Telematics is a system that provides information on vehicle operation, such as usage and fuel consumption, as well as dangerous driving, such as sudden acceleration or deceleration, using devices fitted in the vehicles and communication terminals.

The structure of telematics





Main ESG Themes

Society in Which Humans and Nature Coexist



Basic concept

Striving to maximize ecosystem networks through our business based on sustainable use of natural capital

As an “ecosystem service,” biodiversity helps to support life and is closely related to commercial activity in terms of raw material procurement.

As a housing manufacturer that has constructed a cumulative total of 2.46 million dwellings, the Sekisui House Group consumes 300,000 cubic meters of wood annually. At the same time, we plant about one million trees nationwide every year, which makes us one of the largest landscaping companies in Japan. Due to these characteristics of our business and our influence through our suppliers, we promote tree planting as part of our business to contribute to the conservation of local ecosystems. Moreover, we seek to procure sustainable lumber and preserve forests that will lead to conservation of global biodiversity.

Action policies ①

Promoting eco-friendly horticulture as the largest gardening and landscaping company in Japan

Gohon no ki project ▶ Cumulative number of trees planted by FY2022: **19 million**

Activity report

With 1.09 million trees planted annually, we believe urban tree planting and the *Gohon no ki* project are growing in importance.

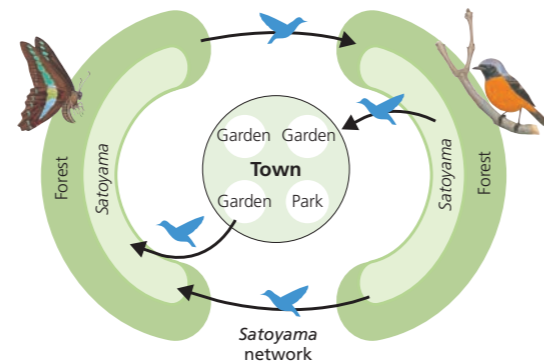
Recent extreme weather events that are believed to be associated with climate change make people’s lives more difficult; moreover, they can damage ecosystems.

In light of the decrease in green space due to urbanization in many parts of the world, effective greening not only supports ecological conservation but also creates leisure spaces necessary for family life while revitalizing the area. Functional greening design supports healthy lives in various ways while also storing rainwater and reducing flood damage.

However, from the perspective of ecosystem conservation, some of the horticultural and exotic trees commonly used for greening are difficult for local birds and insects to utilize. As well, those not suited to the Japanese climate often have low insect resistance.

Therefore, since 2001, the Sekisui House Group has been focused on gardening and landscaping practices that actively incorporate native species likely to be accessible to local wildlife.

Specifically, we have implemented our *Gohon no ki* (or five trees) indigenous landscaping project under the slogan “Three are for birds and two are for butterflies.” We are now promoting this initiative nationwide to help establish a *Satoyama* network that supports habitats for flora and fauna in household gardens while enriching the ecosystem.



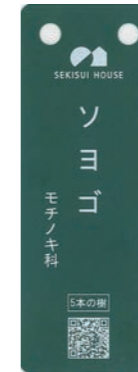
In 2019, with the cooperation of specialist researchers, we scrutinized the plant list we had compiled with the assistance of environmental NGOs, local plant grower networks, and our in-house tree doctors. This list reflected a large amount of data on flora and fauna in order to meet market needs. It has since been updated significantly with the addition of suitable tree species.

As a result of this activity, we planted 1.09 million trees in FY2019, including those planted under the *Gohon no ki* project. The cumulative number of planted trees since the start of the project in 2001 has reached 16.11 million.

Enhancing communication through tree identification panels

After completing development of a system providing detailed planting data for each residence, we have promoted the adoption of communication tools that allow homeowners to enjoy growing plants with greater interest after delivery.

In June 2018, we updated our tree identification panels. These are popular for their smartphone-accessible QR codes, which allow one to easily pull up garden data throughout the four seasons. The available information includes tips on plant flowering, fruiting, and autumn leaves as well as pruning information. The adoption rate has expanded to about 80% nationwide, with a total of 310,000 ID panels issued to date.



Scan the QR code at right to view some of the actual tree planting information. You can also listen to the songs of wild birds who are attracted to these trees.



Attractive greening for rental properties

For rental properties where profitability is emphasized, tree-planting is commonly disregarded as just another additional cost.

However, at Sekisui House, we are actively developing properties that showcase landscape design. We have branded these properties Sha Maison Gardens in the belief that beautification over time resulting from proper landscaping improves the asset value as well as the attractiveness and

appeal of a property through the years. As a result, we have developed what we call the Five Environmental Premiums to enhance these landscapes from various perspectives: ① Harmony with the city’s appearance, ② Preservation and restoration of the natural environment, ③ Consideration of environmental impact, ④ Design for comfort and ⑤ Design that contributes to safety and security. Each of these items has its own rigorous evaluation criteria, including quantification and visualization to contribute to a pleasant living environment. These items encompass the site, the surrounding environment, and the building itself. We further tightened these standards in fiscal 2019 and supplied 1,691 Sha Maison Gardens buildings containing 16,623 dwelling units, which represents 46% of the target. We intend to increase this to 70% of Sha Maison Gardens complexes within three years.



Residential building in Tokyo combining condominiums and rental units with a variety of greenery

Action policies ②

Procuring sustainable lumber following extensive due diligence

Promoting the practices of the FairWood initiative ▶ Building a sustainable society through proper lumber procurement

Activity report

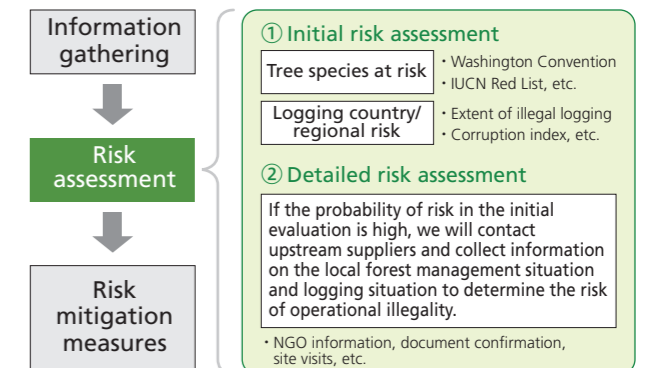
Exercising due diligence with relation to procurement

Wood is an essential renewable resource, and we consume about 300,000 cubic meters of wood annually for house construction. However, illegal logging and the pressure to convert agricultural land to oil palm production have led to deterioration of the conservation function of the forest ecosystem, disruption to the lives of local residents, and interference in sustainable forest management. Moreover, because of the complexity of distribution channels, the need to ensure the traceability of wood has become an extremely important issue. In response to this situation, we have been encouraging our suppliers to exercise due diligence by thoroughly monitoring and researching the traceability of the lumber we purchase.

With respect to due diligence, many companies limit the scope of their surveys by excluding medium-density fiberboard (MDF), as it is not subject to legality review under Japan’s Clean Wood Act. However, in order to pursue the goal of Zero Deforestation, which is an international requirement, we believe that manufacturers can play an important role by providing advice to suppliers of wood building

materials regarding the tracking process in order to improve sustainability. In addition, in an effort to disclose the state of progress, we demonstrate thorough due diligence with regard to base materials, interior finishing materials, and equipment.

[Due Diligence Practices]



Mechanism and progress of sustainable wood procurement: Rank S and Rank A wood ratio of 95%

In terms of procurement, we have adopted 10 policies under our Wood Procurement Guidelines that take into consideration legality, the health of the ecosystems of the felling areas, and the lifestyles of the residents of the logging areas. Since 2006, we have been conducting annual surveys on the procurement status of about 50 suppliers of wood building materials, receiving reports on the legality of the procured lumber, the place of production, and attributes, quantifying them according to guidelines, and managing their progress. In fiscal 2019, we were able to proceed with confirmation of a new tropical peat forest during the survey.

For projects with insufficient assurance of traceability, we exercise thorough due diligence by visiting local production sites, conducting surveys, and confirming facts on the ground.

Through these activities, we are seeking to achieve Zero Deforestation, thus halting the destruction of forests that leads to destruction of the ecosystem.

In fiscal 2019, we were able to achieve our management target of a 95% ratio for Rank S and Rank A lumber. Although we do not set targets for use of certified materials alone in consideration of the healthy development of community forestry, 66% of all our wood building materials, including those used for interior installation, and 93% of structural wood we use, are FSC/PEFC certified (including certified processed wood). The ratio of certified products itself has been declining due to an increase in the adoption of domestic structural materials that undergo little certification even though they are sourced with sustainable forest management methods.

10 Wood Procurement Guidelines

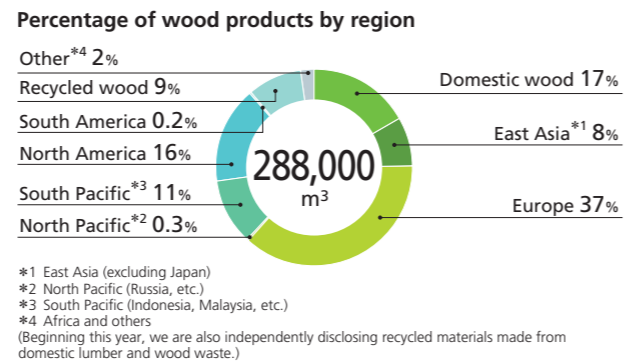
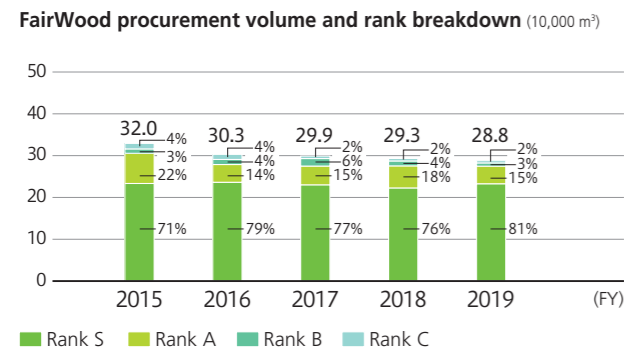
- ① Source wood products from areas with relatively low risk of illegal logging.
- ② Source wood products from areas without sensitive ecosystems.
- ③ Do not source wood products from areas where local ecosystems are seriously damaged due to large-scale logging of natural forests.
- ④ Do not use endangered species for wood products.
- ⑤ Minimize CO₂ emissions when producing, processing, and transporting wood products.
- ⑥ When logging wood products, avoid conflict with local communities and refrain from unfair labor practices.
- ⑦ Source wood products from areas of controlled logging, so as not to exceed the rate of forest regeneration.
- ⑧ Source wood products from domestic forests where well-planned forest management is in place to conserve ecosystems.
- ⑨ Source wood products from plantation forests that are managed so as to promote conservation and ecosystem development.
- ⑩ Use recyclable wood building materials.

Wood product procurement ranking

Depending on their total score, procured wood products are classified into four ranks, from high to low: S, A, B, and C. Minimally acceptable scores are set for Guidelines ① and ④, as we place a high priority on these two items.

Total score (maximum 43 points)	Rank
34 and above	S
26 to 34	A
17 to 26	B
Below 17	C

[Results of FTY2019 Survey]



The first housing provided under SGEC Forest Certification Japan

With the recent increase in environmental awareness among consumers, growing numbers of homebuyers are showing interest in certified housing.

Japan has a centuries-long history of forestry and lumber use. SGEC Forest Certification Japan is a domestic forest certification system that determines whether wood is sustainably and properly managed. Reciprocal recognition has been granted with the PEFC Council, global alliance of national forest certification systems.

In 2019, we built Japan's first private home recognized under SGEC/PEFC Project CoC Whole House Certification. We collaborated in the construction of the house with Mori for Forest Certification Company (a company under Masako Mori, Director, and located in Suita, Japan), a joint venture company that promotes the spread and adoption of SGEC/PEFC certification. At the time of certification, we performed all

work necessary to verify that at least 70% of the wood used in construction was certified in Japan, and that other wood-derived materials were obtained from appropriately managed forests, including paper products such as wallpaper and fusuma paper. A confirmation effort was undertaken to ensure that this material was derived from appropriately managed forests. We were able to gain knowledge and expertise regarding forest certified houses through our efforts to obtain detailed information from all suppliers; this included tree species, production areas, and whether local NGOs had indicated any issues. We are considering using this experience to provide new choices in the housing we offer in the future.



Internal structure of SGEC certified housing

Expert assessment of our initiatives

Eco-friendly gardening and landscaping activities

Practicing urban ecology through the Gohon no ki indigenous landscaping project

Initiatives intended to protect the natural environment, which are highlighted in the SDGs, are attracting attention. From the standpoint of scientists studying biodiversity and ecosystems, it is important to witness the actual effectiveness of various actions. In the case of private enterprises in particular, initiatives targeting achievement of the SDGs are not sustainable in themselves if it is not clear how much a particular initiative contributes to the achievement of a conservation goal, or how efforts related to the initiative will contribute to improved corporate value.

The Gohon no ki indigenous landscaping project adopted by Sekisui House recommends the selection of residential garden trees under the belief that "with native trees in Japan, three trees are for birds and two are for butterflies." In other words, the Gohon no ki project is based on a commitment to conserve and restore local biodiversity, and its effectiveness can be quantified from the perspective of Goal 15 of the SDGs, which is focused on maintaining the health of the land.

According to the big data biodiversity analysis by Kubota Laboratory, the Gohon no ki garden tree proposal covers 30–45% of the woody species that grow naturally in Japanese prefectures. The high coverage of tree species diversity from the planting of garden trees is noted for its effect on the regeneration and conservation of the biological communities that form the foundation of terrestrial ecosystems. It is worth noting that a cumulative total of more than 16 million trees have been planted since 2001 under the Gohon no ki project. According to our analysis, the number of trees in Japan is estimated to

be at least 20.9 billion, and the number of trees in the forests and green areas remaining in urban areas, where 70% of the population of Japan is concentrated, is 39.05 million tall trees as well as small shrubs. Thus, the number of urban trees is only 58.88 million. Therefore, the large number of trees being planted in residential gardens under the Gohon no ki project will be an outstanding achievement in terms of the natural regeneration of the city. The planting of garden trees will also have the effect of strengthening the carbon dioxide sequestering function of the city, which contributes to the mitigation of climate change.

The ecological design of residential gardens under the Gohon no ki indigenous landscaping concept is not limited to enriching people's living spaces through their functionality in terms of scenery and healing. The gardens that people love may be very small, but garden trees provide space for the growth of a variety of organisms, and each garden functions as a link in a network to regenerate urban ecosystem services. This has the potential to regenerate the practice of urban ecology. The planting of garden trees under the Gohon no ki project may represent one solution to our global environmental challenges.



Professor Yasuhiro Kubota
 Faculty of Science
 University of the Ryukyus

Sustainable wood procurement as promoted under the FairWood initiative

Global adoption of due diligence and the FairWood initiative for wood procurement

In 2008, a law was enacted in the United States to eliminate illegal lumber from the market. Since then, the EU and other countries and regions have followed suit, and in the past 10 years, the idea of supply chain management of the wood supply has been rapidly gaining ground. The common denominator in this trend is the exercise of due diligence. An increasing number of companies are practicing due diligence, which encompasses ESG factors, with respect to their wood purchases in terms of (1) collecting information, (2) implementing risk assessments, and (3) practicing risk mitigation to identify risks of illegality.

As an expert who has been monitoring these trends for about 15 years, the most distinctive feature of Sekisui House's FairWood procurement initiative is that it positions due diligence as an investment in the world and in the future of the planet. By recognizing its responsibilities as a major manufacturer and its influence on suppliers, and by proactively analyzing and responding to ESG risks that are highly relevant to the company, Sekisui House clearly aims to contribute to the emergence of a sustainable society as a whole. Among the 10 indicators of FairWood procurement, it is only natural to comply with "legality" in addition to the need for ecological conservation, CO₂ reduction at home and abroad, and consideration of the social welfare of local residents; consequently, the company has accumulated a substantial procurement record.

In the exercise of due diligence, increasing the proportion of certified materials is often identified as one goal. As conversion of forest land to agricultural land is rapidly progressing around

the world, the certification system itself is considered a visible tool for countering deforestation. However, in the case of Sekisui House, the final goal is not simply to utilize certified materials; the company is practicing responsible procurement from the perspective of identifying potential risks through due diligence and by investing in the future of the planet. Examples include branding of domestic lumber as part of the evaluation of community forest lumber that supports domestic producers; and small-scale agroforestry that encounters high hurdles to obtaining certification. Due diligence is not originally uniform. Optimizing and creating original products is one of the most effective options for individual companies while at the same time serving as an element of differentiation from others.

Ecologically rich natural tropical forests that regulate climate and temperature are rapidly disappearing, but the Japanese lumber industry and consumers alike still do not seem to have responded by exhibiting any sense of crisis. In the future, we hope not only to expand our efforts within the company, but also to raise awareness of the idea of investing in the future of the planet through the construction industry and peripheral industries with the support of consumers and suppliers.



Dr. Mari Momii
 Forestry Issues Consultant
 The Royal Institute of International Affairs
 (Chatham House)



Main ESG Themes

Circular Economy

Basic concept

We will optimize the use of resources at production, construction and all other stages while supporting the creation of a circular economy through recycling-oriented businesses throughout the product lifecycle.

Under the SDGs, Goal 12 requires that companies ensure sustainable production and consumption patterns in order to stabilize the lives of all as demand for resources and energy increases along with the growth in the global population. It is essential that companies work to optimize the entire lifecycle of their products and improve resource efficiency. The housing industry is expected to develop and popularize recycling technologies while also promoting services and support in line with social trends. The objective is to increase the value of housing stock available in society.

Action policies ① Achieving zero emissions throughout the product lifecycle

Effective zero emissions ▶ Continuing and expanding our 100% zero emissions initiative throughout the production, construction, and maintenance phases

Activity report

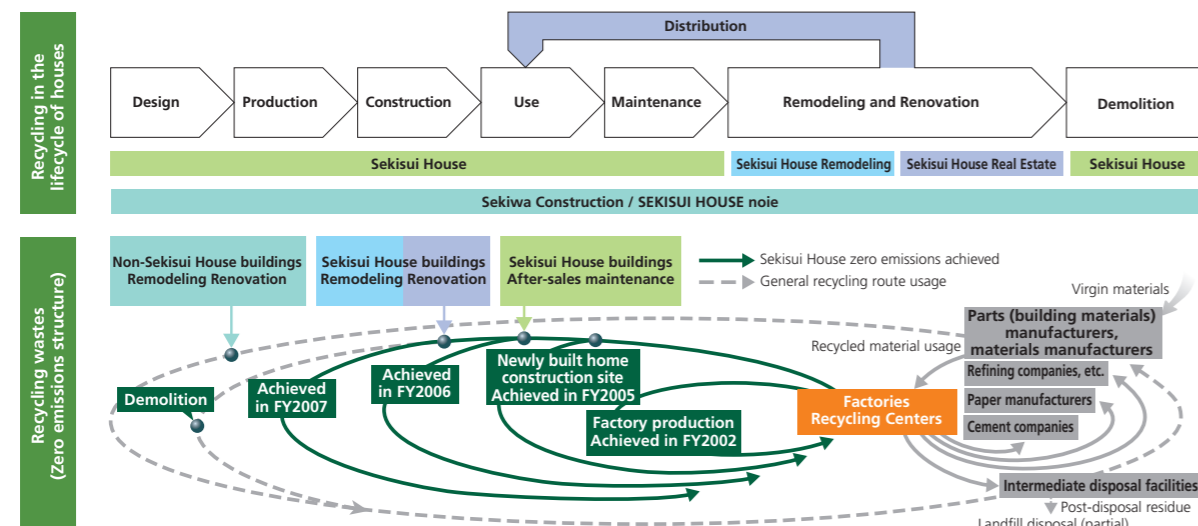
Expanding zero emissions in an ongoing effort to achieve the 100% goal

The housing industry consumes a large amount of resources. Industrialized housing systems that produce the basic structural skeleton in a factory have proven to be effective systems for increasing resource productivity when used in combination with a built-to-order production system. Accordingly, we managed to achieve the zero emissions* standard in our plants in 2002. In 2004, we applied under the Wide Area Certification System, a special case of the Waste Disposal Law, thus becoming the first in the industry to be so certified. We fully adopted this system as we expanded

the range and accuracy of zero emissions in the field, later obtaining certifications for new construction sites in 2005, maintenance in 2006, and renovation in 2007. In 2019, all 17 members of the Sekiwa Construction Group, our subsidiary, filed a joint application for the Wide Area Certification System, which was approved. This was aimed at adopting zero emissions policies for newly built wooden houses contracted by the Sekiwa Construction Group and will further strengthen our group-wide resource recycling system to complete our recycling business.

*Eliminating industrial waste incineration and waste sent to landfills for disposal.

Increasing the life of houses through circular business model based on in-group alliances



Action policies ② Demonstrating the merits of integration through group collaboration

Effective zero emissions ▶ 100% recycling of waste from repairs undertaken on vacated rental housing

Activity report

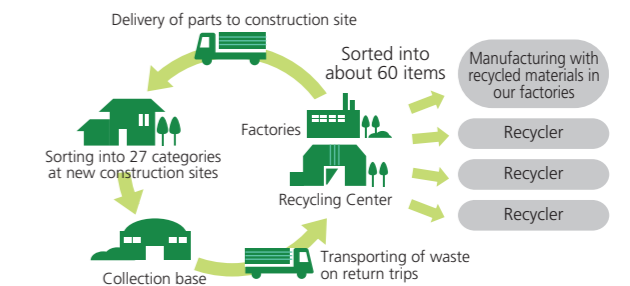
100% recycling of waste from repairs undertaken on vacated rental housing

One of the characteristics of the collection system instituted under our Wide Area Certification System is the use of our Recycling Centers. Waste generated at new construction sites scattered all over the country is collected at the facilities of our Recycling Centers. The waste is sorted at construction sites into 27 categories and is then re-sorted into about 60 items (of a total of 80 categories) at our 21 Recycling Centers nationwide. We manage the recycling of all wastes under our control.

In addition to our zero emissions initiative centered around the lifecycle of our products, we have been promoting zero emissions since the introduction of our model business in the Chubu area. Moreover, Sekisui House Real Estate (formerly

Sekiwa Real Estate), the brokerage managing the Sha Maison rental housing we constructed, recycles waste from repairs undertaken on vacated rental housing.

Waste disposal flow through our recycling centers



Action policies ③ Changing the focus of recycling systems from quantity to quality

Improving the quality of recycled products ▶ 90% material recycling rate

Activity report

Promoting zero emissions with a material recycling rate of 83.1%

Thanks to our zero emissions initiative, the amount of waste generated per building has been reduced by a substantial 60% since FY1999. Following the phase in which we were able to significantly reduce the amount of waste generated, we are currently maintaining that level of waste reduction.

However, with the recent global trend toward emphasizing a "circular economy," it is becoming more important not only to reduce the amount of waste generated, but also to design the entire business around an effort to improve the quality of recycling.

In light of this trend, we have been improving our construction methods by incorporating feedback from reviews of our construction methods. We are doing so by utilizing the strengths of our in-house production and direct construction that is not based on the agency method.

Moreover, by practicing thorough sorting in order to sort, categorize, and process waste to meet the exact needs of recyclers, we are contributing to a higher quality of recycling.

At the same time, we are conducting research on our attainment of an 83.1% recycling rate in FY2019 with the aim of reaching 90% of our zero emissions goal during the production, construction, and maintenance phases.



At our recycling centers, plastics alone are sorted into about 20 categories.

Examples of products resulting from our in-house processing of recycled materials

We collect scrap plasterboard from new house construction sites and mix it with crushed eggshells collected from food processing plants. This produces Platama Powder, an athletic field marking chalk made from recycled products.



Platama Powder, an athletic field marking chalk that poses no risk to human health



Researching recycling methods for difficult-to-process composite materials

In the future, we will enter the phase of promoting the recycling of composite materials, which present a challenge for recyclers, and the development of building materials that can later be recycled. In 2019, in order to promote research on this difficult problem, we undertook research and development in collaboration with academia and in conjunction with recyclers to address the recycling of composite materials.

Action policies ④

Improving resource efficiency through active adoption of information and communications technology

Ensuring circulation traceability through information and communications technology ▶ Introducing a 100% waste measurement system

Activity report

Ensuring effective use of resources through traceability

Securing traceability related to the proper disposal of construction waste is of the utmost importance not only to demonstrate responsibility for proper treatment and recycling of waste, but also for promoting recycling business models such as streamlined construction.

Recognizing this, we have been proactive in introducing information and communications technology, starting with the trial of a waste measurement system using IC tags in 2007.

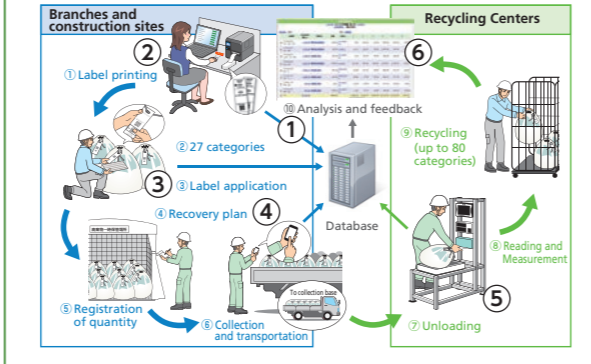
Moreover, in 2017 we updated our proprietary Electronic Processing System for waste collection into a cloud-based system in order to respond flexibly to requests for enhancement of electronic system functions for waste management. We now operate a waste measurement system that utilizes current QR codes. This is an innovative system that accurately monitors the situation at the time of disposal, aggregates and analyzes data from each building, and monitors the total disposal amount and the disposal amount by type of waste in real time.

By feeding back the detailed data analyzed in this way for product development, material design, production processes, and construction processes and the like, it is possible to promote the more effective use of resources.

In 2019, the utilization rate of this system was 100% on a business facility basis.

Waste measurement system incorporating QR codes

- ① Timely processing is assured because the waste measurement system is accessed through the cloud in conjunction with the residence information database, which arranges and reduces parts and specifications and centralizes residence information and member information.
- ② A QR code label is printed according to the scale required for construction.
- ③ Requests for appropriate collection are issued from a smartphone or the like according to the waste conditions at the new construction site.
- ④ Collection trucks are dispatched as needed while linked to a map application on the cloud. They are also closely linked to the property information database.
- ⑤ Label information is read and the weight is registered.
- ⑥ Various analytical data such as an analysis of the amount of waste from each model is fed back to the business offices, development departments, factories, etc. Close cooperation among departments contributes to effective environmental initiatives.



Action policies ⑤

Plastics Smart initiative

Plastics Smart initiative ▶ 100% recovery of plastics at construction sites and significant reduction in the use of beverages packaged in PET bottles

Activity report

Eliminating the use of more than 370,000 plastic bottles

We are pleased to have achieved zero emissions in our business processes, and in fiscal 2019 we recovered 100% of the plastics used at construction sites, with 18,974 tonnes recycled annually.

At the same time, in order to raise awareness of the need to reduce single-use plastics from day-to-day use among employees, we have been participating in the Plastics Smart for Sustainable Oceans Campaign promoted by Japan's Ministry of the Environment, which calls for the following:

- ① No distribution or use of plastic bottles at internal meetings; replace with personal-use bottles or eco-friendly paper cups.
- ② Elimination of beverages packaged in PET bottles from vending machines installed in-house.

After one year of implementation, the verified results reveal



that the number of beverages packaged in PET bottles purchased through in-house vending machines (countable amount) was 526,485 in 2018, but only 154,212 in 2019. We have thus achieved a reduction of more than 370,000 bottles, which represents a reduction of about 70%. (In some cases, beverages packaged in PET bottles are required to combat the risk of heat stroke and other such conditions, so a 100% reduction is not achievable.)

Employees have expressed their opinions regarding this campaign, such as the following: "The number of people who bring their own bottles and cups has increased, as have conversations regarding the problem of plastic waste, which has led to greater environmental awareness among employees."

According to the PET Bottle Recycling Promotion Council, a total of 22.7 billion beverages packaged in PET bottles were consumed in Japan in FY2016. Although the reduction achieved by our efforts is small, we will continue to support the implementation of the Plastics Smart Campaign with other companies and stakeholders.



Eco-First Promise

Sekisui House was certified as an Eco-First Company by the Japanese Minister of the Environment in June 2008 for making three promises (Eco-First Promise)—global warming prevention, ecosystem preservation and resource recycling. We have been conducting environmental activities with a view to fulfilling these promises.

In 2012 and 2016, we updated our Eco-First Promise within the broad frameworks of the three promises while incorporating changes in social environment and the progress in our initiatives to intensify our efforts. The content of the Eco-First Promise will be updated in 2020.



The Eco-First Promise (updated 2016, excerpt) *Scan the QR code at right to view the full text as a PDF file.

1. Proactive reduction of CO₂ emissions in the residential sector and business activities (Global warming prevention)

Our promises

- To aim for over 27% reduction in primary energy consumption in the residential sector, including housing stock, by 2030, corresponding to Japan's targets (39.3% reduction in CO₂ compared to 2013).
- To actively introduce energy-saving air conditioners, eco-friendly cars and LED to surpass the target values (10% reduction in CO₂ emissions in 2020 in comparison to FY2010) set by the Japan Prefabricated Construction Suppliers and Manufacturers Association for CO₂ emissions from business activities of the group.

Major progress in FY2019*1
ZEH*2 ratio in custom detached houses

87%

*1 April 1, 2019 to March 31, 2020
*2 Net-zero energy housing



Green First ZERO sales promotion

2. Proactive revival of ecosystem network (Ecosystem preservation)

Creating a society that enables a fulfilling and comfortable lifestyle through use of sustainable natural capital.

Our promises

- To actively carry out planting plans (*Gohon no ki* project) focused on species native to the region to promote landscaping in houses and the community and aim for planting a total of 15 million trees by 2020, which marks 20 years since the launch of business activities based on the *Gohon no ki* project.
- To introduce FairWood lumber in cooperation with suppliers and NGOs with a view to preventing illegal logging and loss of natural ecosystems and making the economies of the production areas independent.

Major progress in FY2019
Total number of trees planted

16.11 million

The 2020 target was achieved in fiscal 2018. The number of trees planted in fiscal 2019 was 1.09 million



Promoting the *Gohon no ki* project

3. Proactive promotion of resource recycling activities (Resource recycling)

Striving to increase the value of social assets by promoting revitalization of cities and communities and carrying out proposal-type renovation.

Our promises

- To install a new collection system using resource recycling centers and accelerating zero-emission throughout the group.
- To continue with zero-emission (zero landfill, zero waste incineration not involving heat recovery) at the time of production, construction and after-sales maintenance and aim for 90% recycling of materials.

Major progress in FY2019
Material recycling rate at the time of production, construction and after-sales maintenance

83.1%



Separating waste at a resource recycling center

Highlights

Sekisui House Eco First Park, a site for environmental education: 4th anniversary symposium held to commemorate the opening

Sekisui House Eco First Park features symbolic model facilities we have been working on throughout the history of our environmental activities including three test houses, the *Gohon no ki* landscaping concept garden Living Garden, and a resource recycling center Resource Wellspring, which achieves zero emissions by separating into as many as 80 categories wastes that are first separated into 27 categories at the construction sites. This park is open to the general public and operates adjacent to the Kanto Factory in Koga, Ibaraki Prefecture. It also serves as a location for environmental education for students ranging from elementary school to university and encourages them to consider what can be done in relation to housing that will benefit the global environment.

In November 2019, an environmental symposium attracting 230 participants was held in Tokyo to commemorate the 4th anniversary of the opening of the park. Masako Konishi of WWF Japan gave the keynote speech and reported that the 1.5°C climate reduction target is now the mainstream internationally. In a discussion session by the environmental and sustainability managers of three participating Eco-First companies (Toda Corporation, Lion Co., Ltd., and Sekisui House, Ltd.), it was emphasized that all should work together to achieve the 1.5°C climate reduction target.

Scan here to apply for a visit to the facility.



Sekisui House Eco First Park



Kenichi Ishida, our Managing Officer, introduces our environmental initiatives.



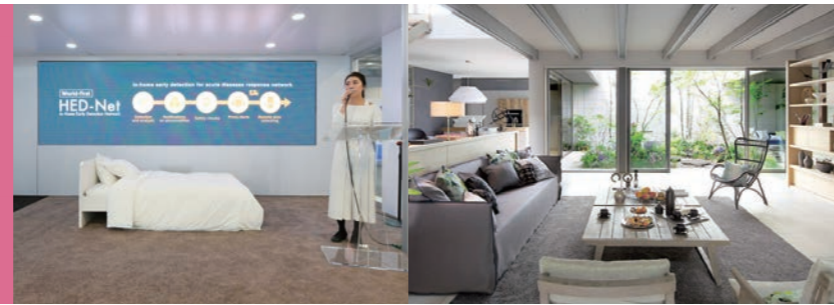
A new value proposition for health, connection and learning



HED-Net development



Promotion of the Family Suite Model



Main ESG Themes

Contributing to Health, Longevity and Wealth



Basic concept

Since its founding, the Sekisui House Group has focused on supplying houses of high quality that are safe, secure, and comfortable. In response to changing times, we have worked to develop construction methods that make homes highly resistant to natural disasters, with a focus on comfort and environmental considerations. Over the coming 30 years, as the era of the 100-year lifespan comes to the fore, in the quest to build “homes for happiness” we aim to apply the emerging fusion of tangible and intangible products and services to social issues. We plan to utilize technical resources developed in Japan, a country with an aging society and a long-lived population. Our aim is to bring these new services to the global marketplace to address social issues and contribute to fuller living.

Action policies ①

First initiative to build in-home early illness detection network for “houses that support good health”

Supporting Health and Longevity through the Platform House Concept ▶ Development of HED-Net (In-Home Early Detection Network)

Activity report

What is The Platform House Concept?

Our global vision at Sekisui House is to make the home the happiest place in the world. The Platform House Concept was developed and announced in 2019 based on this vision. The concept encompasses systems that will support the health and happiness of residents of the houses we build as we enter the era of 100-year life.

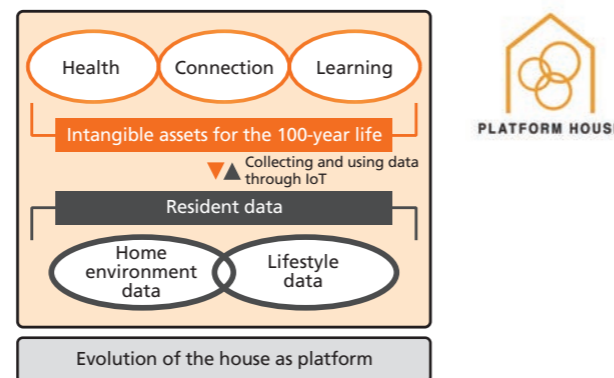
The Platform House will have a range of services installed that promote health, connection, and learning—a new concept that utilizes data from residents to enable active living to and beyond the age of 100.

Good health, social connection, and opportunities to learn become intangible assets for residents. Sekisui House aims to develop services that offer and promote these intangibles through business models.

The Platform House Concept proposes the home as not only a place for settling down but as a launchpad for new departures. Vitalized by good health, a sense of connectedness, and the stimulation of learning, residents become motivated to engage in new endeavors to reach their full potential. This launchpad concept is embodied in our use of “platform.”

Our first initiative is centered on health—the foundation for “houses that support good health.” This initiative involves offering services that provide medical emergency response, health monitoring over time, and preventative care.

The Platform House Concept



President Nakai presents the Platform House Concept at CES 2020

HED-Net addresses issues in a healthy, long-lived society

The first initiative in the Platform House Concept is the world’s first in-home early detection network, HED-Net. It is estimated that approximately 70,000 people in Japan die each year in their homes from an incident that involves either a stroke, heart failure, drowning, or a fall or collapse—a far greater number of deaths than are due to traffic accidents (about 3,500/year). Strokes occur in approximately 290,000 people annually in Japan; 79% of the time they happen at home, and about 150,000 people die at home without help. When people suffer from a heart attack, 66% of the time it occurs at home, while over 5,000 people annually drown at home, often in the bathtub. Falling or collapsing in the home accounts for approximately 3,000 deaths annually.

Traffic accident deaths have declined with the advent of airbags, anti-lock braking systems, and other automobile safety features. However, little has yet to be done anywhere in the world to combat accidents in the home or to provide early detection of a medical emergency. In the case of a stroke, a person needs to get treatment at a hospital within four and a half hours from the onset of the stroke to prevent death or long-term damage. It is clear that how quickly a person is found holds the key to their treatment and recovery. We began research and development on the HED-Net system to address this specific issue.

Medical condition detection through non-contact sensors eliminates residents’ stress

The sensing technologies installed in the home, integrated with the HED-Net system, detect and analyze a resident’s vital data such as heart rate and respiration rate. The key feature of this system is the use of non-contact sensors, which cause no stress to the resident. If a possible medical emergency is detected, a medical alert is sent immediately to the emergency call center. The operator then calls to confirm whether there is an emergency or not, and if so, dispatches an ambulance. When the paramedics arrive, the resident’s door can be unlocked remotely and locked again afterward.

This is the first system in the world set up to cover every step from vital sign detection to paramedic rescue. It can reduce the social cost (medical/nursing care costs, etc.) from accidents in the home by as much 1.9 trillion yen.

As countries around the world, including Japan and other developed nations, face significant challenges ahead in terms of “closet caregivers” for an aging population, there will be a growing need to find ways to cope with the issue. In Japan, strokes account for 18.5% of cases where people start requiring nursing care*. Sekisui House believes that the Platform House Concept can help reduce the number of people who need care, as well as the number of workers who leave their positions to care for an elderly family member.

*Ministry of Health, Labour and Welfare, FY2013 Comprehensive Survey of Living Conditions

Pilot project to begin in 2020

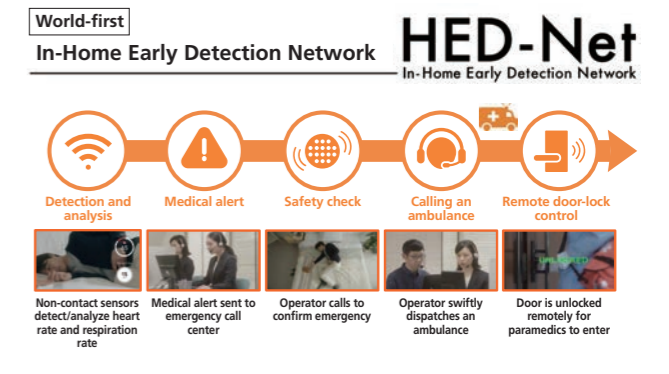
To research and develop HED-Net, Sekisui House is partnering with academic institutions and other corporations with field-specific expertise to build a broad alliance. Patents have already been obtained for systems to be used in Japan, and international patents are pending.

Following proof-of-concept tests at the Platform House Lab and verification tests at our testing facility, the system will be rolled out in a resident-participation pilot project in 2020, soliciting 30 to 50 households to join. This pilot project will bring the technologies closer to people in real-life situations with the aim of full-scale social implementation in the future.

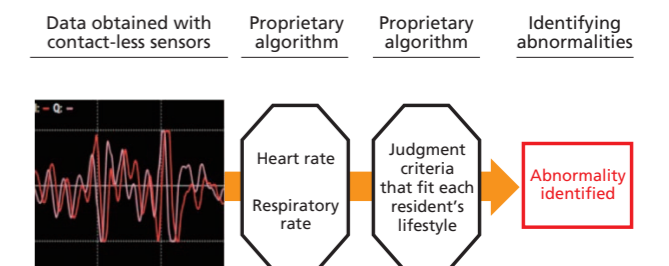
Furthering the concept by monitoring changes over time and in-home prevention

Starting with HED-Net’s early detection of a medical emergency, further development will involve monitoring changes over time and in-home prevention.

It will be possible, for example, to detect apnea syndrome from data acquired on breathing while asleep. Or, sensors installed in the bathroom sink mirror will be able to detect high blood pressure or other symptoms monitored over time, thereby allowing the early discovery of illness through risk detection. It then becomes possible to develop services that prevent the risk of illness—including exercise, good sleep, and diet services. Beyond health, services can be installed in the areas of social connection and learning, thereby promoting happiness in the home for the era of 100-year life.



DEVELOPING AN ALGORITHM



Highlights

Homes for happy living in the era of the 100-year life

Exhibiting at CES 2020

The Platform House Concept, First Initiative: The world's first in-home early illness detection network—HED-Net presented at CES

The world's largest consumer electronics show, CES, was held from January 7 to 10, 2020 in Las Vegas, USA. Sekisui House presented HED-Net, the world's first in-home early illness detection network, at the show.

HED-Net protects people and prevents delays in treatment

If you were at home alone and suffered a stroke or other acute medical condition, who would find you?

If you ever have a stroke, heart attack or accident in your home, the most important thing is to be found quickly.

At CES 2019, Sekisui House announced the Platform House Concept as a new project to provide services for promoting health, connection, and learning in the home in order to bring people happiness in an age when they are living to the age of 100. HED-Net is the first extension to the plan, announced a year later.



Sekisui House exhibition booth



Actual system demonstration

Working to resolve near-future issues that the world will face

At the press event held on January 7, 2020, President Nakai explained how the realization of the Platform House Concept could lower social costs, including medical and nursing care costs, and that such a development could be very useful in solving social problems of the near future for a super-aged society like the one in Japan as a model for the world.

Mr. Ishii, the Senior Manager of the Platform House Promotion Department, shared his thoughts on developing services for residents who "are concerned primarily with living as they always have, which is why we insist on contactless sensors that can pick up readings and analyze data in a stress-free way without infringing on residents' privacy."

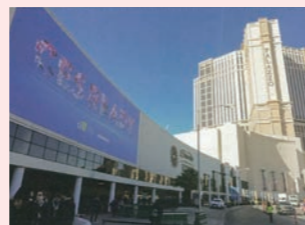
"This is a long-term, 30-year plan. Over the next three decades we will be working to refine the concept and implementation of homes for happy living in the era of the 100-year life," said the president. The idea of a plan to bring about happiness through the home environment drew great interest at the show.

Approximately 6,600 people visited the Sekisui House booth over the four days of the show, sharing such opinions as: "I think the homeowner can be happy and feel safe and protected, which is great!" and "This may be just a future scenario, but it would be great if it could be possible right now!"

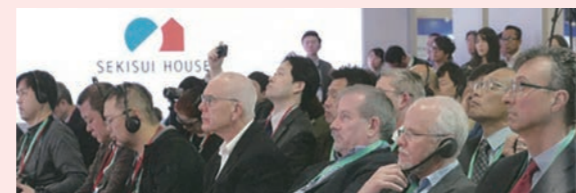
Sekisui House will continue to conduct pilot tests and pursue research and innovation using advanced technologies in the effort to bring the Platform House Concept into widespread use.



At the CES 2020 site



President Nakai presenting HED-Net



An attentive audience hearing about the world-first system

Action policies ② Happiness research to produce abundance

The fusion of structural technology development and happiness research ▶ Diffusion and promotion of the Family Suite model

Activity report

Happiness research leads to development of the Family Suite model

The Family Suite model, brought to market in October 2018, is the product of Sekisui House's research into technologies and services for happiness, developed and deployed in structural areas to support happy living. The Family Suite model proposes a new kind of living space that departs from the conventional "LDK" (living-dining-kitchen) concept to enable families to spend a rewarding time together in whatever way they choose.

According to Sekisui House's research survey on happiness, families with parents and children highly value the time they spend all together in the "family hearth." Even though everyone is spending a long time together in the living room, each person is doing their own thing and relaxing in their own way. When you have one large, undivided living room space, everyone can maintain a comfortable distance from one another while feeling each other's presence. This creates a sense of togetherness that makes a family feel happy. It is the concept behind the Family Suite model, and a key takeaway from the happiness research.

In April 2019, we started offering this Family Suite model to customers irrespective of the type of construction (steel or wood frame) or interior/exterior design variations. The concept is to provide a broad range of choice leading to more relaxed lifestyles for families by creating a spacious living room area that includes an extended area under the eaves. The design promotes happiness in the form of connecting with one another, living in one's own style, and maintaining good health.

Since its launch, the design concept has won accolades among a great many happy homeowners who appreciate that family communication can be maintained as everyone naturally gravitates to the living room because it is so pleasant there.



Large living room: about 50 m² in a total house space of 100-135 m²

Further research on houses where happiness grows the longer you live there

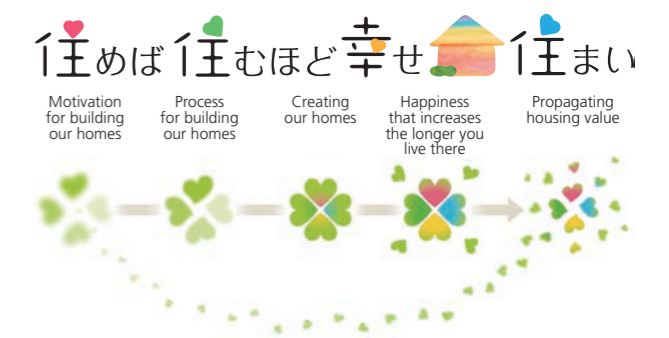
In August 2018, we opened the Human Life R&D Institute to pursue the happiness research that started with research to develop the Family Suite model. Sekisui House thus became the first Japanese company to study happiness. In building homes, it is vital to consider changes in the homeowner's life and lifestyle over time. With a broad view of the human lifespan reaching 100 years, we refocused on the importance of building homes that take an extended timeline into full consideration.

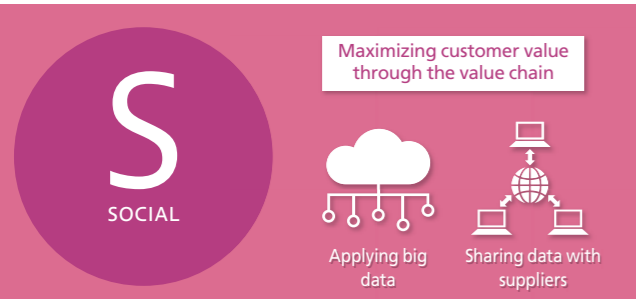
The Human Life R&D Institute has been pursuing research in a wide range of areas related to home living based on the theme of "houses where happiness grows the longer you live there." Attention is being focused on research themes that involve happiness, such as the intangibles of health and familial bonds, in addition to the ongoing research themes of safety, security, and comfort. The goal is to use the research results in designing "happy houses" that promote a sense of well-being and allow its residents to experience greater happiness the longer they live in their home.

In 2019, we adopted the principles learned through the research in new offerings such as Family Suite Renovation work on existing houses and the Regnum Court model houses that propose a new style of comfortable urban living.

Kobayashi-sanchi is a model house in Sekisui House's Sumai-no-Yume-Kojo Center in the Kanto region. The model house includes new ideas for the use of space by families with a baby derived from happiness research related to design for kids, such as a bedroom that promotes good sleep for parents and child, and baby-care-friendly water areas in the home.

Concept diagram for "houses where happiness grows the longer you live there"





Main ESG Themes

Pursuing Customer Satisfaction through Our Value Chain

Basic concept

People these days are seeking new and different types of value in a house while housing companies are similarly looking for new ways to provide optimal value to customers. Being able to see the big picture in a complex business is necessary for maximizing customer value through the value chain. The key to accomplishing this is in the industry-leading "big data" we have been able to gather through diverse channels. The analysis of such data allows us to anticipate both customer needs and shifts in social trends. Making use of the data throughout the group and sharing it with our suppliers leads to high levels of productivity and top-drawer performance, quality, and after-sales services; it also helps to build a market in which a house is a good social asset.



Five action policies

<p>1 Creating safety, security, comfort, and health by integrating tangible (technological development) and intangible elements</p> <p>Tangible elements refer to the top-quality products and technologies we have developed over half a century that ensure safety, security and comfort. We also pursue research on happiness—an intangible element—aiming to generate new value in such areas as health, connection, and learning.</p>	<p>2 Meticulous supply chain management for material procurement</p> <p>As interest in ESG investment rises, we are promoting highly sustainable procurement and other practices, and working to create long-term benefits for both our company and its suppliers, as well as strengthening our collaborative relationships.</p>
<p>3 Enhancing production and distribution quality and improving operational efficiency</p> <p>We combine small lot, multi-variant, and built-to-order types of production while maintaining efficient systems, and we are increasingly automating our production lines and utilizing AI and IoT to supply high-precision structural components. We are also setting up an on-premises logistics visualization system and working to achieve high efficiency and high quality in the shipment loading process.</p>	<p>4 Strengthening our workmanship and maximizing our construction capabilities</p> <p>In producing high-precision structural components in our factories, we rely on our strengths—our more than 8,000 construction technicians, plus the close coordination we are able to achieve with Sekisui House Group companies and our partner building contractors (the Sekisui House Association). We are also actively engaged in maintaining and ensuring quality workmanship.</p>
<p>5 Providing long-term support for customer lifestyles and maintaining and improving housing property value</p> <p>We offer asset management and maintenance optimized to individual customers. We provide repairs and equipment renewals, as well as remodeling for improved comfort and convenience. In addition, we are stepping up renovations that involve significant alterations and changes of purpose.</p>	<p>Customer satisfaction level 95.9%</p> <p>Satisfaction has remained over 95% since FY2010. Note: Based on answers collated from a questionnaire one year after moving in, counting the top 3 of 7 choices—very satisfied/satisfied/somewhat satisfied</p>

<p>① Before building housing</p> <p>Due to the characteristics of community-based projects, we endeavor to ensure open communication with the community and to understand changes in lifestyle needs and make home building more open to society.</p>	<p>② Until the housing is completed</p> <p>We create freely designed housing that responds to customer needs by making full use of the advantages of industrialized housing to secure structural safety and by utilizing our highly precise responsible construction system.</p>	<p>③ For lasting safety, security and comfort</p> <p>We extend the life of our housing by enriching after-sales support, aiming to maintain and increase housing value through remodeling and renovation.</p>
<p>Research and development</p> <p>We promote research and development concerning both tangible and intangible elements that reflects valuable customer opinions and new social needs.</p>	<p>Supply chains</p> <p>We emphasize collaboration and cooperation with our high-quality suppliers to secure the vast amount of structural components that we use for our housing.</p>	<p>After-sales support</p> <p>The dedicated staff at our Customer Service Centers who support our customers make up 10% of all our employees.</p>
<p>Model homes and tours</p> <p>We collect the opinions of visitors to initiatives such as model homes that take advantage of regional characteristics, construction site tours held in cooperation with owners, and hands-on centers.</p>	<p>Production</p> <p>We carry out built-to-order production using high-quality and highly precise original structural components at our factories.</p>	<p>Long-term warranty</p> <p>We offer an initial 30-year warranty for structural framework and any parts used to prevent rainwater leakage to ensure that our customers have a lifelong home.</p>
	<p>Construction</p> <p>We ensure the stability of our highly precise construction through our construction systems, human resource development and collaboration with one of Sekisui House Group's strongest assets, the Sekisui House Association.</p>	<p>Remodeling and renovations</p> <p>We are intensifying our efforts to create long-term, high-quality assets and make effective use of resources as well as responding to a wide range of customer needs.</p>

Action policies ① Creating safety, security, comfort, and health by integrating tangible (technological development) and intangible elements

Flexible β System employed for greater design freedom ▶ Expanded choice for urban houses

Activity report

Construction method to resolve urban architectural issues

Since the company's founding, Sekisui House has been creating high-quality housing that offers safety, security, and comfort through the use of advanced technologies developed through R&D initiatives addressing both tangible and intangible elements. In 2017 we developed the Flexible β System using all of our design and technological strengths as a new method for building three- and four-story houses to meet a wide range of urban architectural needs.

The Flexible β System employs heavy-gauge steel for the columns and beams of a structure to greatly increase design freedom and the ability to create spatial solutions. The system can now be used for detached houses, rental housing, dual-use commercial/residential buildings, and houses designed for the elderly, as well as nursery schools, hotels, hospitals, public facilities, and other non-residential buildings.

To accompany technological development, one pursuit in the area of intangibles is our happiness research. We conduct research on topics related to the feeling of being fortunate, including good health and connection to family. Sekisui House has established unique strengths through this integration of tangible technologies and intangible feelings.

One result of such endeavors has been new ideas for a non-housing business area of Sekisui House—building nursery schools. In areas with growing demand and not enough facilities, we built nursery schools, four of which won the Kids Design Award from a METI-affiliated NPO. We have been able to apply our expertise in building houses to childcare facilities, thereby supporting children's healthy upbringing and facilitating the working lives of childcare workers, parents, and guardians. In addition, the open-exterior designs help to integrate the nursery schools into their communities.



Exterior of Nursery Room Berry Bear Fukagawafuyuki in Koto-ku, Tokyo

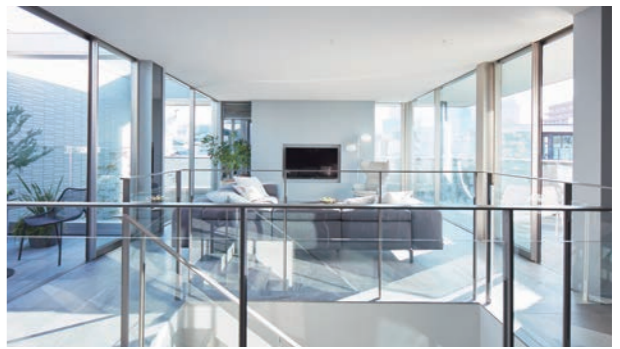


Inside same nursery school (2018 Kids Design Award) Excellence Award (Minister of State for Measures for Declining Birthrate Award)

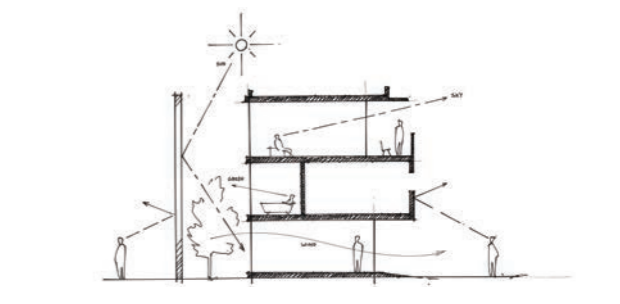
Regnum Court New Ideas for an urban house

The Regnum Court brand was released in October 2019—three- and four-story steel-frame detached houses for urban settings designed using Sekisui House's Flexible β System. This system eliminates the through pillars to provide greater freedom in designing the layout of each floor, the size and position of windows, etc. A variety of wall and window design possibilities can provide a sense of openness while protecting privacy under a range of unique conditions. A bright, large living space can be created with large openings to bring light, breezes, and greenery into the interior space. The residents can feel nature as part of the enjoyment of their lifestyle and pursuit of their interests. These new choices are attractive even to people who might prefer living in a tower condominium. Our original super-insulating resin-aluminum composite sash (SAJ sash) provides higher performance than ordinary resin-aluminum composite window sash, while the entire house itself is highly insulated and compliant with Japan's Net Zero Energy House (ZEH) standards.

Backing the emergence of Regnum Court is Sekisui House's happiness research. The concepts used in Regnum (which means "kingdom" in Latin) grew out of this research as ideas for an affluent population and people who take special care in designing their living environment. The completion of a well-designed house on a land site that offers one-of-a-kind views in which you have family connection and can enjoy getting together with friends—that kind of place we see as a kingdom, which is the basis upon which Regnum Court was developed.



Regnum Court's large living area integrates interior and exterior for a restful, open feeling



Light pours in, while an atrium protected by an outer wall plus terraces connect the large living space to the outdoors

Action policies ② **Meticulous supply chain management for material procurement**

New form of CSR evaluation ▶ **From CSR procurement ahead to SDG-based procurement**

Activity report

From reviewing CSR evaluations to SDG-based (sustainable) procurement

To encourage our suppliers their socially responsible efforts, we carried out CSR evaluations using a check-sheet method in FY2017 and FY2018. In FY2018 we established CSR Procurement Guidelines and required suppliers to submit a consent form to ensure that they agreed with the intent of the guidelines in an effort to reappraise and establish our sustainable procurement strategy going forward.

Following our signing of the United Nations Global Compact in 2018, Sekisui House joined the Supply Chain Working Group of the Global Compact Network Japan (GCNJ). In FY2019, we switched from using an in-house CSR assessment check sheet to carrying out evaluations based on the standards set forth in the more comprehensive GCNJ Self-Assessment Questionnaire (GCNJ SAQ*). The questionnaire has nine categories of procurement standards with items not covered by the previously used check sheet, including corporate governance and supply chain questions.

In February 2020, we reorganized the former Materials Department into the Procurement Department, and significantly changed the organizational structure involved in production and procurement.

Through such actions, we are making the shift from procurement methods of the past to an active participation in the supply chain (SDG-based procurement) to work toward building a sustainable society.

*SAQ: The Self-Assessment Questionnaire is a self-diagnosis tool that a company uses for analyzing its actions.

GCNJ SAQ themes and topics (from CSR Procurement Guidelines)

	Theme	Topic
1	Corporate governance	Compliance with laws and regulations; Establishment of a CSR promotion system; Establishment of internal controls; Establishment of a business continuity planning (BCP) system; Establishment of a whistle-blower system; Dispatch of CSR-related information inside and outside the company
2	Human rights	Basic attitude; Respect for human rights and prohibition of discrimination; Avoidance of complicity in (or contribution to) human rights abuses; Respect for indigenous peoples and local communities
3	Labor	Basic attitude; Prohibition of discrimination in the workplace; Provision of equal opportunities to employees regarding human resources development; Prohibition of inhumane treatment; Payment of fair wages; Fair application of working hours; Prohibition of forced labor; Prohibition of child labor; Respect for the religious traditions and customs of the country of operation; Recognition of and respect for freedom of association and the right to collective bargaining; Proper management of employee safety and health
4	Environment	Basic attitude; Management of chemical substances; Control and reduction of waste water, sludge and air emissions; Sustainable and efficient utilization of resources (energy, water, raw materials, etc.); Reduction of GHG (greenhouse gases); Identification, management, reduction, and responsible disposal or recycling of waste; Initiatives related to biodiversity
5	Fair business practices	Basic attitude; Establishment of appropriate relationships with governments and public officials in countries where business activities are conducted; Prevention of the giving and receiving of improper advantages with customers and trade partners; Prevention of competition law violations; Rejection of relationships with antisocial forces/organizations; Prevention of unauthorized use of intellectual property and of illegal reproduction of copyrighted works; Services for responding to complaints from outside the company and for consultations; Prohibition of insider trading; Prohibition of acts with conflicting interests; Import and export control
6	Quality and safety	Basic attitude; Ensuring product and service quality and safety; Appropriate response to product and service accidents and the circulation of defective goods
7	Information security	Basic attitude; Defense against attacks on computer networks; Protection of personal data and privacy; Prevention of misuse of confidential information
8	Supply chain	Basic attitude; Use of raw materials not involved in conflict or crime (initiatives against conflict minerals)
9	Local communities	Initiatives to reduce negative effects on local communities; Initiatives with local communities toward sustainable development

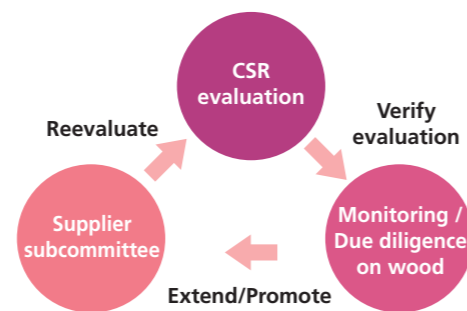
Monitoring and due diligence to verify evaluations

We conduct monitoring of suppliers flagged by the results of the CSR evaluation through on-site interviews (to provide advice on evaluation standards and how to meet the standards). In FY2019 we conducted such on-site interviews for three suppliers.

Another area of increasing importance to us is related to climate change—reducing CO₂ emissions in the production processes within the supply chain. We are therefore using the SAQ and other tools in a steady effort to achieve those reductions.

Additionally, as a construction company that uses a high volume of lumber, we recognize the particular need for rigorous participation in the procurement of large trees where infringement risks are high, so we conduct due diligence targeting approximately 50 companies that are major wood material suppliers. As necessary, we also conduct on-site inspections of logging areas at overseas producers upstream from our suppliers. (For further information, see page 26.)

How supplier evaluation works



CSR supplier subcommittee seminars held to extend and promote SDG procurement

In the construction industry, which has so many small and medium-sized suppliers, we realize that building a sustainable supply chain involves more than simply a one-way evaluation of adherence to guidelines. It is indispensable to educate suppliers and provide advice.

For that purpose, in 2018 we set up a CSR supplier subcommittee under the CSR committee to conduct training on the importance of ESG management and related matters. We obtain the agreement of suppliers to ensure the effectiveness of the SAQ in supporting a sustainable supply chain. In FY2019 training seminars were expanded to the partner companies of our factories in addition to approximately 150 suppliers.



Supplier subcommittee seminar held to promote understanding of CSR efforts and SDG procurement

Action policies ③ **Enhancing production and distribution quality and improving operational efficiency**

Utilizing AI, IoT and big data ▶ **Improved production efficiency and reformed workstyles**

Activity report

Semi-automating combined processes to boost production efficiency

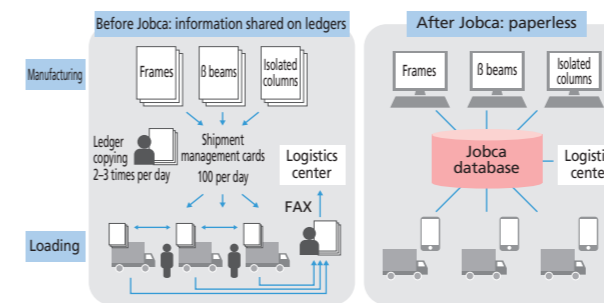
Sekisui House commits resources to making labor-saving improvements to our facilities in order to boost productivity while maintaining high quality. We had already improved the processes that combine multiple building components at the factory in advance to improve work efficiency at construction sites, but in 2019 we began looking into building semi-automated lines. We are making significant improvements to labor-intensive processes such as combining wall frameworks with exterior walls and window sashes, for example, or attaching metal fittings to columns and beams to build a wood-frame house.

We continue to automate all of our Japan-based factories and have already introduced a total of 540 robots to perform handling, welding, and other functions. We are also rolling out smart systems that take advantage of AI, IoT, and big data. We plan to utilize the data obtained from these facility improvements to further expand our semi-automated lines.

In-factory logistics visualization system improved by sharing component flow information

At our Shizuoka Factory we built the “Jobca” logistics visualization system, which has improved efficiency, quality, and response timeliness of loading work from manufacturing to shipping. Prior to implementation of the system, paper was used to confirm information—numbers of components manufactured at the factory and components supplied to the factory, or compiled data on delivered product by type. The introduction of a more streamlined system that employs PCs, iPads, and 2D barcodes that leverage IoT tech has greatly lightened the load for workers and reduced losses, while enabling high-efficiency, high-quality loading work.

In addition, the utilization of cumulative data has sped up the Plan-Do-Check-Act cycle, which has contributed to significant reductions in truck waiting times at factories. As a result, a number of improvements were made—about 170 person-hours per month cut, the number of trucks waiting over two hours at a factory cut to zero, 90% of errors in loading eliminated, more jobs standardized to allow anyone to do them, and overtime hours reduced. The system is now starting to be implemented in other factories.



Improvement of component flow information sharing through Jobca

Boosting production efficiency with AI technology

On the production line of our Bellburn ceramic exterior wall panels we introduced a quality management system that employs image-processing-specific AI technology. The system enables the management of conforming output in real time, which has resulted in higher production efficiency, better quality management, and reduced inventory.

We have also introduced a smart system that makes excellent use of IoT, big data, and AI in the steel beam production lines of our B System, a construction method for three- to four-story steel-frame houses. This smart system makes it possible to automate adjustments to our production volume and work scheduling that previously required the expertise of supervisors. The system has also increased operational efficiency and contributed to power savings.



AI-based quality management system for Bellburn earthenware wall panels

Strengthened production of original exterior-wall components

Dyne Concrete, a component of our highest quality lightweight steel-frame “IS Series” two-story housing product and the Bellburn ceramic exterior walls on our SHAWOOD wood-frame detached homes are original exterior-wall components produced by Sekisui House. These components are unique in that they are beautifully designed as well as water resistant, weather resistant, and highly durable. We are planning to incorporate AI and other cutting-edge technologies, automate the production line, and strengthen system development to further boost manufacturing yield and improve quality.

Improving the work environment at production factories

We carry out essential health and safety management at each of our factories in an effort to prevent accidents or health problems that might occur during work operations. We work to assure the safety and health of our employees, and endeavor to create a comfortable work environment, facilitate smooth work, and improve productivity. Health and Safety Committee meetings are held once a month, along with quarterly Production Department Health and Safety Promotion Council meetings, at all factories, to share information regarding the current condition of each factory, specific areas for improvement, and our vision for the future.

Action policies ④ **Strengthening our workmanship and maximizing our construction capabilities**

Diverse strengths as a group ▶ **Improving on-site productivity through physical resources, systems, and people**

Activity report

Cooperation with the Sekisui House Association

The Sekisui House Association, made up of the 17 Sekiwa Construction companies and partner building contractors, cooperates with Sekisui House business offices to pursue a range of initiatives including efforts to improve construction quality, implement safety measures, beautify work sites, foster human resources, and improve work environments.

In 2019 Japan was hit by several natural disasters, including torrential rains in northern Kyushu in August, Typhoon Faxai (No. 15) in September, Typhoon Hagibis (No. 19) in October, and subsequent heavy rainfall events. After such natural disasters, we are able to take advantage of our Japan-wide network to assist with restoration and reconstruction work by having local Sekisui House Association branches send large numbers of technicians to the disaster-stricken area as needed. We are responding to the increasing demand for construction by working to ensure ongoing, reliable workmanship and using our group network to the fullest.

Working to improve work site productivity

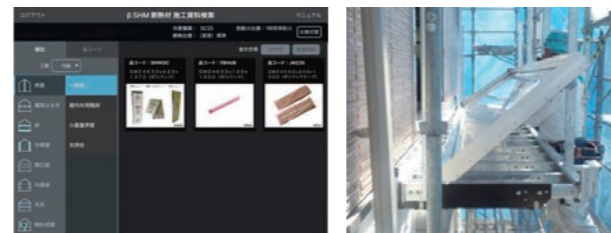
One in three construction industry workers in Japan is 55 years of age or older, and ages are rising overall. The total number of construction workers is on the decline, and how to get and train new workers, and how to improve retention rates are key issues for the industry as a whole.

The same decline is happening within the Sekisui House Group, so we are working to ensure ongoing, reliable construction management by strengthening both our technologies and our alliances with partner building contractors, while also taking steps to make the most of our existing construction capabilities. We have launched two sets of working groups—one to focus on solutions employing physical resources and the other to focus on solutions involving systems and people—to improve productivity and reduce person-hours.

We have organized a Technical Directors' Council, Construction Management Committee, and Work Site Productivity Improvement Working Group, consisting of technical deputy directors representing locations around the country, the head office, and factories. These bodies are identifying and exploring areas for productivity improvement, such as the AS Balcony, which leads to labor savings in construction by employing an integrated aluminum floor for waterproof construction, and the "B Thermal Insulation Material Search App" that speeds up searches for construction materials using an iPad.

In August 2019 we established the House Association–Sekiwa Construction Factory and Construction Committee to discuss, review, and provide feedback in response to construction site improvement requests submitted by the Sekisui House Association and Sekiwa Construction.

Our slogan for these work site productivity improvement efforts is: "Let's work as a team to steadily increase the number of houses that can be built annually." These efforts, which pool the resources of the entire company, are leading to reliable and proper construction of houses for our customers.



B Thermal Insulation Material Search App, a "systems and people" solution AS Balcony, a "physical resources" solution

Technical training center opened in Hanoi to prepare for hiring skilled workers from Vietnam

In preparation for an anticipated shortage of labor in construction, at Sekisui House we are promoting measures that include rebuilding our construction worker database and getting recruitment support from partner building contractors.

Also, to further ensure our construction capabilities, we have begun a full-scale effort to take on technical trainees from Vietnam based on a policy of promoting diversity. In November 2019 we became the first housing manufacturer in Japan to establish a technical training center in another country with our facility in Hanoi. Explanatory meetings for families, training fees, and other expenses are all covered by Sekisui House and a supportive atmosphere is created so that technical trainees can come to Japan without any concerns. Prior to coming to Japan, the trainees learn Sekisui House's construction methods (foundation, exterior frame, interior finishing) and the company's philosophy so that they can start training when they arrive in Japan without any problems.

We also provide active support to Sekiwa Construction and our partner building contractors who take on the trainees. By 2022 we plan to employ close to 300 Vietnamese workers.



Technical training center in Hanoi, Vietnam (exterior)



Exterior frame building exercise in Hanoi, Vietnam

Action policies ⑤ **Providing long-term support for customer lifestyles and maintaining and improving housing property value**

Support and renovation based on advanced technologies ▶ **Ensuring customer satisfaction and building a market for quality housing stock**

Activity report

Enhancing our initial 30-year warranty program, U-trus System, and housing history information database *le-Log*

Sekisui House offers an initial 30-year warranty program (for contracts signed starting April 1, 2018) that covers the structural framework and any parts used to prevent rainwater leakage. This program provides 20 years of warranty on top of the 10-year defect liability period required under the Housing Quality Assurance Act. In addition, all other parts are under warranty for a specified period of time. Even after the warranty period has expired, homeowners can take

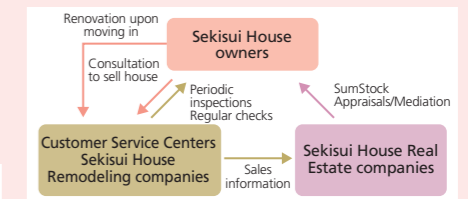
advantage of our unique U-trus System to extend warranties in 10-year intervals.

We also operate *le-Log*, a database that shares digital information concerning the various building components of each property and other data. This is based on the Long-Life Quality Housing Certification Program in Japan, which aims to build up a stock of high-quality housing that can be used in the long term. Group companies utilize the historical data accumulated through *le-Log* to propose remodeling and renovations.

Highlights

Promoting SumStock together as a group

SumStock is a new circulation system aimed at invigorating the market for high-quality existing housing stock. It is run by the Provision of Quality Housing Stock Association, a general incorporated association comprised of 10 major housing manufacturers including Sekisui House, and is chaired by Sekisui's current chairman, Toshinori Abe. The circulation system is an integrated system for its members that covers all steps from value appraisal to certification through to resale. The Sekisui House Group is also using *le-Log*, our proprietary housing history database to actively promote SumStock proposals. Our Customer Service Centers and group companies work together to further expand the number of houses in the SumStock system.



Smart Inspection system allows remote appraisals

During periodic inspections, high-resolution images are supplied by a drone, underfloor inspection robot, and attic inspection robotic camera. The images are uploaded to the cloud and dedicated staff on standby at our office support desk can quickly determine if any defects exist. This new type of inspection system for detached homes that we have dubbed "Smart Inspection," went online in August 2019. It will be rolled out at 29 Customer Service Centers across the country one by one.

The equipment can easily be controlled remotely by smartphone or tablet from any location. Because an inspector does not have to climb to a dangerous height or crawl under floors, the system improves the work environment for our employees. This means that inspection work can be done by women or seniors, expanding work opportunities in a way that will help mitigate the construction industry problem of labor shortages and an aging workforce.



Semi-automatically controlled drone



Underfloor inspection robot



Conducting an inspection using a robotic camera designed for attic inspection

**Family Suite Renovation
New living proposals for existing houses**

Our Family Suite concept for newly built houses proposed a new mode of living. Family Suite Renovation is a system begun in September 2019 that is adapted for existing houses. Many of the existing houses we have built use a lightweight steel frame. Our newly developed RF Support Beam System allows structural columns to be removed to renovate a house by converting compactly partitioned areas into a large living room space. In so doing, the asset value of the house is maintained and improved.



RF Support Beam structure illustration

Life Step System gives back to customers

With the aim of extending the longevity of a house by providing extended after-sales support, we have been able to increase our contact with a large number of owners, and this leads to the building of a solid client base.

Including renovation work done since February 2019, for every interaction with the Sekisui House Group, a homeowner earns a number of "steps" and is issued "Life Step System tickets" that can be used, when a certain number are accumulated, for renovation discounts or in other ways.



Main ESG Themes

Promoting Diversity



Basic concept

Sekisui House embraces diversity in the workplace and aims to establish a work environment that enables everyone to reach their full potential. Efforts toward this end began in 2006 with a basic personnel policy that guides the company toward human resource sustainability, consisting of three pillars: promoting the participation of women; utilizing diverse personnel; and promoting diverse workstyles and work-life balance. We are constantly working to put in place mechanisms that help create an environment in which employees and the company can work together to achieve sustainable growth.

Action policies ① **Building a system that encourages women's participation in a broad range of areas**

Management training and career development support ▶ **FY2022: 260 women in managerial positions**

Activity report

Implementing consistent measures to specifically promote women's participation

At Sekisui House, women started to be actively employed in sales positions in 2005. Today, we have 310 women in sales positions nationwide. We also have a specific policy of training young women and helping them to get established and promoting women to branch manager positions. This is carried out through regular training sessions for women and working group seminars. Since 2007 we have been holding an annual nationwide Women's Sales Representative Conference that provides motivation, helps build skills, and provides an excellent opportunity for networking. A Women's Sales Support Committee, comprised of women with a strong sales record who are capable of leading a younger generation of women, works with the heads of training at sales administration headquarters to hold regular workshops in each area. The committee has also designed a one-to-one mentoring system that gives women a chance to consult with another woman to get advice on any matters that may trouble them. The system was implemented in August 2019.

For women in technical positions, not only training specialists, we offer role models and networking opportunities through meetings like the Conference for Women as Technical Personnel. Systematic efforts are also being made to encourage more women to move into on-site supervisor positions. The Female On-site Supervisor Support Program and the Working During Pregnancy Guide are among several efforts being rolled out to create an environment that is easy for women to work in. These include the designing of hand tools especially for women and maternity uniforms for engineering employees.

Sekisui House Women's College is a program to develop female leaders that was established in 2014. Its aim is to train promising female management candidates. Every year, 20 women are selected to study in the two-year program, which offers women systematic and effective preparation for taking on a managerial

position. The program is currently in its sixth term, and already 51 of the female graduates have been promoted to managerial positions. The result has been a significant increase in women in managerial positions (section manager or higher)—to 206 in FY2019 from 15 in FY2006. This means that the targets set for FY2020 based on the Act on Promotion of Women's Participation and Advancement in the Workplace were reached a year ahead of schedule. In addition to three female officers (one outside director, one outside auditor, and one executive officer) Sekisui House has brought a more diverse perspective to management by promoting more women to senior manager positions.



Women's Sales Representative Conference



Maternity uniforms for engineering employees



Winner of METI's New Diversity Management Selection 100 for enterprises



Selected as a Nadeshiko Brand by METI and the TSE as an outstanding TSE-listed enterprise that encourages women's success in the workplace

Diversity Month

Since 2016, every June has been designated "Diversity Month," during which active discussions are held at workplaces to promote a deeper understanding of diversity and inclusion. In 2019, discussions were held on "surface-level (visible) diversity" and "depth-level (invisible) diversity," and each employee was encouraged to identify and state a small action they could begin to take that day. Also, on the blog

written by top management* on our internal website, the president wrote about the importance of discussing diversity and the expectations he has for innovation arising from that effort, thereby raising awareness among employees even further.

*A tool for communication between top management and employees that is written by four representative directors to share their thoughts and business philosophy.

Highlights

I have developed an interior proposal system and used my expertise and connections to train young coordinators

Since joining the company, I have been involved in developing and revising the Sekisui House Interior Coordination System (SHIC), which assists interior coordinators in making high-level proposals that exceed certain standards regardless of their skill or experience level.

I have also been involved in work system revisions and workstyle reforms that affect our 400-plus interior coordinators nationwide. At the same time, I have tried to create opportunities for interior coordinators to get training and to network with one another, which helps to improve their skills and build motivation.

I am grateful to the many people who have lent me their support, both inside and outside the company, and I consider the experience I have gained and connections I have developed as an interior coordinator—a job so closely linked to lifestyles—to be truly valuable assets.

Looking ahead, I want to focus on training specialists and creating proposals worthy of our vision of "making home the happiest place in the world." I want to include the perspective of business being done outside of Japan and wish to encourage the active participation of a diverse range of people in this work."



Kazumi Maehara
Senior Manager
Planning & Design Department
Interior Promotion Group

Joined the company in 1990. Ms. Maehara supervises the interior design of exhibition halls and develops training systems for interior coordinators. She is also involved in international business operations and has been in her current position since 2017.

Action policies ② **Utilizing diverse personnel and allowing everyone to reach their full potential**

Encouraging understanding of sexual minorities ▶ **Becoming an industry leader on LGBT efforts**
Promoting the participation of employees with disabilities ▶ **Newly established Promotion of Employment of Persons with Disabilities Office**

Activity report

Education and policy-setting begin on gender and sexual diversity

Sekisui House strives to create a corporate culture that encourages all employees to accept one another no matter their orientation so that everyone may reach their full potential and we may build a society in which everyone can feel secure and free to work in their own way. Our Corporate Ethics Guidelines state that we must not engage in any form of unreasonable discrimination based on sexual orientation or gender identity.

In September 2019 a new system was established for registering one's partner in a common law or same-sex marriage under company rules as part of our employee welfare system. The system went into effect in November last year, and a consultation desk to assist employees with questions.

In 2014, long before this system was established, we had been conducting human relations training and participating in outside events to develop and promote understanding of LGBT issues. In 2019 we created and distributed a pamphlet on how to approach gender and sexual diversity in order to promote awareness and acceptance among our employees. We also became the first housing manufacturer to be awarded a gold rating—the highest ranking—for two years in a row, 2018 and 2019, on the PRIDE Index, created by *work with Pride*, a Japan-based organization, which evaluates and ranks corporate efforts to support inclusiveness for LGBT employees and other sexual minorities. In such ways we have set a clear course as a company



A pamphlet distributed to all employees to encourage reflection on gender and sexual diversity

and continue to put in place measures that allow members of the LGBT community to work with greater peace of mind.



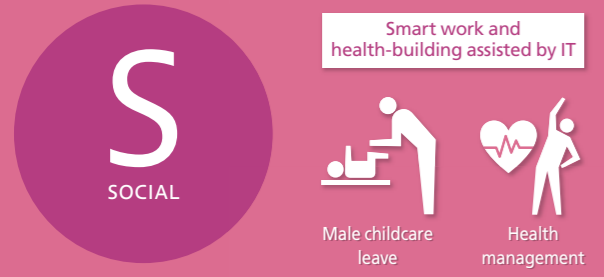
Sekisui House has participated every year since 2017 in Japan's biggest LGBT event, Tokyo Rainbow Pride. We host a booth and join in the parade, declaring to society our corporate stance as an ally (supporter) for the LGBT community.

Enabling employees with disabilities to take on greater roles at work

As a company, we strive to live up to the ideal of providing lifelong housing. Our aim is to employ at least one person with a disability at every worksite, and we consider the hiring of people with disabilities to be a social mission.

We hold events that give employees with disabilities the chance to exchange ideas with their superiors; we have also established the Career Challenge System—a framework that makes it easier for employees with disabilities to transition from regional positions to career-track positions with the potential for promotions. In these and other ways we are proactively working to improve the workplace environment and enable employees with disabilities to take on greater roles.

In February 2020, we set up the Promotion of Employment of Persons with Disabilities Office, a new section in the Personnel Department.



Main ESG Themes

Workstyle Reforms



Basic concept

Workstyle reforms to stimulate innovation are essential for a company to grow sustainably in times of diversifying life values. Such reforms include reassessing work-life balance in an era of 100-year lifespans and efforts to secure a proper workforce when the population is aging and in decline due to dropping birth rates. Based on the key phrase “innovation & communication,” we are taking steps to promote good health management and create a workplace environment that allows every employee to work with peace of mind and reach their full potential. We have also created a support system that allows individuals to work while taking care of a child or an elderly person, or getting treatment themselves for a medical condition. These are workstyle reforms that go beyond past efforts to stimulate innovation.

Action policies ① Paid childcare leave for men (“Ikumen Leave”) to create a new norm for society

Start of *Ikumen* Leave system ▶ 100% of eligible male employees take a month or more of childcare leave

Activity report

All eligible male employees take parental leave for at least one month

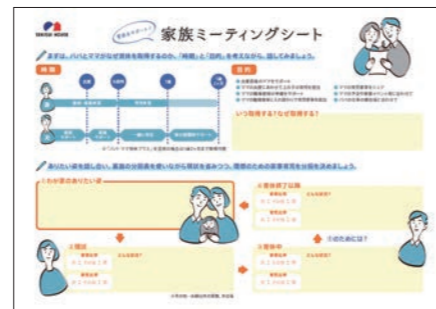
As a company that promotes Kids-First initiatives, in September 2018 Sekisui House launched a special childcare-leave program to encourage male employees with a child or children under the age of three to take at least one month off work to focus on childcare (dubbed “*Ikumen* Leave”). For both male and female employees, leave is paid for the first month, which can be divided into as many as four stretches of time to adapt as needed to one’s individual circumstances.

Since the program went into effect, the company has made a concerted effort to encourage all eligible male employees to take advantage of the system. In the year from February 1, 2019 to January 31, 2020, a total of 415 male employees with a child or children under the age of three took advantage of the paid leave system—100% of the eligible individuals.

As Japan’s rate of male parental leave stays flat, Sekisui House not only has a policy of male parental leave, but educates through forums and encourages the full use of the system through tools and various incentives. We make available on our website a “family meeting sheet” that facilitates a dialogue between partners on such issues as determining when to take the leave and what tasks each person will take care of in the home during the period of leave.

Ikumen Forum 2019 was held on September 19 to discuss how the promotion of male parental leave can help build a better society. Sekisui House then designated this day of the calendar, “Think About Childcare Leave Day.” We conducted a nationwide survey on childcare leave and released the results as the *Ikumen* White Paper 2019 (based on data from 9,400 fathers and mothers in their 20s to 50s across 47 prefectures).

We will continue to gather feedback from employees who take *Ikumen* Leave and study how men’s sharing of childcare and household duties encourages women in their career development and impacts workstyle reform efforts. When the results are in and analyses completed, we plan to make the results public to encourage widespread application in society at large.



This Family Meeting Sheet can be downloaded from our website



The *Ikumen* White Paper 2019



Logo for “Think About Childcare Leave Day”

Highlights

Dialogue between the ambassador of Sweden, world-leading country in male parental leave, and Sekisui House President

The idea for the *Ikumen* Leave system originated four months before the system was put into place when President Nakai visited Sweden for matters related to investor relations. Walking in the parks and on the streets there, he was astonished to find that most baby strollers were being pushed by men.

President Nakai related the story to the Swedish Embassy, and this led to a dialogue on the topic in January 2020 with Swedish Ambassador to Japan Pereric Högberg. The two sat down to discuss the encouragement of male employees to take childcare leave and workstyles that promoted happiness.

Ambassador Högberg spoke about how the Swedish government had spent 60 years working to change the culture in Sweden to prepare for the current parental leave system, and that the system succeeded because it is built on the premise of the entire family living a happy and enjoyable life.

Japan has a male childcare leave-taking ratio of less than 10%, which is very low, and many obstacles still remain in trying to raise that number, but the Sekisui House Group will continue to promote *Ikumen* Leave to encourage male childcare leave to become the new norm for Japanese society.



Swedish Ambassador Högberg and President Nakai

Action policies ② Becoming a company at which all employees can work and lead vibrant lives

Support for better health and medical treatment ▶ Opportunities provided for improving mental and physical health

Activity report

Promoting health management

To become the world’s happiest company, our employees must all be able to lead healthy, vibrant, and fulfilling lives both on the job and at home. Understanding that good health management among employees will contribute to the growth and sustainability of the company, we have established health management policies and are working to reduce overtime hours, encourage more employees to take paid leave, and promote better employee health overall. Sound physical health and mental health are both vital to active, effective work. Aiming to deepen awareness of health on those two fronts, especially the mental side, we conduct training programs for managers and employees in their second and third years. We also organize regular meetings of the CSR Committee, which includes four representative directors, other internal representatives, and two experts from outside the company. Under the CSR Committee is the Social Improvement Committee, a group that focuses on the health management component, taking measures to encourage exercise, utilizing health checkup results for improving lifestyle habits, and establishing separate areas for smoking while discouraging people from smoking, for example. In fiscal 2020, based on the company’s efforts to address local health issues and promote the health initiatives of the Nippon Kenko Kaigi (Japan Health Council), we have been certified as a “White 500” corporation by the Ministry of Economy, Trade and Industry, commended for our good health management practices. We plan to continue building good mental and physical health through progressive action to foster a happy approach to life in the era of 100-year life.

now offers an original app, Sekisui House FIT, to record one’s steps as a way to become more aware of daily exercise and to have fun competing with other employees and departments. The participation rate in the Walking Challenge increased from an initial 52% of employees to 73% in January 2020, and the average number of steps taken by participants has increased by about 400 steps. A survey of participants revealed that 60% feel that they have “become more aware of staying healthy than before” and 44% feel that their “communication with others at the company has increased.” Such results will lead to greater health awareness and a more engaged workplace atmosphere.



An original app to record steps

AI-assisted health risk analysis and genetic testing service launched

In February 2020 we introduced AI technology to analyze and predict health risks from health checkup results. Laboratory data was extrapolated three years ahead for each employee, and simulations are used to show how changes in a person’s lifestyle habits could affect their health indicator readings. Also, a service for periodic genetic testing was launched with voluntary participation to ascertain one’s risk level for a number of diseases associated with lifestyle habits, aimed at improving those habits and avoiding illness.

Support system for living with cancer or infertility treatments while working

In 2019, Sekisui House introduced a support system that makes it possible to work while managing an illness or while getting outpatient treatments for a medical condition. For employees undergoing treatment for cancer or infertility, we have instituted a system that allows for shorter working hours, staggered hours, or working from home to allow the employee to work and get treatment at the same time. The system now allows employees to take accrued annual leave in half-day units, previously only allowed for a minimum of three consecutive days off. It is also possible to choose to take three days off per week (with work days and hours dependent on the diagnosis of the attending physician).

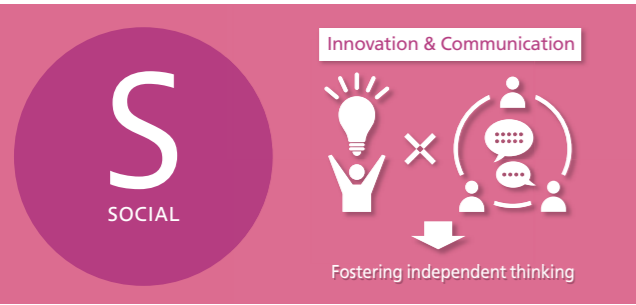
The Sekisui House Group’s “happiness” health management Health management policy

The fundamental philosophy at the heart of the Sekisui House Group is a “love of humanity.” In addition to cultivating systems and workplace climates that help employees find fuller happiness through physical and mental health, we embrace that core ideal by promoting workstyle reforms and strive to be a company where employees take the initiative in forming healthy lifestyles.



Start of a Walking Challenge

In February 2019 we began a Walking Challenge, an initiative aimed at promoting health through lots of walking. The company



Main ESG Themes

Human Resource Development



Basic concept

At the Sekisui House Group, we put significant energy into optimizing our personnel systems and helping employees to develop their skills. Our focus is on fostering independent thinking—we want employees who are able to innovate and communicate. Our in-house educational systems are designed uniquely for both management and player ranks, and we conduct training systematically to enable all employees to reach their full potential and help us fulfill our role as a sustainable company that contributes to society.

Action policies ①

Promoting reforms through a Human Resources Development Office

Fostering the next generation of business leaders

▶ Working to implement management strategy

Activity report

Systematically discovering, handpicking and fostering the best talent

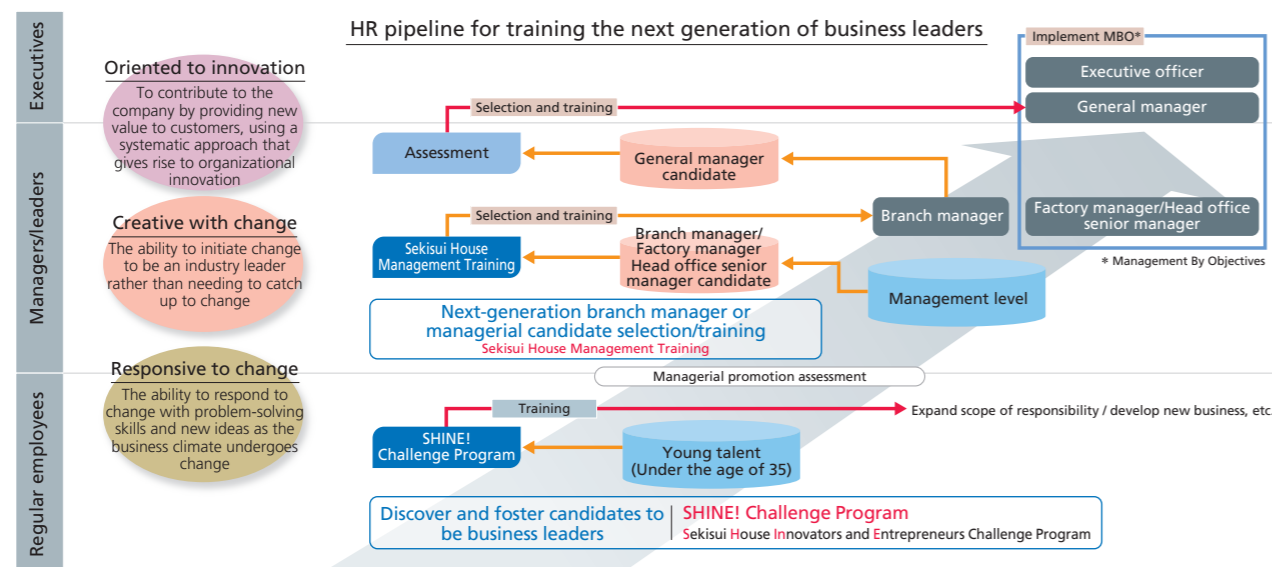
Our new Human Resources Development Office, which was established within the Personnel Department on February 1, 2019, systematically trains and selects personnel for advancement, creating medium- and long-term HR portfolios to implement the group's management strategies. The office was established with the mission of developing human resources strategically from an HR perspective with a clear view toward the future, in much the same way as top

management employs a business strategy.

Of the many issues it addresses, a central focus of the Human Resources Development Office is to establish a pipeline for individuals with a talent for business, training them systematically to take on roles as the next generation of business leaders.

Following after the launch of Sekisui House Management Training in 2018, we launched the SHINE! Challenge Program in 2019 to help train young leaders.

Personnel training and leadership selection structure



Action policies ②

Discover talent with high potential early and train them

Selective training at each level

▶ For branch manager candidates and young employees

Activity report

First Sekisui House Management Training completed

The Personnel Department (and Human Resources Development Office) are systematically training future leaders at each level—candidates for the positions of general manager and executive officer, candidates for branch managers, and young leader candidates.

The Sekisui House Management Training held in November 2018 had 35 participants. The program's objective is to train and select candidates to become the next generation of branch managers in the Sekisui House Group. Through this training, participants have remarked that their connections at the company had expanded and they had become able to see issues now from a management perspective. The first training session will end in June 2020 and a second session will start thereafter.

The Sekisui House Management Training program emphasizes learning how to expand one's conceptual thinking and boundaries as a human being. Participants get a broader education in liberal arts (including medicine and philosophy), plus exposure to new fields of knowledge such as innovation and digital transformation (DX). They learn financial accounting, engage in concept work, and expand their knowledge in many areas, all of which eventually plays a part in branch management strategy.

the chance to learn what it takes to be a business leader. The program has invited young people who have started up venture businesses in the Tohoku region as part of earthquake and tsunami recovery efforts to speak about their work and designers working in a global setting to discuss the future of housing.

We plan to expand the program to cover additional employee levels in the effort to establish a company-wide pipeline for business talent.



First implementation of the SHINE! Challenge Program



Lecture on behavioral economics in the first Sekisui House Management Training

Introducing "microlearning" to train young people in detached home sales

At the Sekisui House player level, training for young people in the area of sales of detached homes previously lasted three months. Now, with the implementation of microlearning (video-based study using any device), the training program has been extended to three years and we have just entered the second year. This system allows each employee to watch videos at a time and place of their choosing, and to report back to their superiors on what they learned as part of a feedback process. Much less time is spent gathered together for training than previously, and we hope that this promotes more efficient learning.

Activating senior personnel

We are carrying out recurrent (continuing) education as part of the company's efforts to further train and utilize personnel of a higher age. We started providing middle-career training to personnel at the age of 45 or over six years ago. We offer seminars on pensions for those who reach the age of 60, and other types of education, and plan to take further measures to give employees the motivation to work late into their career.

Start of the SHINE! Challenge Program

SHINE stands for "Sekisui House Innovators and Entrepreneurs." This program, begun in October 2019, is designed for training young employees (30 to 35 years of age) who show leadership potential. The goal of the program is to discover, train, and foster talented individuals early on to produce strong candidates for leading the business into the future. The first implementation of the program has 15 participants.

The focus of the training is on the Sekisui House vision for the future of its business and planning for how to achieve that vision. Participants gain the business knowledge they need and a heightened perspective by learning action planning, which teaches them how to explore issues they set themselves and how to take action on them. The program invites people from outside the company in to provide stimulation and



Main ESG Themes

Respect for Human Rights



Basic concept

All employees in the Sekisui House Group, by properly understanding and implementing the group's corporate philosophy, which is rooted in a fundamental love of humanity, meet their responsibility to respect human rights through their actions.

To ensure respect for the human rights of all stakeholders in our business activities, we are working to establish a corporate culture that strictly prevents discrimination, harassment, and infringements of human rights based on compliance with international rules on human rights such as the United Nations' Universal Declaration of Human Rights and a thorough understanding of the SDGs and the Ten Principles of the UN Global Compact.

Highlights

Drafting of a Human Rights Policy

For all stakeholders, from a human rights standpoint ▶ Declaration of policy as a global enterprise

Fulfilling our responsibility to respect human rights by practicing love of humanity

The Sekisui House Group addresses a range of human rights issues, including those pertaining to the inclusion of women, non-Japanese nationals, people with disabilities in the workplace, and systemic *Buraku* discrimination based on ancestry. Following the principles of the SDGs, in October 2019 we partially revised the Sekisui House Group Corporate

Code of Conduct and Sekisui House Group Corporate Ethics Guidelines.

Recognizing that further group efforts will be needed in our global activities to fulfill our social responsibility, in April 2020 we drafted the Sekisui House Human Rights Policy. We declare this policy to all stakeholders involved in or affected by our business activities as our group employees work to expand their efforts to ensure respect for human rights.

Sekisui House Group Human Rights Policy (excerpt)

The Sekisui House Group believes that its mission is to provide safe, secure, and healthy housing and services, aiming to contribute to a sustainable society.

In order to achieve our vision of making home the happiest place in the world, we strongly wish to create happiness for all stakeholders through our various businesses. We express our commitment to fulfill the responsibility of ensuring respect for human rights by practicing love of humanity, which is a fundamental

principle of our corporate philosophy.

Based on our corporate philosophy and code of conduct, the Sekisui House Group human rights policy complements and clarifies our respect for human rights, which is one of the principles outlined in our corporate code of conduct.

Note: Download the PDF to read the entire policy using this QR code.



This policy applies to:

All officers and employees of the Sekisui House Group. We also expect our business partners, including building contractor partners and suppliers, to understand and support this policy.

Supervising responsibility:

The Board of Directors of Sekisui House, Ltd. shall supervise compliance with this policy and its implementation.

Sections:

Respect for internationally recognized standards; Implementation of human rights due diligence; Diversity initiatives; Dialogues with stakeholders; Grievance mechanisms (complaint reporting, consultation, protection); and Disclosure (reporting)

Action policies ① Implementation of human rights due diligence

Awareness raising, resolution, prevention of recurrence ▶ Improving the human rights due diligence process (PDCA)

Activity report

Toward a harassment-free workplace

To create a welcoming, comfortable workplace environment for all employees of group companies and to raise awareness of human rights issues, annual "human relations training" programs are held with work leaders serving as facilitators.

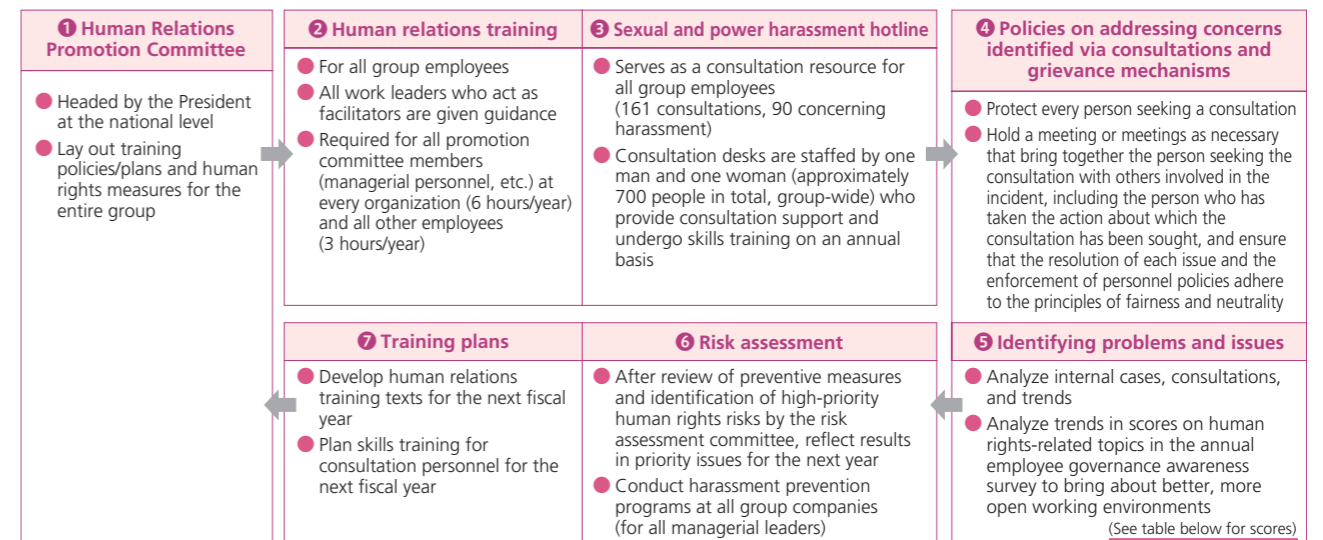
In addition, the Sekisui House Group has established a sexual and power harassment hotline, which operates out of the head office. The hotline offers consultations on all types of harassment—particularly sexual harassment and power harassment—as well as on human rights matters, and takes input on how to optimize working environments for people with disabilities, among its many functions.

The hotline serves as a valuable resource to help make the workplace at all group companies an environment in which all employees can flourish and grow as individuals, free of harassment or any other infringement of human rights.



Human relations program for all employees

Fiscal 2019 human rights due diligence process (PDCA) record (for employees)



Trends in Governance Awareness Survey scores (on human rights-related topics)

	FY2016	FY2017	FY2018	FY2019
Anti-sexual harassment culture	84.5	83.5	85.1	85.0
Anti-power harassment culture	78.1	77.5	79.2	79.7
Anti-discriminatory culture	84.9	84.3	85.5	85.8

Note: The figures in the table are averages calculated with scores of 100 points for Strongly agree, 75 points for Agree, 50 points for Neither agree nor disagree, 25 points for Disagree, and 0 points for Strongly disagree.

Action policies ② Efforts to respect human rights in the supply chain

Identifying priority issues in procurement and construction ▶ A focus on human rights even in procurement plus education to ensure smooth integration of foreign workers

Activity report

Addressing human rights and labor in supplier evaluations

We purchase materials through a supply chain based on our CSR Procurement Guidelines*. We conduct in-house evaluations on human rights and labor in advance for all suppliers, convert the results into scores for evaluation, and conduct visits for monitoring and to raise awareness.

*For more details, please see page 39.

Robust human rights support through technical training center in Vietnam

To bring in workers from other countries to work at our construction sites in Japan and ensure that they can start work smoothly after arriving in Japan, we established a technical training center* in Hanoi, Vietnam, as part of a foreign worker system we are building that respects human rights.

*For more details, please see page 41.



Main ESG Themes

Contributing to Society



Basic concept

Love of humanity is the key component of our corporate philosophy and the basis for our many efforts to benefit society. The group carries out many community-oriented activities that adhere to these four pillars: training the next generation, environmental awareness, housing culture improvement, and support for areas and people affected by disasters. Our efforts include educational support in collaboration with educational institutions (Kids First), contributing to society through environmental projects (Eco First), regional revitalization, cooperation with NPOs and NGOs, and corporate patronage of the arts and culture.

Our four policies and types of activities

Training the next generation	Environmental awareness	Housing culture improvement	Support of areas and people affected by disasters
<ul style="list-style-type: none"> Educational support in collaboration with educational institutions (Kids First) Contributing to society through environmental projects (Eco First) Regional revitalization 	<ul style="list-style-type: none"> Cooperation with NPOs and NGOs Support of resident activities Volunteer activities by employees Corporate patronage of the arts and culture Emergency support 		

Fundamental corporate philosophy of love of humanity

Action policies ①

Travel ideas and a new hotel business for regional revitalization to generate prosperity

Trip Base Michi-no-eki Station Project

Hotels to open in 15 locations/6 prefectures; later nationwide

Activity report

Proposing an entirely new experience-based travel style

Sekisui House has partnered with Marriott International on the Trip Base Michi-no-eki Station Project, a project for regional revitalization, working in collaboration with local governments around Japan to utilize the system of roadside rest stations called "Michi-no-eki" to propose a style of travel that encourages exploration of lesser-known destinations to discover their unique charms. In the first stage of the project, 15 roadside hotels will be built in six prefectures, offering a total of approximately 1,000 rooms, scheduled to open in late 2020 and thereafter. In the second stage/first phase (from 2021 on), hotels will be built in another six prefectures, then in an additional 13 prefectures in the second stage/second phase (from 2022 on). The concept of the project is to provide access to hidden gems across Japan. Visitors will get access to local culture, customs, handicrafts, and cuisine showcased by local communities and local tourism operators working together on the project. The aim is to raise the satisfaction of travelers by putting them in close touch with local people in remote areas to explore by bicycle, motorcycle or car, a trip enabled by the availability of hotels adjacent to the popular Michi-no-eki roadside stations that exist across the country.

Comfortable yet simple roadside hotels

The hotel business will be run by Marriott International under its "Fairfield by Marriott" brand, the first such arrangement in Japan. The roadside hotels will have the high usability Marriott is known for, and will be built under contract by Sekisui House. They will be simple but spacious and comfortable, and built using our B system construction

method, taking advantage of our strength in modular housebuilding.

Positive community response upon announcement of project

A number of different organizations have responded positively to the news of this regional revitalization project. In November 2019, we sent the head of the Trip Base project to speak about the collaborative effort to sophomores and juniors at Toyonaka Senior High School, Nose Branch, as an external lecturer.

The tourism industry expects to see further diversification in both domestic and overseas travel in the years to come. We will continue working on initiatives like this one that contribute to regional revitalization through a new style of travel.



New travel style: the roadside hotel

Action policies ②

Supporting initiatives that help bring sustainability to society

Matching employee donations

Seeking to increase participation in the Sekisui House Matching Program to 40%

Activity report

Sekisui House Matching Program for matching employee donations

Since FY2006, we have been implementing the Sekisui House Matching Program (currently joined by 25% of employees), under which the company matches employee donations to NPOs and other organizations engaged in resolving social issues.

This system enables employees to have an amount of their choice (1 unit = 100 yen) withheld from their salaries for donations, and Sekisui House matches the donations and contributes an equal amount in the form of grants. We have established four funds: The Sekisui House Children's Fund, the Sekisui House Eco-Fund, the Housing Community Fund and the Momo-Kaki Orphans Fund Program. An administrative board comprised of employee representatives selects the organizations to support.

In fiscal 2020, ¥38.33 million from our Children's Fund, Eco-Fund, and Housing Community Fund was donated to 37 organizations. Over the 10-year period from 2011 to 2020, the Momo-Kaki Orphans Fund Program donated a cumulative total of ¥122.17 million to the Momo-Kaki Orphans Fund (Chairman: Architect Tadao Ando), which provides economic support for children orphaned by the Great East Japan Earthquake. Up to now, more than ¥400 million has been donated to 354 organizations by these four funds.

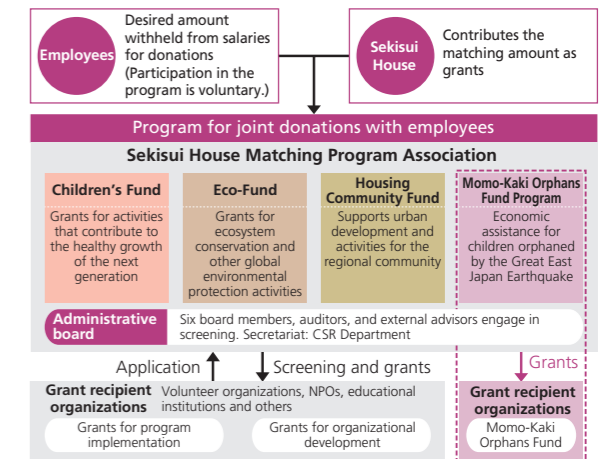


Globe Jungle, NPO Recipient of grants from Children's Fund



NPO Midorinodam Kitasagami Recipient of grants from Eco-Fund

Screening and grants



Disaster Support Fund newly established

Disaster Support Fund newly established

In January 2020, the 10-year donation period for the Momo-Kaki Orphans Fund Program came to an end and the fund was dissolved. In its place, a new fund was set up to kick off in FY2020—the Disaster Support Fund.

This fund supports non-profits and other organizations that go to areas hit by a disaster immediately to assist people and help the area to recover quickly. As a housing manufacturer, by starting a fund to support recovery from a disaster, we intend to help resolve housing shortages immediately after a disaster, which can quickly become a social issue, by assisting in the rebuilding of homes and providing recovery funds to the disaster-hit area, plus other support efforts.

Action policies ③

"Kids First" efforts in collaboration with educational institutions

Programming education for elementary school students

Providing opportunities for learning about houses of the future and creating them

Activity report

Elementary school programming education supported by three ministries

Starting in FY2020, programming education in elementary schools became compulsory. Three national government bodies—MEXT, METI, and the Ministry of Internal Affairs and Communications—designated September 2019 as Programming Education Promotion Month in Future Studies, with the aim of fostering talent that will be able to help solve social issues using advanced technology. Sekisui House is the only company in the housing and construction industry to be a participating and cooperating firm in this educational initiative. We have held a special lesson entitled "Everyone's House! Houses of the Future!" for over 300 children from six elementary schools to learn about advanced technology in housing at our Sumai-no-Yume-Kojo Centers and other locations around Japan. In these lessons, children are able to see and experience the structure of a house, how it is designed to withstand natural disasters, and what features make life more comfortable in a house. They are then

given the chance to take ideas from what they learn to design and build "a house of the future" of their own design based on themes such as "the eco-friendly home" or "the happy smiles home," using cardboard boxes or a virtual space on a computer.

Cooperation with children's programming education is a way for Sekisui House to contribute to society and is part of our efforts to achieve the sustainable development goals. Looking ahead, as a company that promotes Kids-First initiatives, we are happy to support programming education in elementary schools.



An employee giving kids a lesson at Sekisui House Eco First Park in Koga, Ibaraki Prefecture

Action policies ④ The SDGs put into practice everywhere through solid coordination with local governments

Comprehensive cooperation agreement signed with Osaka Pref. ▶ **Seeking cooperation with 10 prefectures to meet the SDGs**

Activity report

Comprehensive cooperation agreement signed with Osaka Prefecture

In June 2019, Sekisui House signed a comprehensive agreement with the prefecture to collaborate on 21 issues in seven areas including: children, social welfare and health, workstyle reforms, the environment, hiring/small and medium-sized enterprise promotion, disaster mitigation and crime prevention, and government PR. Based on this agreement, we are pursuing collaborations in a wide range of domains, such as creating opportunities for children to have new experiences and setting up sales corners for certified “Made in Osaka” branded products.

The agreement will facilitate an expansion of our ongoing collaborative activities in working with Osaka Prefecture to achieve the targets set in the SDGs through our businesses.

We plan to collaborate and cooperate not only with Osaka Prefecture but with local governments nationwide to help local communities flourish and promote their unique charms.



Signing ceremony (Center: Osaka governor Yoshimura with our chairman)

Primary Efforts

Creating and supporting opportunities for children to have new experiences using our company's facilities including *Shin-Satoyama* and Tenku Art Museum at the Umeda Sky Building, Sumufumulab and the Dialog in the Dark: House of Dialog collaborative program at Grand Front Osaka

Hosting of seminars on the topics of women's participation, workstyle reforms, and health management

Cooperation with the Osaka prefectural government on its Net-Zero Energy House (ZEH) promotion and education project by offering overnight stays at a ZEH

Sales and PR for “Made in Osaka” branded products at the Umeda Sky Building

Cooperation to promote government information using our corporate media and the Umeda Sky Building

Hosting of classes on the Michi-no-eki Station Project for regional revitalization to support prefectural high schools



Children from Osaka Prefecture invited to see the Sumufumulab



Michi-no-eki Station Project class led by Sekisui House employee

Action policies ⑤ Efforts as an Eco-First Company

To fulfill our three promises ▶ **Environmental education for children who are the future**

Activity report

School visits for three programs of environmental education

As a government-approved Eco-First Company, we are committed to three promises: reducing CO₂ emissions, restoring ecosystem networks, and recycling resources. Based on these promises, we offer three elementary school-visit programs that include quizzes and experiments. These classes and other events provide children with experiential education to teach the importance of saving energy in everyday life, preserving ecosystems, and utilizing resources effectively.



School visit class for teaching about house insulation

The Sekisui House Eco First Park

At the Sekisui House Eco First Park in Ibaraki's Koga City, visitors learn about our environmental activities, which are based on the three Eco-First promises. Visitors also have fun learning about the many ways in which houses can help protect the global environment.

The *Shin-Satoyama* initiative and “Wall of Hope” for contact with plants and living creatures

On the north side of the Umeda Sky Building in Osaka, we have built *Shin-Satoyama* (about 8,000 m²), emulating a traditional biotope consisting of a wooded area, bamboo forest, rice terrace, vegetable farm, and tea garden in one small area based on our *Gohon no ki* indigenous landscaping concept—three trees for birds and two for butterflies. In 2013, the giant live-greenery “Wall of Hope” monument created by architect Tadao Ando was completed on the east side of the building. A wide variety of plants has been growing on the green wall over the years, attracting other living creatures and creating a space where office workers and the public can feel the ecosystem at play.

Every year we collaborate with local elementary schools and kindergartens to give children a chance to plant rice and try other agricultural activities at *Shin-Satoyama*. This use of the biotope provides a valuable experience of nature for children who grow up in the city.



Elementary school students planting rice at the *Shin-Satoyama*



Shin-Satoyama and the Wall of Hope viewed from the west side

Action policies ⑥ Points for the emergence of new housing culture and art culture

Providing a space for dialogue and a sensing experience ▶ **Expanding awareness and enhancing life**

Activity report

House of Dialog, a collaborative program with Dialog in the Dark (DID)

We have been periodically organizing the House of Dialog program at Sumufumulab (Grand Front Osaka), our base for disseminating ideas. In 2013, we established the House of Dialog, a one-of-a-kind program that explores the theme of house and family. Participants are guided in groups through different settings in absolute darkness by visually impaired guides. They learn the importance of dialogue and experience the richness of the senses other than vision. The program has been very popular, and has been attended by more than 21,000 people to date.

Under our concept of lifelong housing, through research on smart universal design and more, we will continue to provide platforms for people to experience this form of communication through DID. We also hope to expand the reach of such valuable experiences for society for us to foster a revival of relationships, a recognition for diversity, and in people, greater attunement to their non-visual senses.



Koji Kinutani Tenku Art Museum

We opened the Koji Kinutani Tenku Art Museum in Umeda Sky Building (West Tower 27F), where our headquarters is located, to exhibit the artworks of world famous western-style painter and Japan's top classic fresco painter, Koji Kinutani. Since its opening in 2016, the museum has received large numbers of visitors, from both around Japan and other countries. In 2019 the number of visitors annually reached approximately 100,000. The museum has the world's first 3D visual system that allows the viewer to seemingly enter the world of the painting, in addition to displaying numerous colorful frescos and mixed-media paintings and sculptures by Kinutani.

In 2019, special exhibitions were held at the museum that included a three-year anniversary exhibition. The fresco-painting workshop is a unique program that puts people in touch with one of humanity's oldest painting techniques, the fresco, a program that won the Kids Design Award—a METI-supported program.



Koji Kinutani provides a guided tour to museum experts from around the world

Fresco-painting workshop

Action policies ⑦ Post-disaster restoration and reconstruction

Checking damage status and supporting victims ▶ **Fulfilling the responsibility of a company that protects life**

Activity report

Post-disaster restoration efforts, including after typhoons in 2019

In 2019, Japan was hit by two powerful tropical cyclones, including Typhoon Faxai (No. 15) and Typhoon Hagibis (No. 19). The Sekisui House head office was in contact with the task force of each headquarters in the affected areas to provide nationwide support. The company's experience of torrential rains in western Japan the previous year were utilized in the reconstruction efforts. The General Affairs Department of the head office managed hotel rooms and rental cars centrally for employees who went to volunteer at the affected areas. We also newly developed an online house data management tool to facilitate support provided by employees.

In Chiba Prefecture, which was hard-hit by Typhoon No. 15, phone calls came in regarding 1,800 cases on the first day. The CS Promoting Department focused on setting up a system to receive those calls, and had staff on the ground contact or visit homeowners to confirm their safety. In about three days, the damage status for all affected owners had been confirmed and an initial restoration effort was conducted for approximately 300 homes.

Typhoon No. 19 caused large-scale water damage in Iwaki, Fukushima Prefecture. The Construction Department of the head office handled the initial response, arranging necessities for homeowners.

The Tohoku Factory immediately sent backup supplies, and shared the work of visiting homeowners or calling to confirm their safety.

Reconstruction support with the help of new hires in Miyazaki, Kumamoto and Hiroshima

Every year since the Great East Japan Earthquake in 2011 we have carried out reconstruction support activities using newly hired employees. The purpose of these efforts is to provide support in line with the needs of people in the affected areas as well as to give our new employees practice in thinking and acting in accordance with the corporate philosophy and code of conduct, and to help deepen their understanding of the true import of the housing business. In 2019 we had 460 employees participate in these efforts, for a total of 3,481 employees over an eight-year period.



Windbreak wall installation on temporary housing

A moment of silence at the site where a home was lost



Improving corporate value through governance reform



Strengthening our governance structure



Building a resilient management base



Main ESG Themes

Strengthening Our Corporate Governance System



Basic concept

At the Sekisui House Group, we have established a corporate governance system, grounded in our corporate philosophy of love of humanity, committed to timely and trustworthy management. Moreover, we have published our Policy on Corporate Governance to inform our stakeholders of our approach and framework.

Positioning 2018 as the “first year of governance reform,” we have steadily implemented each of these measures in an effort to establish a foundation of resilient management for long-term and sustainable growth in corporate value. We have adopted the concept of “integrity”—signifying a sincere and high-spirited sense of ethics—as our guiding principle for addressing governance reform. This resonates with “love of humanity,” our core philosophy, and with “truth and trust,” the stance encapsulated in our corporate philosophy. While prioritizing integrity in all our corporate operations, we are promoting reforms aimed at transforming us into a leading ESG management company.

Scan the QR code at right to view a PDF file of our policies.



Results of our initiatives

Initiatives to strengthen the system

One of the characteristics of the Sekisui House Group’s governance reform is to strengthen the effectiveness of governance and ensure sustainable corporate growth. In order to achieve this, it is essential that we revitalize

communication and stimulate the growth of each and every employee by promoting initiatives that combine innovation and communication.

Major initiatives since 2018

We have steadily implemented the following measures, including six items aimed at strengthening our corporate governance system.

- ① Introduction of mandatory retirement at age 70 for representative directors
- ② Appointment of female outside officers (one female outside director and one female outside corporate auditor)
- ③ Assurance of transparent and vigorous Board of Directors meetings (Ensuring separation between the Chairman of the Board of Directors and the Convenor)
- ④ Establishment of the Management Meeting (eight times in 2018, 10 times in 2019)
- ⑤ Clarification of departments under control of directors (institutional reform undertaken in April 2018)
- ⑥ Evaluation of the effectiveness of the Board of Directors (annually, in questionnaire format)
- ⑦ Assurance of independence and strengthening of internal monitoring of chief managers of general affairs in sales administration headquarters and branches (Implementation of training for chief managers of general affairs and reviews of affiliations and the personnel evaluation process)
- ⑧ Enhancing the integrity of branch managers (Launch of Sekisui House Management Training, a training and selection program for future branch managers)
- ⑨ Introduction of a restricted stock compensation plan
- ⑩ Abolition of the bonus system for outside directors
- ⑪ Revision of the directors’ term of appointment to one year from two
- ⑫ Abolition of the advisor/advisory system
- ⑬ Fundamental revision of the executive compensation system [items 9) and 10) above and clarification of the basic compensation policy, review of the remuneration composition ratio, setting of appropriate compensation levels, etc.]
- ⑭ Introduction of stock ownership guidelines (while serving as a director, mandatory holding of the company’s stock in an amount equivalent to a certain standard for each position on a mark-to-market basis)
- ⑮ Adoption of a stock compensation refund (Mars Clawback) clause (establishment of a clause clarifying the return all or part of stock compensation before vesting if certain circumstances occur)
- ⑯ Formulation of selection and dismissal criteria and procedures for senior management executives (ongoing deliberations by the Personnel Affairs and Remuneration Committee regarding basic policies and procedures regarding appointment of internal directors, and succession plans for representative directors, etc.)
- ⑰ Increased independence of the Board of Directors (increasing the number of outside directors by one and increasing the ratio of outside directors to board members by one-third [four outside directors/12 directors])

Action policies

Direction of reforms after 2020

Promoting a two-pronged approach to governance reform through top management and business management

Since 2018, our efforts to reform the governance of the Sekisui House Group have been achieving steady progress. In order to strengthen our governance system further, we are promptly implementing specific measures such as ensuring transparent and vigorous Board of Directors’ meetings and appointing female outside directors. At the Ordinary General Meeting of Shareholders held in April 2020, we undertook a significant review of the executive compensation system, which emphasizes objectivity, transparency, and accountability to stakeholders; improved the ratio of outside directors on the Board of Directors; and shortened the term of office of directors.

In our 5th Mid-term Management Plan, we have stated that we aim to become a leading company in ESG management. We are also looking to leverage the strengths of the group to pursue international expansion. Against this background, in order to further enhance the effectiveness of corporate governance from 2020, we will take a two-pronged approach to governance reform through top management and business management, and we will foster an organizational culture that thrives through innovation and communication.

Note: Corporate governance is described in greater detail in *Integrated Report 2020*, issued separately. Scan the QR code at right to view a PDF file.



1. Reform at the top management level

At the Ordinary General Meeting of Shareholders held in April 2020, we increased the number of outside directors by one, thus bringing the ratio of outside directors on the Board of Directors to one-third. The main purpose of this project is to strengthen the management oversight function, but an alternate aim is to introduce a long-term management vision and instill management innovation through collaboration and “co-creation” with outside directors while encouraging relationships of fair and sound tension.

During the period of the 5th Mid-term Management Plan beginning in 2020, we will strengthen the effectiveness of the Personnel Affairs and Remuneration Committee, review the role of the Management Meeting, review the grand design of the governance system centered on reform of the executive officer system, and implement the PDCA cycle utilizing reviews and external knowledge from a third-party perspective. We will implement governance reform at the top management level by enhancing information disclosure and by engaging in a dialogue with stakeholders.

(1) Reform of the corporate governance system and enhancement of its effectiveness

We are promoting management innovation through collaboration (“co-creation”) with outside officers while encouraging relationships of fair and sound tension.

- ① Review of the grand design of the governance system
 - i Strengthening the effectiveness of the Personnel Affairs and Remuneration Committee by reviewing the structure (chairperson/composition)
 - ii Reviewing the role of the Management Committee in the Business Execution System
 - iii Reforming the Executive Officer System and Development of Candidates for senior management
- ② Implementation of the PDCA cycle based on third-party reviews and external knowledge
 - i Regular monitoring of the effectiveness of the Board of Directors by a third party
 - ii Enhancing our response to the corporate governance code and improving SR activities based on reviews from evaluation bodies

(2) Enhancing information disclosure and dialogue with stakeholders

Earning the trust of stakeholders through fair and honest information disclosure

- i Publication of an *Integrated Report* and disclosure of our *Corporate Story*
- ii Further enhancing dialogue opportunities with institutional investors and individual shareholders

2. Reform at the business management level

The strength of the Sekisui House Group—encompassing our sales headquarters, branch offices, factories, and group companies inside and outside Japan—lies in the fact that we view business issues from the customer’s perspective. Going forward, we will also promote governance reforms at the business management level in order to further enhance our capabilities at the worksite.

Throughout the period of our 5th Mid-term Management Plan, we will clarify our human resource requirements and improve and strengthen our training system, foster business management noted for high integrity, and institute a governance system based on mutual trust. In addition, in order to build a governance system that maximizes management synergies for the entire group, we will clarify the authority and responsibility of the parent company and subsidiaries; establish networks and a reporting line between the management departments of the parent company and subsidiaries; strengthen the development and appropriate placement of governance personnel; and encourage cooperation among corporate auditors of the parent company and its subsidiaries.

(1) Further enhancing the integrity of management

Implementing governance based on mutual trust with management committed to upholding a high level of integrity.

- ① Clarification of personnel requirements for business management and establishment and strengthening of training systems
- ② Expanding the scope of training in Integrity Management (head office staff and executives of group companies)

(2) Strengthening the group governance system

Fostering mutual trust among group companies through our corporate philosophy.

- ① Build a governance system to maximize synergies in group management
 - i Clarifying the authority and responsibilities of the parent company and subsidiaries and reflecting them in organizational structure
 - ii Building a network between the management departments of the parent company and subsidiaries and establishing a reporting system
- ② Strengthening the training and proper allocation of personnel for governance
 - i Strengthening the development of personnel for governance (recruitment of members of society/personnel exchanges between groups) (integrity + experience/knowledge + ability to execute)
 - ii Appropriate allocation of personnel for governance, including subsidiaries outside Japan
- ③ Collaboration between auditors of the parent company and its subsidiaries



Thorough implementation and promotion of compliance with our corporate social responsibility



Ensuring occupational health and safety



Main ESG Themes

Compliance and Risk Management



Basic concept

The Sekisui House Group considers compliance to encompass more than legal compliance alone; it must also incorporate our corporate social responsibility. Moreover, since any lack of employee awareness of compliance is a matter of corporate risk, we consider compliance and risk to be two sides of the same coin. We regard them as essential management issues that must always be addressed and we remain committed to this view.

Promoting compliance

The Risk Management Committee, an advisory body to the Board of Directors, and the Governance Committee, which has been under the auspices of the CSR Committee since 2017, implement the PDCA cycle while working to improve issues related to compliance. We have also established a Management Committee to deliberate on important investment projects before resolutions and request the approval of the Board of Directors to promote compliance and risk management.

Moreover, we formulated the Sekisui House Corporate

Ethics Guidelines to list common items with which officers and employees must comply in order to undertake corporate operations at each group company. We undertake revisions as appropriate from the perspective of changing social conditions and group management.

Every October during our annual Compliance with Corporate Ethics Check, all executives and employees submit a Pledge Regarding Compliance with the Essentials of Corporate Ethics.

Note: The full Sekisui House Corporate Ethics Guidelines are available on our website. Scan the QR code at right to view a PDF file of our policies.



Legal compliance status

There was no major violation of laws or voluntary standards in the relevant fiscal year.

- No disciplinary action or dismissal took place against any employee for non-compliance of the anti-corruption policy. To the best of our knowledge, no cost was incurred on penalties, surcharges or settlement related to corruption.
- There were no major infractions of environmental laws or regulations. There were no accidental spills or other incidents impacting the environment surrounding our factories.

- There were no legal or regulatory infractions or penalties paid related to the provision and use of our products and services. There were also no infractions of health and safety-related regulations or voluntary standards.
- There were no substantiated petitions for redress related to customer privacy infringements or customer data loss.
- The group faced no legal action, substantial fines or punitive measures in connection with violations of laws or regulations related to competition and monopolistic practices.

Internal Reporting System (available 24 hours a day, 365 days a year)

The Sekisui House Group has established an Internal Reporting System that allows employees and other officers and employees of companies with whom we have ongoing business relationships to report illegal or inappropriate

behavior in the group to the company itself or to outside lawyers. This system complies with the Whistleblower Protection Act.

Note: More details are available on our website. <https://2c.sekisuihouse.jp/py8>

Risk management system enhancement

Responsibility for risk management at the Sekisui House Group is undertaken by the various departments assigned to this task with initiatives conducted according to work duties within technical department and administrative department manager meetings. We have established divisions that cover multiple head office departments to clarify the responsibilities and authorities of directors and executive officers.

The Risk Management Committee, an advisory body

to the Board of Directors, strengthens management by collecting and verifying the status of development of the risk management system in each department of the group; receives reports in the event an instance of risk arises; and verifies recurrence prevention measures.

We have also put in place a Business Continuity Plan to deal with the occurrence of large-scale natural disasters and epidemics of infectious disease.

Main ESG Themes

Occupational Health and Safety Management



At the Sekisui House Group, nothing is more important than the health and safety of employees, subcontractors, and everyone else who plays a role in the group's business activities. If a worker-related accident ever occurs in the administrative, production, or construction departments, we provide the relevant details to the Health and Safety Committee and incorporate the corresponding information into its PDCA cycle for improving workplace health and safety.

Accidents resulting in lost worktime and occupational-illness frequency rates

The frequency of accidents and occupational illnesses resulting in lost worktime in fiscal 2019 increased compared to the previous fiscal year, excluding the occupational illness frequency rate of the Production Department and Construction Department. By thoroughly analyzing and sharing data, we will take steps to raise awareness of health and safety, prevent unsafe behaviors, and minimize the excessive working hours that can contribute to accidents and illnesses.

Accidents resulting in lost worktime and occupational-illness frequency rates (Total of one or more days of lost worktime)

Department	Frequency rate of accidents resulting in lost worktime		Frequency rate of occupational illnesses	
	FY2018	FY2019	FY2018	FY2019
Administrative department (employees)*	0.19	0.42	0.03	0.07
Production department	Employees*	0.00	0.45	0.00
	Subcontractors	0.00	0.27	0.00
Construction department (subcontractors only)	2.42	2.92	0.63	0.43

*On a non-consolidated basis (Sekisui House only)

One particular factor contributing to an increase in lost worktime accidents in the Construction Department is the apparently static number of accidents involving falls and cuts/punctures. Notably, more than 40% of falls are from stepladders, and most of these can be attributed to unsafe behaviors. We will therefore promote training focused on methodical work procedures and elimination of unsafe behaviors.

The number of contractor fatalities due to industrial accidents in the Construction Department over the past three years was 2 in FY2017, 0 in FY2018, and 0 in FY2019.

Occupational health and safety activities at worksites

At the Sekisui House Group, ensuring the occupational health and safety of all of our construction employees is an important social responsibility and one of our key focus areas as a business. We organize and implement a variety of activities to make sure that our construction employees are as safe and secure as possible on the job.

Occupational accidents in FY2019

- The number of cases of heat stroke decreased from the previous fiscal year due to initiatives such as the adoption of work clothes incorporating electric fans ("air conditioned clothing") and recommendations for "cool breeze" products contributing to improved work environments.
- Toppling of heavy machinery and items falling from high locations also affects third parties such as neighboring residents and passers-by. We will continue to thoroughly investigate the cause of each incident and implement measures to prevent a recurrence.

Initiatives for FY2020

In order to reduce occupational accidents, we are introducing preventive measures by implementing various safety measures at all sites and preventing accidents involving members of the public (property damage and personal injury) as a basic policy of our FY2020 Company-wide Construction Health and Safety Plan. This plan is outlined below.

- We will devote more attention to measures to prevent serious life-threatening accidents as we continue to focus on eliminating fatal accidents.
- Since falls and cuts/punctures remain common, we remain dedicated to implementing comprehensive safety measures, ensuring their adoption, and establishing an accident prevention system.
- To address accidents involving members of the public, we will devise measures against previous accidents in order to prevent the occurrence of similar accidents.



Poster of slogan for FY2020



International Business and ESG Management

Sekisui House Technology: Becoming the world's de facto standard

At Sekisui House, we have been contributing to the resolution of social issues throughout the 60 years since our founding, all the while providing housing that meets the needs of the times. We are providing solutions by sharing the Sekisui House technology we have developed during our history. These include technologies focused on safety and security, such as resistance to earthquakes, fires and impacts, and technologies focused on comfort, such as thermal insulation, universal design and devices for maintaining indoor air quality. In this way, as we contribute to the emergence of a sustainable society, we are also meeting the preferences of ESG management around the world.

United States

Applying Sekisui House technology: Responding to the various natural disasters that can occur in large land areas E S

In the U.S.A., demand for housing is projected to grow over the coming decades, with balanced population growth expected across all ages. Due to the large land area of the United States, different regions focus on different issues. In recent years, problems associated with climate change, such as the shifting paths of hurricanes, have become apparent. In addition, the West Coast of North America is exposed to a high risk of earthquakes as well as frequent power outages in light of the numerous major earthquakes that have struck the region in the past. While traditional wooden houses represent the mainstream for dwellings, houses constructed with high resistance to earthquakes, fires and impacts are required to minimize the devastating effects of natural disasters and global warming.

Challenge	Response
<ul style="list-style-type: none"> Strong demand for housing due to high population growth A population motivated to fight global warming due to possibly related occurrences, such as shifting paths of hurricane A high risk of powerful earthquakes along the West Coast of North America A need for ongoing maintenance of building exteriors 	<ul style="list-style-type: none"> Acquisition of Woodside Homes and expanded collaboration efforts Transplanting of Sekisui House technology Construction of SHAWOOD, which is built to ZEH standard and features high seismic resistance Introduced Bellburn ceramic wall product



Interior of the SHAWOOD concept home, built to ZEH standard and with high seismic resistance (see page 60)

Adopting ZEH standards across the U.S.A. from California E

California is an environmentally advanced state that has been proactively adopting environmental regulations. Reductions in greenhouse gas emissions have been legislated, and legislation requiring new homes to be equipped with photovoltaic panels was introduced in 2020, marking the first time such a policy has been adopted in the United States. Our subsidiary, Woodside Homes, is strengthening the development of environment-friendly and lifestyle-oriented products to promote zero net energy housing (or ZNE, the industry term in the U.S.A.) in line with revisions to the state's environmental and energy-efficiency standards for buildings. We are providing ZEH housing as a foothold for popularizing this innovation in the United States, and we are planning to introduce environment-friendly urban developments in the future.



ZNE housing in California

Development projects focused on biodiversity E

Canyon Falls, a community development project in Texas, was developed with a view to preserving biodiversity; specifically, it is focused on protecting the habitat of post oak trees, some of which are 120 to 150 years old. It is considered difficult to preserve post oak trees when developing the surrounding land, as this tree species is known for its delicate roots. However, the post oak trees in this area have continued to grow even after the development was completed. At the end of 2018, Canyon Falls was presented with the Tree of the Year Award from the town of Flower Mound in Texas.

Highlights

The first SHAWOOD concept home in the U.S.A. was unveiled at IBS 2020. E S

In January 2020, we participated as the first Japanese house builder to exhibit at the International Builders' Show (IBS), the largest U.S. trade fair for housing, held in Las Vegas.* In addition to hosting an exhibit at our booth, we constructed a SHAWOOD concept home (an original wooden house design of Sekisui House) in the Summerlin area of western Las Vegas and opened it to the public. This marked the debut of the SHAWOOD house in the United States, and interest was very high. This also represented a valuable opportunity for us to convey our commitment to making a better society through housing.

The SHAWOOD brand, an initiative intended to resolve housing issues

The SHAWOOD Concept House is a structure built to the ZEH (Net-Zero Energy House) standard that offers high earthquake resistance and photovoltaic power generation capability with storage batteries. It is constructed with fireproof and low-maintenance Bellburn ceramic exterior wall material. This concept home earned high praise from participants, as it demonstrated a path to resolving some of the social issues facing the United States. It was designed to address the issues of life balance, connection with nature, symbiosis, and the design seeks harmony between Eastern and Western living customs, the concepts of indoors and outdoors, and a balance between technology and privacy.

By showcasing these technologies in the United States, we seek to provide helpful solutions. We will continue to promote the adoption of the SHAWOOD concept in the United States, incorporating sales methods that offer health and a choice of lifestyles.

*Our research of various display materials suggests we were the first Japanese housebuilder to exhibit at IBS, an annual housing fair that attracts more than 85,000 participants involved in the construction industry as well as institutional investors from around the world. Our concept home was an actual real-life exhibit presented by one selected company. We constructed it in collaboration with Woodside Homes.



Displays of our original building materials attracted attention at our exhibition booth.

Highlights of the SHAWOOD Concept Home

Beauty	Strength	Functionality
<ul style="list-style-type: none"> Bellburn Clear view design Broad horizontal roof design 	<ul style="list-style-type: none"> Structural laminated wood Metal joint construction Earthquake resistance 	<ul style="list-style-type: none"> Net-Zero Energy House standard Smart UD Fresh interior air



Concept home constructed in the Summerlin area of western Las Vegas

Australia

Offering eco-friendly housing in preparation for growth in housing demand

E S

Australian Government statistics suggest that significant population growth is expected in the future, and we expect increased demand for sustainable housing. We have established a SHAWOOD factory in the suburbs of Sydney and have introduced a repetitive production system for high-quality building materials. Furthermore, we have constructed *Shinka House*, a ZEH-compliant pilot house equipped with solar power generation and storage batteries, in The Hermitage, a residential housing development on the outskirts of Sydney. In addition to offering an environment-friendly lifestyle that reduces energy consumption, it serves as a platform for promoting the improved quality of housing that we provide to our customers.

Challenge	Response
<ul style="list-style-type: none"> Strong demand for housing due to population growth Much room for quality improvements in the existing housing market Soaring electricity bills resulting from liberalization of the electricity market 	<ul style="list-style-type: none"> Constructed an Australian version of the SHAWOOD factory near Sydney. Established a repetitive production system for high-quality building materials. Constructed <i>Shinka House</i>, a ZEH-compliant pilot house.



Shinka House, a SHAWOOD model based on ZEH specifications

The Central Park Project, recognized as the world's tallest skyscraper

E

Construction of Central Park, a development complex in central Sydney, has been under way since 2011 with our joint venture partner, Frasers Centrepoint Limited. The concept of "environment-friendly development" has been thoroughly implemented here; for example, a large reflector is used to direct natural light to the lower part of the building in order to reduce the power consumption needed for daytime lighting. In addition, by adjusting indoor temperatures with the largest green wall in the Southern Hemisphere, the project reduces CO₂ emissions. It also introduces eco-friendly water reuse facilities. With exterior features such as greenery on the walls, a garden on the 29th floor, and a huge reflector, the condominium earned the world-famous architectural award known as Best Tall Building Worldwide in 2014 from the Council on Tall Buildings and Urban Habitat (CTBUH). Moreover, in 2019, at the CTBUH Awards, this project received the world's highest award for Urban Habitat District/Master Plan Scale, as both the building and surface development were evaluated as "best in the world" in both name and reality.

We have received various other awards recognizing our achievements in improving local security, and we received the highest evaluation under the Australian Environmental Standards.



Aerial gardens, impressive green walls, and reflectors to take advantage of natural light

Human resource development aimed at global expansion of our domestic business

S

In Australia, we assist local employees and industry groups in understanding our corporate philosophy by inviting them to *Sumai-no-Yume-Kojo Centers*, *Nattoku Kobo Studio* (Home Amenities Experience Studio), and *Sekisui House Eco First Park* in Japan. The *Gohon no ki* indigenous landscaping project (highlighted on page 25) has been incorporated at each project, and the *Satoyama* concept has been adopted in various parts of our local projects, both of which have been well received by local customers. Similar initiatives are being undertaken in each country in which we operate, and participants who visit these facilities retain and bring back what they have learned in Japan, adapt it to their cultures and climates, and implement it.



West Village site planned according to the *Gohon no ki* project and *Satoyama* concept

Promoting diversity initiatives in other countries

S

Our Australian subsidiary promotes diversity, with females filling 50% of the employee positions and about 6% of the managerial positions. The company has also instituted an extensive promotion system for managers that focuses on individual abilities.

In addition, in order to support the social advancement of women and the development of the next generation, West Village has partnered with the Property Council, a real estate industry group, to explain our initiatives in Australia and introduce local high school students to the town development and housing development field. This program, known as "Girls in Property," is contributing to the promotion of female participation in the male-dominated real estate development field and the construction industry.

United Kingdom

Our full-scale entry into the UK housing market is contributing solutions to housing challenges.

E S

In May 2019, we undertook our full-scale entry into the UK housing market in partnership with Homes England, a UK government agency, and Urban Splash, an integrated real estate company. The chronic housing shortage in the UK has become a social issue, resulting in a shortage of about four million houses. In addition, the traditional stone-and-brick construction methods used for local houses are associated with challenges in terms of productivity, construction time, and quality, and a high-quality housing alternative is demanded. We believe we can contribute solutions to these issues by employing our high-quality, short-schedule industrialized housing technology. Notably, the UK government aims to decarbonize by 2050; from our experience with ZEH gained from our track record in Japan, we are confident we can help to solve the environmental problems facing the UK.

Challenge	Response
<ul style="list-style-type: none"> A shortage of 4 million houses A need for quality housing to replace stone and brick structures Mandatory implementation of ZEH (Zero Carbon) as of 2025 	<ul style="list-style-type: none"> Establishment of a joint venture with the government agency Homes England and the real estate company Urban Splash Launch of in-house production of high-quality modular housing Production of environment-friendly housing including zero carbon incorporating energy-efficient technology



High-quality, high-performance townhouses in New Islington

Introducing the *Gohon no ki* project in residential developments

E

In housing developments in the UK, which are incorporating the perspective of biodiversity conservation, we are undertaking research to incorporate biodiversity conservation efforts such as the *Gohon no ki* indigenous landscaping project in these sites.

Singapore

Adapting "slow living" to the local culture

E S

The One Holland Village Project—undertaken with our joint business partners Far East Organization and Sino Group—is an integrated complex incorporating dwellings, serviced apartments, commercial facilities, and offices. The residential building, a comfortable space of our own design, adopts the concept of "slow living" and aims to provide residents with a calm and peaceful living space. The Singapore version of slow living incorporates three specific themes: Balcony Life (balcony space with consideration for privacy and a linkage between the interior and exterior); Storage (easy-to-use storage spaces where they are needed); and Flexibility (design for variability). One Holland Village was also conceived as an environment-friendly development with plans for greenery and a regional heating and cooling system that exceeds regulatory requirements throughout the project. We will continue to create value in Singapore by sharing our ideas on sustainability and contributing to local communities in concert with our local partners.



The One Holland Village Development

China

Creating living spaces constructed to a high standard to accommodate both the homeowner's perspective and the health of the environment

E

We are developing townhouse and condominium projects under the *Sekisui House Yuqin* brands in the cities of Taicang, Suzhou, and Wuxi on the outskirts of Shanghai and in the northeastern city of Shenyang. The Taicang I Project (Taicang Yuqin Garden) earned high praise for its residence-perspective manufacturing and environmental considerations, garnering the 2019 Gold Award of the Tien-yow Jeme Civil Engineering Prize in the Excellence Housing Category (China Civil Engineering Society; equivalent to grand prize of the Architectural Institute of Japan). In China, which emits large amounts of CO₂, we will continue to make use of environmental technologies tailored to the perspective of the homeowner.



Taicang Yuqin Garden, highly regarded as an environment-friendly building

Common to All Countries

Strengthening governance through close collaboration with Japan

G

To maintain close communication, our head office in Japan and various departments hold separate meetings twice monthly with our local subsidiaries in each country. Since April 2020, we have been conducting base management training mainly for management groups selected from each country. We are also strengthening governance by clearly communicating our corporate philosophy and management policy in each country and promoting mutual understanding.

Activities of the International Auditing Office and establishment of our International Whistleblowing System

G

We are working to strengthen governance at local subsidiaries in each country through a focus on the activities of the International Auditing Office, which was established in April 2019. In June 2020, we established an International Whistleblowing System with third-party law firms as a point of contact, in addition to maintaining our in-house reporting system at our local subsidiaries in the U.S.A., Australia, the UK, and Singapore (excluding Woodside Homes). If the law firm receives a report from an employee of a local subsidiary, the report is communicated directly to the head office to ensure the system operates as intended, ensuring its effectiveness.

CSR Policies and the ESG Management Framework

Positioning ESG management as a foundation of company operations, in line with its corporate philosophy and CSR policies, the Sekisui House Group pursues its goal of becoming a leading company in ESG management through its everyday business activities.

The group's concrete action plans take shape through the efforts of the CSR Committee and its three subordinate ESG committees.

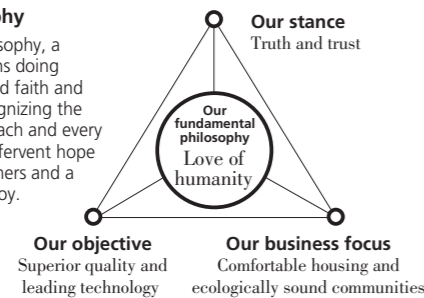
The CSR Committee includes four representative directors from within the company organization and two outside experts (outside members) to enrich the relevant initiatives from a diversity of perspectives.

Corporate philosophy and CSR policies

At the core of the Sekisui House Group's corporate philosophy is a love of humanity: a fervent hope for the wellbeing of others and a sense of joy in others' joy, doing whatever we do in good faith and a spirit of service. That philosophy took root in 1989 with the unanimous approval of every group employee. Striving to ensure the wellbeing of all of our stakeholders—customers, employees, and shareholders—we pursue a CSR policy that focuses on maximizing customer satisfaction (CS), employee satisfaction (ES), and shareholder satisfaction (SS) in harmony with our corporate philosophy.

Corporate philosophy

Our fundamental philosophy, a love of humanity, means doing whatever we do in good faith and a spirit of service. Recognizing the irreplaceable value in each and every person, we maintain a fervent hope for the wellbeing of others and a sense of joy in others' joy.



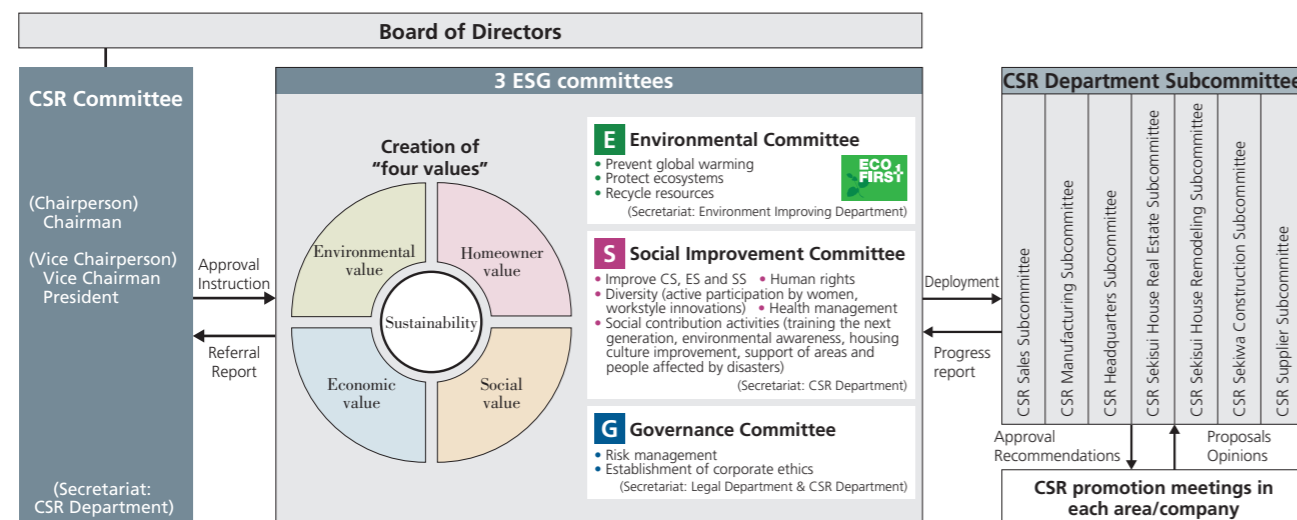
The framework for the CSR Committee and promoting ESG management

The Sekisui House Group regularly convenes its CSR Committee to determine and promote policies and discuss whether CSR initiatives responding to the trend toward ESG management are in line with common sense and the expectations of society, and whether social issues are being resolved through our business operations.

Members of the CSR Committee are chosen through a resolution of the Board of Directors. The Chairman and Representative Director serves as the Chair, and the Vice Chairman as well as the President and Representative Director serve as Vice Chairs. To support the internal committee members, we have added two external experts: Katsuhiko Kokubu, Professor and Vice President of the Graduate School of Business Administration, Kobe University; and Hidemi Tomita, Director of Lloyd's Register Japan K. K.

Moreover, three ESG committees operate under the umbrella of the CSR Committee to develop action policies, promote initiatives, and help efforts take root under the chairmanship of the Representative Directors and the Senior Managing Officer. Furthermore, we have established CSR subcommittees in each department to raise awareness of our efforts at all our business locations. In order to implement our activities in cooperation with the managers of these business locations, we also assign CSR Promotion Committees at all our business sites to link ESG management to the actions of each employee.

ESG management promotion structure



Summary of Initiatives

Environmental management

The year 2019 marked a transition in Japan to a new beginning; as the name of the historical era changed from Heisei to Reiwa, we focused our attention on the dawn of a new age in our country.

At the same time, however, we had to accept that the dawn of a new year also brought tremendous damage caused by record-breaking rains from powerful typhoons that struck the Boso Peninsula and other parts of Japan. It is suspected that global warming is beginning to have a major impact on our lives in the form of abnormal weather events. Clearly, these types of natural disasters can lead to supply chain disruptions and other business risks. We have come to realize once again that proactive efforts to address non-financial issues in the environmental field, including countermeasures targeting climate change, will significantly support the sustainable growth of companies.

Among our measures to fight climate change, we are actively promoting the widespread adoption of the ZEH standard, which aims to achieve a zero energy balance in the dwelling phase. In FY2019, the ZEH ratio of newly built detached homes we supplied reached 87%, and we were able to achieve our target rate of 80% in FY2020 ahead of schedule. In addition to the benefits of increased energy efficiency, the ZEH standard is highly resilient because it provides comfort and economy and can be powered with solar cells, fuel cells, and storage

batteries even during power outages. We believe our excellent track record in this area is attributable to customer appreciation of the added value these amenities provide. We are promoting net-zero energy consumption in rental housing and non-residential buildings as well by taking advantage of the expertise we have gained from building detached houses.

Regarding ESG investment, which evaluates the long-term growth potential of companies, we have become the first non-financial private enterprise in Japan to provide institutional investors with TCFD reports, which provide financial information and analyze the risks and opportunities posed by climate change.

In fiscal 2020, we will continue to create sustainable value by "making home the happiest place in the world."



Toshiharu Miura
Chairman of the Environmental Committee
Director and Senior Managing Officer
In Charge of Technology Divisions / Production & Procurement Division

Improvement in sociability

With a commitment to "making home the happiest place in the world," we remain focused on addressing social issues through housing. As a concrete measure to ensure the contentment of our customers, employees, and our communities, we are developing technologies that pursue health in addition to safety, security, and comfort through the fusion of tangible (technologies) and intangible elements. At the same time, we are maximizing customer satisfaction throughout the value chain. With regard to employee contentment, we are strengthening initiatives such as promoting diversity, reforming workstyles, and developing human resources in addition to gradually developing content for health management. In the summer of 2020, we are launching a program of AI-based risk analysis of health checkup results and lifestyle improvement simulation programs. Our goal is to raise awareness and improve the health literacy of all our employees.

In terms of addressing the contentment of our communities, we are solving social issues such as the declining birthrate and aging population through proposals such as nursery schools and nursing homes; specifically, we are specializing in four policies: nurturing the next generation; protecting the environment; improving housing

culture; and preventing disaster and providing disaster relief. In response to these policies, the Sekisui House Matching Program, a joint donation system for employees and companies that meet these policies, supports the implementation of programs by non-profit organizations and functions in cooperation with our offices.

In April of this year, we established a human rights policy grounded in our corporate philosophy.

As we work toward the emergence of a sustainable society, we will continue to enhance our corporate value by meeting the expectations of our various stakeholders as they expand globally.



Takashi Uchida
Chairman of the Social Improvement Committee
Executive Vice President and Representative Director
Management of Administration Division

Governance

ESG investment is now in excess of 3,000 trillion yen and is considered a driving force for corporate growth. With regard to the governance aspect, we have positioned 2018 as the First Year of Governance Reform and have begun implementing steps to strengthen our corporate governance. We have implemented 17 reforms from the top management level to the business management level and are continuously working to further improve them. These reforms include improving the independence of the Board of Directors and reviewing the term of office of the Representative Director.

Moreover, in order to strengthen the governance system, it is important to promote the creation of an open workplace culture. The Governance Committee under the CSR Committee promotes a more open atmosphere in three phases: top-down, up and down from the middle, and bottom-up. In addition to promoting the permeation of, and raising awareness of, governance compliance under the slogan "Innovation & Communication," we are nurturing the next generation of talented individuals who represent one of the foundations of our growth.

In October 2019, Konoike Construction Co., Ltd. became a subsidiary; as a result, the number of group employees both inside and outside Japan has grown to 27,000. As we prepare to celebrate

our 60th anniversary in August 2020, we are dedicated to making this year one in which every Sekisui House Group employee understands and acts on the essence of our corporate philosophy and ESG management.

In addition to publishing this *Sustainability Report*, we have decided to issue a new *Integrated Report* in 2020 with enhanced information for investors. As the individual responsible for the Investor Relations Division, I will continue to increase transparency and the timeliness of our information disclosure. Moreover, when designing media, we will strive to reflect the Sekisui House Group's efforts to contribute to the emergence of a sustainable society using a structure that is more conscious of the target audience.



Shiro Inagaki
Chairman of the Governance Committee
Vice Chairman and Representative Director
Management of Investor Relations Division

ESG & Main Indicators

The Sekisui House Group aims to become a leader in ESG management by setting major non-financial indicators (including KPIs) and implementing the PDCA cycle to improve our initiatives while monitoring our progress.

The ESG data presented below is also available on our website with greater detail.

<https://2c.sekisuihouse.jp/xs9q>

E Environmental

Main Themes	Indicator	Unit	2015 Results	2016 Results	2017 Results	2018 Results	2019			2020 Targets	2022 Targets
							Target	Results	Evaluation		
Decarbonized Society	Green First ZERO ratio*1	%	71%	74%	76%	79%	80%	87%	◎	88%	90%
	Rate of CO ₂ emissions reduction from business operations*2	%	8.6%	13.0%	16.0%	21.5%	23%	27.4%	◎	29%	34%
	Rate of CO ₂ emissions reduction from new housing*3	%	21.3%	27.7%	36.1%	38.1%	39%	41.6%	◎	42%	43%
	Ratio of post-FIT power purchased*4	%	-	-	-	-	1%	1%	○	6%	15%
Society in Which Humans and Nature Coexist	Sustainable wood procurement ratio*5	%	92.7%	92.6%	91.9%	93.6%	95%	95.3%	○	95.5%	96%
	Eco-friendly tree planting*6	× 1000	11990	13060	14090	15020	16000	16110	○	17000	19000
Circular Economy	Waste ratio (new construction)*7	%	5.2%	5.6%	5.5%	5.5%	-	5.8%	-	5.5%	5.2%
	Waste recycling rate (new construction)*8	%	100%	100%	100%	100%	100%	100%	○	100%	100%
	Waste recycling rate (maintenance and remodeling)*9	%	93.2%	94.0%	95.5%	94.9%	90% min.	94.3%	◎	90% min.	90% min.

*1 Ratio of ZEH equivalent houses to all built-to-order houses and condominiums (excluding Hokkaido)
 *2 Scope 1, 2: 50% reduction (relative to FY2013) in CO₂ emissions by FY2030. Excludes Konoike Construction Co., Ltd., which became a group company in October 2019 (described in the boundary of current SBT targets).
 *3 Scope 3, Category 11: 45% reduction (relative to FY2013) in CO₂ emissions for newly built detached houses and low-rise rental housing by FY2030. Excludes Konoike Construction Co., Ltd., which became a group company in October 2019 (described in the boundary of current SBT targets).
 *4 Percentage of electricity used for business operations (FY2040: 50%, FY2050: 100%)
 *5 Procurement ratio of Rank S and Rank A wood products (according to Wood Procurement Guidelines)
 *6 Cumulative number of trees planted under the *Gohon no ki* project
 *7 Waste ratio from raw material production and resource inputs for new industrialized housing products
 *8 Waste recycling rate for new industrialized housing products
 *9 Waste recycling rate for maintenance and remodeling work

FY2019 value chain CO₂ emission status (outline of Scope 1, 2, 3)*1

Scope 1 & 2

Scope 1	CO ₂ emissions associated with fuel consumption	70,574 (t-CO ₂)
Scope 2	CO ₂ emissions associated with purchased electricity and heat	50,808 (t-CO ₂)
Total of Scope 1, 2		121,382 (t-CO ₂)

Scope 3

Category 11	Use of sold products (dwellings)	3,605,204 (t-CO ₂)
Category 1	Purchased goods services (raw materials)	1,538,204 (t-CO ₂)
Other categories	Product disposal, business waste, upstream transportation, etc.*2	361,547 (t-CO ₂)
Total of Scope 3		5,504,955 (t-CO ₂)
Total of Scope 1, 2, 3		5,626,337 (t-CO ₂)

*1 Excludes CO₂ emissions from Konoike Construction Co., Ltd., which became a group company in October 2019.
 *2 Category 12, End-of-life treatment of sold products (Product waste): 151,742 t-CO₂
 Category 2, Capital goods: 50,740 t-CO₂
 Category 3, Fuel- and energy-related activities not included in Scope 1 or Scope 2: 14,943 t-CO₂
 Category 13, Downstream leased assets: 5,569 t-CO₂
 Category 5, Waste generated in operations (Business waste): 97,508 t-CO₂
 Category 4, Upstream transportation and distribution (Transport): 31,374 t-CO₂
 Category 6, Business travel: 7,251 t-CO₂
 Category 7, Employee commuting: 2,420 t-CO₂

S Social

Main Themes	Indicator	Unit	2015 Results	2016 Results	2017 Results	2018 Results	2019			2020 Targets	2022 Targets
							Target	Results	Evaluation		
Contributing to Health, Longevity and Wealth; Pursuing Customer Satisfaction through Our Value Chain	Customer satisfaction*1	%	95.2%	95.5%	95.6%	95.8%	95% min.	95.9%	◎	95% min.	95% min.
	SDG procurement coverage	%	-	-	77%	80%	80%	76%	△	85%	90%
	SDG procurement score	Points	-	-	85.0	86.2	82.2*2	86.7	◎	87.0	88.0
Promoting Diversity	Number and percentage of female managers	People (%)	114 (2.43%)	141 (2.79%)	158 (2.94%)	176 (3.10%)	185	206 (3.44%)	◎	200	260
	Percentage and number of full-time female employees	% (people)	23.6% (4954)	24.2% (5142)	25.0% (5431)	25.7% (5657)	-	26.4% (5930)	-	27.0%	28.0%
	Percentage and number of female new graduates hired	% (people)	40.6% (276)	41.6% (237)	40.3% (266)	37.7% (250)	-	42.0% (281)	-	41.6%	42.0%
	Number of female directors (non-consolidated basis)	People	-	-	-	1*3	1 or more	1*3	○	1 or more	1 or more
	Employment rate of persons with disabilities (non-consolidated basis)*4	%	2.21%	2.20%	2.38%	2.53%	2.55%	2.61%	◎	2.61%	2.61%*5
Workstyle Reforms	Take-up rate for male childcare leave (non-consolidated basis)	%	23.0%	70.0%	95.0%	100%	100%	100%	○	100%	100%
	Annual paid leave take-up rate and number of days taken	% (days)	32.8% (5.8)	35.0% (6.2)	39.7% (7.1)	42.2% (7.4)	-	56.1% (9.8)	-	57%	60%
	Monthly average working hours per person	Hours	171.37	170.02	168.32	170.26	-	168.17	-	166.66	164
Human Resource Development	Cumulative number of workers who have acquired major qualifications required for a position*6	People (total)	18516	19588	20632	21516	-	22176	-	22300	22900
Respect for Human Rights	Governance awareness survey score for "Anti-power harassment culture"*7	Points	77.7	78.1	77.5	79.2	-	79.7	-	81.0	83.0
Contributing to Society	Sign-up rate for Sekisui House Matching Program	%	15%	16%	18%	21%	25%	25%	○	30%	40%

*1 Total ratio of "very satisfied," "satisfied," and "somewhat satisfied" responses in the questionnaire after one year
 *2 Score evaluation criteria changed in 2019.
 *3 The three female executives comprise one Outside Director, one Outside Auditor and one Executive Officer.
 *4 Calculation based on the exclusion rate system (construction industry 20%)
 *5 The statutory requirement for number of employees with disabilities is achieved in the group as a whole.
 *6 First-class architect, second-class architect, first-class construction management technician, residential land building trader (passed), FP skill test (1st, 2nd, 3rd class)
 *7 An item of the annual governance awareness survey. Figures in the table are average values calculated as follows: "strongly agree": 100 points, "mostly agree": 75 points, "mostly disagree": 25 points, "strongly disagree": 0 points.

G Governance

Main Themes	Indicator	Unit	2015 Results	2016 Results	2017 Results	2018 Results	2019			2020 Targets	2022 Targets
							Target	Results	Evaluation		
Strengthening Our Corporate Governance System	Governance awareness survey score for "Workplace culture"*1	Points	77.9	77.6	79.3	79.7	82.6	79.0	△	82.6	83.0
	Governance awareness survey score for "Compliance"*1	Points	81.3	81.1	82.9	82.7	86.1	81.9	△	86.1	87.0
	Governance awareness survey score for "Employee satisfaction"*2	Points	80.8	80.6	82.0	82.0	82.5	81.5	△	82.0	83.0
Compliance and Risk Management	Number of serious violations of laws and voluntary norms	Cases	0	0	0	0	0	0	◎	0	0
Occupational Health and Safety Management	Lost-time accident frequency rate in the Construction Department	-	2.42	2.57	1.89	2.42	2.18	2.92	△	2.63	2.13
	Occupational illness frequency rate in the Construction Department	-	0.14	0.34	0.20	0.63	0.57	0.43	○	0.39	0.31

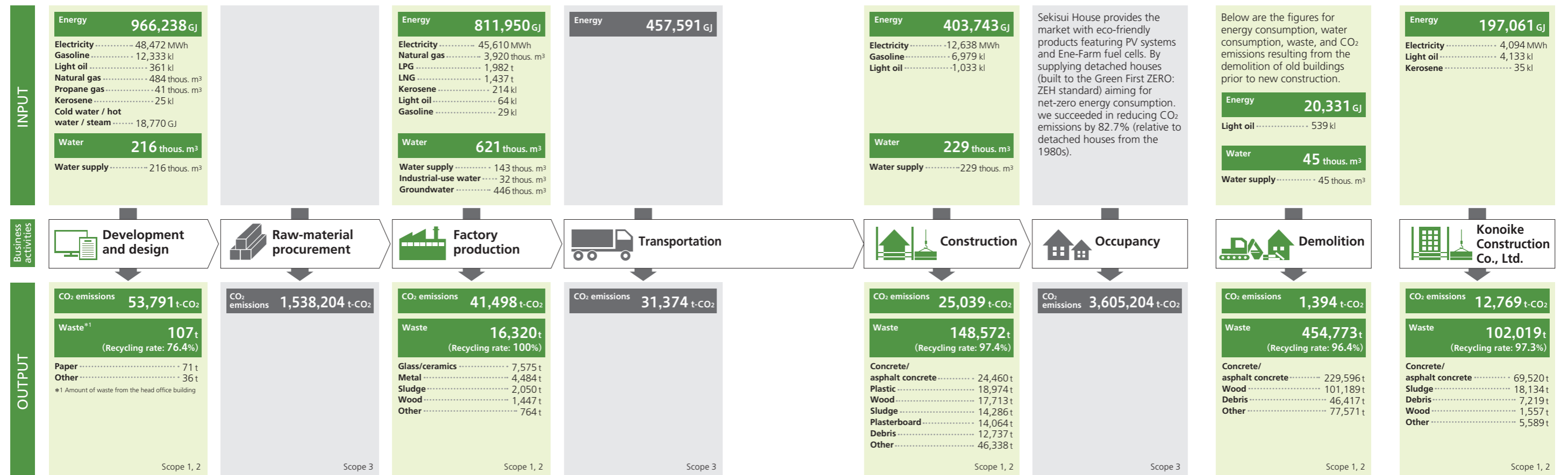
*1 Items that serve as indicators for the creation of an open workplace culture among all survey items of the annual governance awareness survey. Figures in the table are average values calculated as follows: "strongly agree": 100 points, "mostly agree": 75 points, "mostly disagree": 25 points, "strongly disagree": 0 points.
 *2 Average of all items in the governance awareness survey. The calculation method is the same as that stated in footnote 1 above.

Material Balance (Environmental Impact)

To make its environmental-conservation activities as effective as possible, the Sekisui House Group monitors and reports on environmental impact at each stage of the housing-product lifecycle—including development and design, raw-material procurement, factory production, transportation, construction, and occupancy—in Japan and overseas.

Scope: The subjects of this survey are Sekisui House, Ltd., its major consolidated subsidiaries in Japan (42 companies), and major consolidated subsidiaries overseas (11 companies). Scope 3 CO₂ emissions include those attributable to parties outside the Sekisui House Group.
 Period: The data is for FY2019 (from February 2019 to January 2020). The figures include estimates in cases where final data was unavailable at the time of calculation.
 Construction energy consumption, CO₂ emissions, and construction waste generated by Konoike Construction Co., Ltd., (which became a consolidated subsidiary in October 2019) during October to December 2019 are presented separately below.

FY2019 environmental impact of corporate activities



Note: All the figures for waste from business activities include valuables.

Notes on the data

Scope 1 and 2 emission amounts attributable to "construction" and "demolition" include CO₂ emissions resulting from construction and demolition by non-Sekisui House Group partner building contractors (applicable to Scope 3). As it is difficult to separate the figures due to housing construction and demolition conditions, the values are included in the calculations for Scope 1 and 2 for the sake of convenience.

Development and design (including sales and administration divisions and model homes)

- **Energy and CO₂:** Energy consumption and CO₂ emission at offices and model homes. Offices of Konoike Construction Co., Ltd. have been added to the target beginning with the current term (impact on reported values is minor).
- **Waste:** The volume of waste generated by the Sekisui House, Ltd. head office (including offices of consolidated subsidiaries in the same building)

Raw materials

- **CO₂:** Estimated CO₂ emissions associated with the production of materials purchased by factories of Sekisui House Co., Ltd.

Factory production

- **Energy and CO₂:** Energy consumption and CO₂ emissions at the five Sekisui House factories in Japan and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd., and the Ingleburn Manufacturing and Quality Control Centre (Australia)
- **Waste:** Waste generated by the five Sekisui House factories in Japan

Transportation

- **Energy and CO₂:** Energy consumption and CO₂ emissions at specified consignors and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd. (calculated according to the guidelines provided in the Act on the Rational Use of Energy and version 4.4 of the manual issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry)

Construction

- **Energy and CO₂:** Estimated energy consumption and CO₂ emissions resulting from new construction by 17 Sekiwa Construction companies and partner building contractors
- **Waste:** Waste generated via new construction, after-sales maintenance, and remodeling by Sekisui House, Ltd., 17 Sekiwa Construction companies, and three Sekisui House Remodeling companies

Occupancy

- **CO₂:** Estimated CO₂ emissions during occupancy at detached houses and low-rise rental apartments built from building components shipped from factories (calculated assuming an occupancy period of 60 years for detached housing and 45 years for low-rise rental apartments)

Demolition

- **Energy and CO₂:** Estimated energy consumption and CO₂ emissions resulting from the use of heavy machinery for demolition by 17 Sekiwa Construction companies and partner building contractors
- **Waste:** Waste generated via the demolition of housing and commercial buildings by Sekisui House, Ltd. and 17 Sekiwa Construction companies

Konoike Construction Co., Ltd.

- **Energy and CO₂:** Energy consumption and CO₂ emissions associated with domestic construction and civil engineering work (excluding demolition-only) with Konoike Construction Co., Ltd. as the lead manager. The fuel consumption by construction machinery is calculated from the number of operating days of construction machinery using the Japan Construction Machinery and Construction Association's loss table for construction machinery. Energy consumption and CO₂ emissions are only estimated for small-scale construction work at contracted amounts of less than 100 million yen.
- **Waste:** Amount of waste generated by domestic construction and civil engineering work with Konoike Construction Co., Ltd. as the lead manager.

[Remarks]
 ● We have a framework under which the head office receives reports of any violations of environmental laws or regulations at a factory. In FY2019, there were no major violations of greenhouse gas-related laws or regulations (no single case subject to criminal punishment, administrative penalty, or administrative guidance) nor any serious leaks of chlorofluorocarbons (CFCs).
 ● Sekisui House recycles all waste resulting from the production of materials purchased by factories. Of that total, the material-recycling rate was 94.9%.
 ● The water discharged from our factories into rivers meets the water-quality standards specified in Japan's Water Pollution Control Law and other relevant regulations and agreements. The water from our Tohoku, Kanto, Shizuoka, Yamaguchi, and Hyogo factories meets Sekisui House's in-house standards, which are stricter than the legal requirements.

FY2019 Accolades and Achievements

Environment

Climate change initiatives and information disclosure

January 2020 Included in CDP 2019 Climate Change A List



Community building and landscape

Egota-no-mori Project

May 2019

The Townscape Award, Urban Space Division, Excellence Award

Organizer: "Cityscape Day" Executive Committee
 Note: Joint entry with the Egota 3-chome District Town Planning Council, the Urban Revitalization Organization, and the Medical Corporation Kenkokai General Tokyo Hospital

October 2019

The Green City Awards, Green Business Activities, MLIT Minister's Prize

Organizer: Organization for Landscape and Urban Infrastructure
 Note: Award shared jointly with the Mori Living-In-Lab Council of Egota-no-mori, Urban Renaissance Agency, and Kenkokai Tokyo General Hospital



Townhouse in The Hermitage, Australia

October 2019

HIA NSW Housing Awards First Prize for Townhouse/Villa Development

Organizer: Housing Industry Association

Singapore Integrated Complex Development Watertown & Waterway Point

October 2019

Singapore Property Awards 2019 Integrated Complex Development, Medium-rise Condominium and Retail Categories

Organizer: FIABCI
 Note: Award shared jointly with Frasers Property Limited and Far East Organization

Kiara

November 2019 "Night of the Stars 2019" High-Rise Residential Development of the Year

Organizer: NAIOP
 Note: Award shared jointly with Holland Partner Group

Kids Design Awards

September 2019

Organizer: NPO Kids Design Association

(Designs to support comfortable child-rearing) Excellence Award (Minister of State for Gender Equality Award)

Ikumen Leave

Research on Baby OS

(thoughts and behaviors specific to infants under the age of 3)

Note: Joint entry with Combi Corporation



Egota-no-mori Project

Note: Joint entry with the Egota 3-chome District Town Planning Council, the Urban Revitalization Organization, and the Medical Corporation Kenkokai Tokyo General Hospital

(Designs contributing to the safety and security of children)

Wooden horizontal louver handrail

Note: Joint entry with LIXIL Corporation

(Designs that develop children's creativity and shape their future)

Fresco-painting workshop at Koji Kinutani Tenku Art Museum

Research into fatigue-fighting study environments

Note: Joint entry with Osaka City University, Graduate School of Medicine and RIKEN

Good Design Award

October 2019

Japan Institute of Design Promotion

Good Focus Award (Design of Community Development)

Condominium (Prime Maison Egota-no-mori, Grande Maison Egota-no-mori)

Note: Award shared jointly with Sakakura Associates Architects and Engineers, and Haseko Corporation



Prime Maison Ryogoku

Good Design Best 100

Apartment (Prime Maison Ryogoku)

House [Family Suite]



ESG Management

Sekisui House, Limited

April 2019

Selected as a Competitive IT Strategy Company 2019

Organizer: Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange



August 2019

Selected under the Bronze Class in the General Category and the Silver Class in the Industrial Category (Construction) of the Sustaina ESG Awards 2019

Organizer: Sustaina Japan Inc.

September 2019

Selected by U.S. S&P Dow Jones Indices and Swiss RobecoSAM for inclusion in the Dow Jones Sustainability World Indices (DJSI World) and the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)



Osaka Prefecture Men's and Women's Lively Business Operator Awards Men's and Women's Lively Excellence Award

October 2019

Gold Award in work with Pride's "PRIDE Index 2019," a system for evaluating companies' LGBT-related initiatives

Organizer: work with Pride



November 2019

2019 IT Award, Transformation Segment, IT Encouragement Award

Organizer: Japan Institute of Information Technology

December 2019

Forbes Japan Women Award 2019 Third place in the Corporate Category (more than 1,000 employee class)

Organizer: Forbes Japan

January 2020

Sustainability Site Award 2020 Silver Prize (Excellence Award)

Organizer: CSR Communication Association

February 2020

Selected by RobecoSAM as "Silver Class" in the homebuilding category in the RobecoSAM Sustainability Award 2020



Osaka City Women's Leading Company, Mayor's Award Grand Prize

March 2020

2020 Certified Health and Productivity Management Outstanding Organizations Certified in the large enterprise category "White 500"

Organizer: Japan Ministry of Economy, Trade and Industry



Disaster Response Kids' Education Support Project

March 2020

Japan Resilience Award Excellence Award

Organizer: Association for Resilience Japan
 Note: Award shared jointly with Sankei Shimbun Co., Ltd. and Osaka Gas Co., Ltd.

February 2020

Corporate Award for Promoting Youth Experience Activities Judging Committee Encouragement Award

Organizer: Japan Ministry of Education, Culture, Sports, Science and Technology
 Note: Award shared jointly with Sankei Shimbun Co., Ltd. and Osaka Gas Co., Ltd.

Koji Kinutani Tenku Art Museum

June 2019

Certified under "This is MECENAT 2019"

Organizer: Association for Corporate Support of the Arts

Sustainability Report 2019

February 2020

23rd Environmental Communication Awards Selected Hall of Fame Enterprise in the Environmental Report Category

Organizer: Ministry of the Environment and the Global Environmental Forum



Independent Third-Party Assurance Report

A third party was engaged to provide assurance on Sekisui House, Ltd.'s Sustainability Report 2020 and to verify that the report provides reliable information on the company's energy consumption; waste and greenhouse gas emissions volumes; water used in factory production; and social reporting (occupational illnesses and frequency of accidents resulting in lost worktime). The J-SUS symbol indicates that a report has undergone an accreditation review under methodology adopted by the Japanese Association of Assurance Organizations for Sustainability Information.



This is an English translation of the "Independent Assurance Report" dated May 13, 2020 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the "Sustainability Report 2020" published in Japanese by Sekisui House, Ltd.

Independent Assurance Report

Sekisui House, Ltd.
Mr. Toshinori Abe, the Chairman & Representative Director,
Mr. Yoshihiro Nakai, the President & Representative Director

We were engaged by Sekisui House, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators listed below for the period from February 1, 2019 to January 31, 2020 (the "Indicators") included in its Sustainability Report 2020 published in Japanese (the "Report") for the fiscal year ended January 31, 2020.

Indicators and pages in the Report

Indicators	pages
Accidents resulting in lost worktime and occupational-illness frequency rates	58
Amount of CO ₂ emissions of "Scope 1", "Scope 2", "Total of Scope 1, 2" and Scope 3 "Category 1", "Category 4", "Category 5", "Category 11" and "Category 12" in "FY2019 value chain CO ₂ emission status (outline of Scope 1, 2, 3)"	65
Energy (total amount and itemized details by energy source) and Water supply, Industrial-use water and Groundwater of "Factory production" in "Input"	67, 68
Amount of CO ₂ emissions and Waste (total amount and itemized details by waste category) in "Output"	67, 68

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Company's web site.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of J-SUS. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on 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 recalculating the Indicators.
- Visiting two construction sites managed by one of the Company's subsidiaries selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

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 Company's web site.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
May 13, 2020