SEKISUI HOUSE



Value Report 2022

— Our Engagement

For the year ended January 31, 2022

SEKISUI HOUSE, LTD.

Foreword to *Value Report 2022*

— A company is made of its people. By acting with Love of Humanity, our employees will become a group who share a common destiny, and who share the same goals through the good times and the bad. If everyone participates in running the company, there will be no conflict between employees and management, and this will serve as the driver in growing the company. If Love of Humanity exists between ourselves and our partner contractors, builders, and suppliers, we will be able to prosper together, and the foundation of the company will be reinforced. —

The Sekisui House Group is proud of the technical capabilities, construction capabilities and customer base it has created since its founding. These core competencies empower our corporate activities.

Since our founding, we have always been in synch with the times. To consistently address the needs of customers and society, we have developed advanced technologies and human resources to support the Group.

The Sekisui House Group's global vision, and our promise to stakeholders, is to "make home the happiest place in the world" as we move forward. We will make our vision a reality by improving corporate value as a sustainable company and consistently providing happiness in the era of the 100-year lifespan.

We have named this report *Value Report 2022—Our Engagement* to reflect our desire to tell our story and engage in dialogue with stakeholders from business, financial and non-financial perspectives.

We hope to reach the hearts of our stakeholders.

Communication Overview

	Financial Information	Non-Financial Information
Dialogue	• **Briefings on earnings results and management plans** • **Meetings with analysts and investors** • **General Meeting of Shareholders**	• **Briefings on ESG management** • **Meetings with stakeholders**
Reports	• ***Securities Report*** (Japanese only) • ***Business Report***	• ***Value Report (Integrated Report)***  A medium for disclosing information that incorporates our conventional *Integrated Report* and *Sustainability Report* and uses new approaches to discuss corporate value by disclosing financial and non-financial information and a wide array of data. • ***Corporate Governance Report***
Website	 **Investor Relations**	 **Sustainability/ESG Management**

Scope of Report

Sekisui House, Ltd. and its consolidated subsidiaries

Period Covered

February 1, 2021 to January 31, 2022
Some information from before and/or after this period is included.

Reference Guidelines

- The International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)
- "Guidance for Collaborative Value Creation," Ministry of Economy, Trade and Industry
- "Environmental Reporting Guidelines 2018," Ministry of the Environment
- ISO 26000 (Guidance on Social Responsibility), International Organization for Standardization
- "Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures," Task Force on Climate-related Financial Disclosures (TCFD)

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Editorial Policy

This report elucidates the corporate story of Sekisui House. It uses the process of determining material issues to help readers understand the corporate value and significance of the Sekisui House Group, and clearly expresses the vision of the Sekisui House Group through the value creation process. We produced this report with the primary purpose of helping readers understand our businesses and initiatives.

This report incorporates the *Integrated Report* and the *Sustainability Report* we formerly published separately in order to provide a broad array of ESG information for all stakeholders, including institutional investors and shareholders. It has been created as a new attempt to explain Sekisui House's corporate value from business, financial and non-financial perspectives in a single publication.

Note on Forward-Looking Statements

Forward-looking statements in this report, such as performance forecasts, are estimates made by the Company based on information available at the time this report was prepared and include potential risks, uncertainties and other factors. Please be aware that actual results may differ significantly from forecasts due to changes in various factors.

Navigating the Report (online version)

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Business Portfolio

The Sekisui House Group divides its operations into four areas: the built-to-order business, supplied housing business, development business, and overseas business. The built-to-order business creates high-quality housing stock on land owned by the customer. The supplied housing business works to increase the asset value of housing stock through remodeling and supports the management of rental housing through subleasing. The development business starts from land acquisition and other investments to create high-quality communities. The overseas business provides housing markets in other countries with the quality and advanced technologies we have cultivated in Japan.



Overseas business
15.0%
¥388.9 billion

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Overseas business

Sales: ¥388.9 billion

Sales of detached houses; preparation, development and sales of residential land; and development of condominiums for sale, rental condominiums, and other properties in overseas markets

Business regions

United States, Australia, United Kingdom, China and Singapore



Development business
14.9%
¥384.8 billion

Houses for sale

Sales: ¥191.4 billion

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

Condominiums

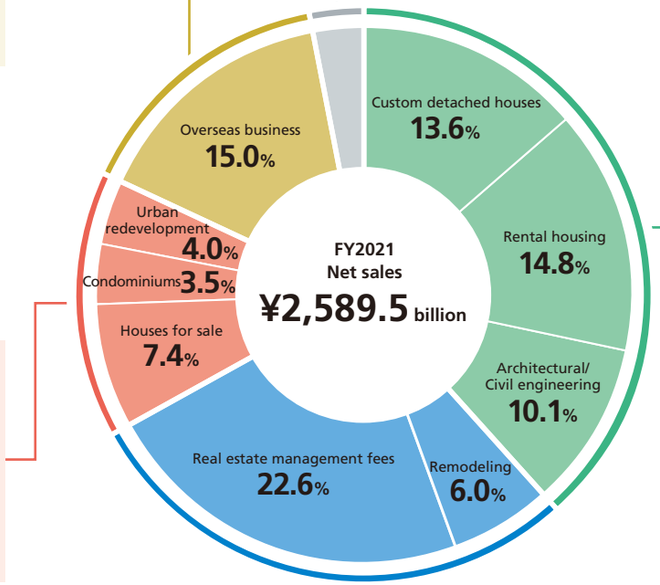
Sales: ¥90.6 billion

Sales of condominiums

Urban redevelopment

Sales: ¥102.7 billion

Development of office buildings and commercial facilities; management and operation of real estate owned by the Sekisui House Group



Built-to-order business
38.6%
¥998.6 billion



Custom detached houses

Sales: ¥352.7 billion

Contracting of design of custom detached houses and construction of commercial buildings and other properties

Rental housing

Sales: ¥384.0 billion

Contracting of design and construction of rental housing, commercial buildings and other properties

Architectural/ Civil engineering

Sales: ¥261.9 billion

Construction of reinforced concrete rental housing and commercial buildings, and contracting of design and construction of civil engineering works

Supplied housing business
28.6%
¥741.1 billion



Remodeling

Sales: ¥156.1 billion

Remodeling and renovation of houses, etc.

Real estate management fees

Sales: ¥584.9 billion

Subleasing, management, operation and brokerage of real estate, etc.

Sekisui House at a Glance



The world's largest cumulative number of dwellings built

2.54 million units

(As of January 31, 2022)

The housing industry's leading ZEH track record by far

Helping provide **happiness in the era of the 100-year lifespan**

Platform House Concept

Targeting supply of **10,000** detached houses per year **by 2025** in our overseas business

ESG management

that begins with **innovation and communication**

A 20-year track record for the *Gohon no Ki* Project

Quantitative evaluation of benefits for biodiversity conservation

Pioneering **new possibilities** in housing

Family Suite

Unrivaled

Sekisui House Technology

Ramped up governance reforms

Corporate Philosophy

Love of Humanity — Our philosophy

With an awareness that each and every human being is precious and irreplaceable, we will wish for the happiness of others, make their joy our own, and act with integrity and in the spirit of service.



Our Vision








The Sekisui House Global Vision

Make home the happiest place in the world








The Sekisui House Group Vision

Global Vision and Sustainability Vision 2050

The Sekisui House Group conducts various businesses to create unique value based on its corporate philosophy.

Now, under the global vision we announced in 2020 to make home the happiest place in the world, we aim to create value for residents in the era of the 100-year lifespan as we steadily transform into a global company that offers integrated technologies, lifestyle design and services based on the residential domain.

Moreover, in anticipation of accelerating changes in social conditions, we have established Sustainability Vision 2050, which sets forth medium-to-long-term goals, issues and targets for the Sekisui House Group to sustainably create value together with its stakeholders. By reflecting this vision in our business strategies, we are working to improve both our corporate value and value for society.

Through our business activities, each Sekisui House Group employee puts into practice our philosophy of love of humanity.

The Sekisui House Global Vision

Make home the happiest place in the world



Propose happiness through the integration of technologies, lifestyle design and services



Become a leading company in ESG management



Make Sekisui House technologies the global de facto standard

Our philosophy
Love of Humanity

Sustainability Vision 2050

Leading the Way to a Decarbonized Society
Zero CO_2 Emissions within the Housing Lifecycle

Leading the Way to a Diverse Society
Contributing to a Society in Which All Can Demonstrate Their Individual Abilities

Leading the Way to a Society in Which Humans and Nature Coexist
Maximizing Ecosystem Networks through Business

Leading the Way to a Resource-Recycling Society
Expanding Zero Emissions Initiatives within the Housing Lifecycle

Leading the Way to an Advanced, Healthy and Long-lived Society
Contributing to Health and Longevity through Housing Development

Sustainability Vision 2050

The Building of Sekisui House—Our Corporate Story

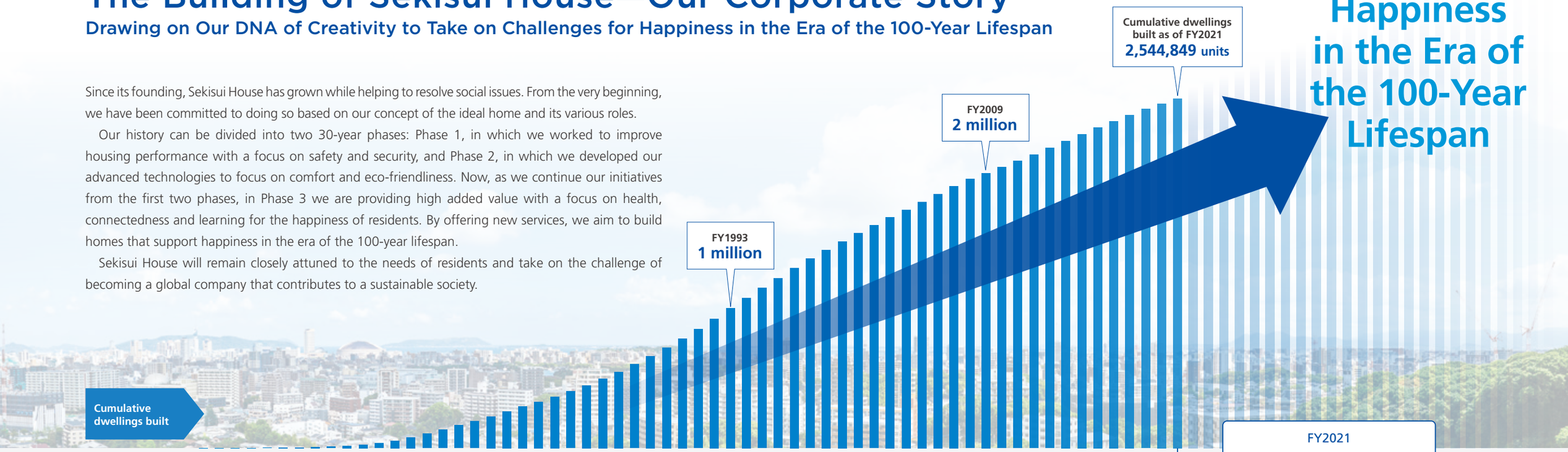
Drawing on Our DNA of Creativity to Take on Challenges for Happiness in the Era of the 100-Year Lifespan

Since its founding, Sekisui House has grown while helping to resolve social issues. From the very beginning, we have been committed to doing so based on our concept of the ideal home and its various roles.

Our history can be divided into two 30-year phases: Phase 1, in which we worked to improve housing performance with a focus on safety and security, and Phase 2, in which we developed our advanced technologies to focus on comfort and eco-friendliness. Now, as we continue our initiatives from the first two phases, in Phase 3 we are providing high added value with a focus on health, connectedness and learning for the happiness of residents. By offering new services, we aim to build homes that support happiness in the era of the 100-year lifespan.

Sekisui House will remain closely attuned to the needs of residents and take on the challenge of becoming a global company that contributes to a sustainable society.

Happiness in the Era of the 100-Year Lifespan



FY	1970	1980	1990	2000	2010	2020	FY2021
Net sales (Billions of yen)	¥34.4 (non-consolidated basis)	¥430.0	¥1,090.3	¥1,364.8	¥1,488.3	¥2,446.9	Net sales: ¥2,589.5 billion
Operating income (Billions of yen)	¥3.7 (non-consolidated basis)	¥39.1	¥82.4	¥96.0	¥56.3	¥186.5	Operating income: ¥230.1 billion

1960 — **Phase 1: 1960–1990** — 1990 — **Phase 2: 1990–2020** — 2020 — **Phase 3: 2020–** — 2050

	Phase 1: 1960–1990	Phase 2: 1990–2020	Phase 3: 2020–
	Safety and Security	**Comfort and Eco-Friendliness**	**Health, Connectedness and Learning**
Innovation	Improved housing performance	Developed advanced technologies	Providing high added value
People	Developed human resources, including technicians	Promoted diversity	Self-directed careers

Social and economic trends Key events

Period of high economic growth
1963 Sekisui House joined the Japan Prefabricated Construction Suppliers and Manufacturers Association
1967 New housing starts in Japan exceeded 1 million for the first time

Period of steady economic growth
1973 First oil crisis
1978 Second oil crisis

Bubble economy
1989 Consumption tax introduced (3%)

Bubble economy collapsed
1991 Gulf war
1995 Great Hanshin-Awaji Earthquake
1997 Consumption tax increased (3% → 5%)

Global financial crisis
2001 September 11 (9/11) terrorist attacks in the United States
2006 Basic Act for Housing came into effect; transition from quantity to quality
2008 Global financial crisis beginning with the bankruptcy of Lehman Brothers
2009 Housing starts in Japan fell below 1 million for the first time in 42 years

Abenomics
2011 Great East Japan Earthquake
2014 Consumption tax increased (5% → 8%)
2019 Consumption tax increased (8% → 10%)

COVID-19 pandemic
2020 Global COVID-19 pandemic

The Building of Sekisui House—Our Corporate Story

Phase 1: 1960-1990

Safety and Security

A 30-Year Focus on High Quality, High Performance, Safety and Security in Housing Construction

Our founding mission was to help resolve the housing shortage caused by a rapid increase in demand during this period of high economic growth. We played a part in post-war reconstruction by popularizing pre-engineered housing with a short construction timeframe and ensured safety and security by providing shelter through houses that protect lives and property in Japan, where natural disasters are frequent. We led the housing industry with initiatives that were industry firsts, such as the adoption of metric specifications.



Sekisui House's Innovations

We took a variety of approaches to resolving housing problems and to providing homes as shelter to ensure people's safety and security. Our ongoing initiatives in each of these areas helped improve housing performance.

Launch of Sekisui House Model B

Launched Sekisui House Model B, the origin of our current mainstay products, in 1961. We were the first in the Japanese housing industry to introduce metric specifications (1 meter = 1,000 mm). This led to the creation of more space than the use of traditional *shaku* specifications (1 *shaku* = approximately 910 mm). We also improved insulation performance and adopted aluminum sashes for windows. In addition, we enhanced design freedom by developing our Universal Frame System, an original steel frame construction method.

Production Bases Opened

The Shiga Factory began operating in 1961. It met rapidly growing demand for high-quality housing based on our approach of ensuring quality and stable supply through production of components at our own factories. This led to improved housing performance.

Direct Sales and Design-Build System Established

In 1964, Sekisui House transitioned from using sales agents to direct sales. We also established our design-build system, in which we take full responsibility until completion, and also provide after-sales service. In 1973, we established Sekiwa Construction to guarantee high quality by conducting foundation work in-house. Enhancing our approach with direct sales and the design-build system provided greater peace of mind for customers.

Demonstration of the Earthquake Resistance of Our Houses

In 1979, we conducted the first set of full-scale vibration experiments on a prefabricated house at the National Research Center for Disaster Prevention (currently the National Research Institute for Earth Science and Disaster Prevention). Repeated verification using the most sophisticated shaking table then available proved that our building was able to withstand powerful earthquakes. We continue to conduct experiments to evaluate and improve the earthquake resistance of our housing.

Long-Term Warranty System Initiated

In 1980, the Housing Performance Warranty Program was initiated, covering defects in newly built houses. At Sekisui House, we believed that it was our responsibility as a corporation to address complaints. Therefore, in 1982 we collaborated with the Japan Prefabricated Construction Suppliers and Manufacturers Association to come up with revisions to the Voluntary Standards for Prefabricated Housing. Extending the warranty on the framing and waterproofing from two to ten years marked the beginning of a new era for the industry.

Customer Service Centers throughout Japan

We established Customer Service Centers in 1987 to provide after-sales service and conduct business activities based on direct dialogue with owners. In 2004, we also opened centers that operate outside of normal working hours to offer emergency repairs and consultations at any time. We value our relationship with owners even after they take possession of their home and we are committed to ensuring comfortable living—now and always.

Improved housing performance

- Created the lifelong housing concept
- Initiated direct sales and the design-build system
- Established the Comprehensive Housing R&D Institute

The People Who Support Sekisui House

Employees are the source of our innovative technologies and services. As a leading ESG management company, we therefore have a responsibility to develop them. We are implementing initiatives to develop the human resources who will support Sekisui House and to ensure that our technologies are passed on.

Developed human resources, including technicians

- Development of skills for each job type and rank
- Created education and training centers and original ability tests
- Established in-house certification systems and education and training requirements

The Building of Sekisui House—Our Corporate Story

Phase 2: 1990-2020

Comfort and Eco-Friendliness

A 30-Year Focus on Comfort and the Environment

As environmental issues and climate change became more apparent worldwide, we focused on meeting the needs of residents seeking comfortable lives. We led other companies in further enhancing superior technologies in areas such as earthquake resistance, durability and insulation to establish a substantial track record in comfort for residents and eco-friendliness through energy-saving housing and other measures. We also focused on providing comfort and eco-friendliness for entire communities through town development and redevelopment projects.



Sekisui House's Innovations

In addition to addressing the need for housing that provides safe, secure shelter, we studied a wide range of technologies to develop the most sophisticated approaches to meeting residents' needs for comfort.

Full Commitment to Universal Design

Drawing on our concept of lifelong housing, which we formulated in the 1980s, we apply Sekisui House Universal Design to all of our detached houses to make daily life easier for residents. Furthermore, we promoted smart universal design for comfort. We also started training designers who could make detailed proposals to address the needs of people with disabilities, and have since focused on providing comfort for a greater range of people through design.

Improved Insulation Performance

In 2003, we became the first major domestic housing manufacturer to adopt next-generation energy-saving specifications that satisfy three criteria set by the government—for insulation, airtightness and ventilation systems. These specifications became standard for all of our newly built detached houses. Doing so improved floor insulation performance by about 20% compared to conventional insulation, and helped reduce environmental impact.

Implemented the Green First Strategy

In 2009, Sekisui House led the housing industry with the launch of the Green First house that provides comfortable, economical and eco-friendly living. Green First houses reduce energy consumption through the use of high-performance insulation and energy-saving technology. They also offset energy consumed through the use of a photovoltaic power generation system and the Ene-Farm household fuel cell, leading to a 60%–80% reduction in household CO_2 emissions during occupancy. We evolved the technology further and are now promoting it in the form of our net zero energy house (ZEH).

Slow Living

We marked our 50th anniversary in 2010 by starting sales of housing offering "slow living" that connects indoor and outdoor space. We analyzed comfort using a scientific approach based on thorough research data. The result was large sliding glass doors with fully recessed bottom sashes on rails that when open create a large continuous space from inside the house to outside under the eaves.

Human Life R&D Institute Opened

The Human Life R&D Institute studies "houses where happiness grows the longer you live there." It conducts surveys and research on living and ideal lifestyles with the aim of fostering well-being through intangible value. Research into creating the next generation of housing has led to improvements in advanced technologies that integrate technologies and lifestyle design. The result was the launch of Family Suite. In addition, we provide comfortable living by addressing diversifying lifestyles with customizable design.

Developed advanced technologies

- Original SHEQAS seismic control system
- Airkis high-quality indoor air system
- Green First ZERO (ZEH)
- Flexible ß System

The People Who Support Sekisui House

We are focusing on various initiatives to promote employee diversity because we believe that diversity will foster a vibrant culture in which the entire Group can innovate and communicate, further enhancing corporate value.

Promoted diversity

- Participation of women
- Hiring of people with disabilities
- Respect for human rights
- Workstyle reforms

The Building of Sekisui House—Our Corporate Story

Phase 3: 2020–

Health, Connectedness and Learning

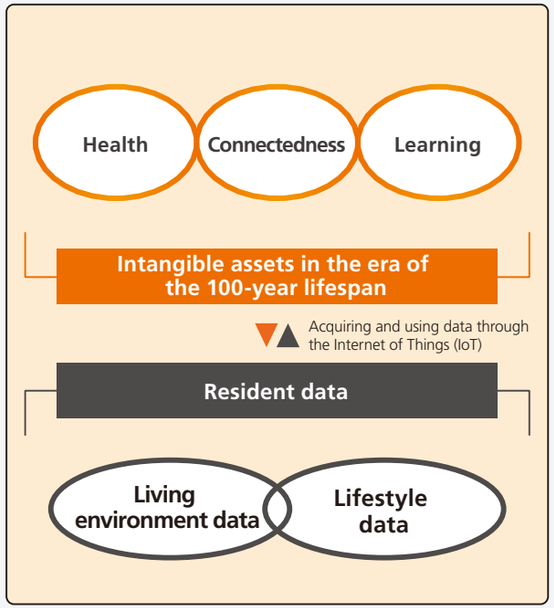
Providing Value from Housing with a Focus on Health, Connectedness and Learning

Since it began in 2020, the COVID-19 pandemic has increased time spent at home and changed lifestyles. This has led to growing interest in and demand for purchasing a home and diversifying needs for the way housing is used. The housing business must provide new value in the era of the 100-year lifespan, and we will do so by ramping up the integration of our technologies, lifestyle design and services.



Sekisui House's Innovations

Aiming to provide happiness in the era of the 100-year lifespan, we will further evolve the technologies we cultivated in Phase 1 and Phase 2 as the basis for initiatives that are closely attuned to the lives of residents.



Evolution of hardware as a platform

The Use of IoT Technology

Our proactive use of IoT technology enables us to create high-quality, high-performance housing while improving productivity. We are using digital technologies to transform our businesses in order to meet diversifying needs for housing.

The Platform House Concept

To propose new housing concepts that will help residents achieve happiness in the era of the 100-year lifespan, Sekisui House is expanding its business from the residential domain to include lifestyle services. In Platform Houses, we will be able to incorporate services related to health, connectedness and learning, and tailor those services to each resident.

HED-Net: An In-Home Early Detection Network for Acute Illnesses

We designed HED-Net, the first service in the world that uses contact-less biosensors installed in the home to detect heartbeat and respiration, and to send an alert to emergency call centers for safety confirmation in the event that an abnormality is detected.

PLATFORM HOUSE touch

PLATFORM HOUSE touch is the first phase of our Platform House Concept. The floor plan of this smart home service is linked to a smartphone app, enabling remote control of home devices from inside or outside using the big data of the house.

Providing high added value

- Family Suite
- SMART-ECS
- Integration of technologies, lifestyle design and services

The People Who Support Sekisui House

We are committed to supporting the self-directed careers employees, and conduct initiatives to foster an innovative corporate culture.

Self-Directed Careers

- Creation of the next generation of leaders
- Employee engagement

Sekisui House's Material Issues

Drawing on its corporate philosophy of love of humanity, for more than 60 years the Sekisui House Group has been delivering new value through its businesses ranging from safe, secure housing to comfort and environmental consideration while helping to resolve contemporary social issues.

In the process, we have been addressing material issues, which is the social mission we embrace in moving our businesses forward.



Process for Identifying Material Issues

We address environmental and social issues and contribute meaningfully to resolving them through our businesses. In 2022, we reviewed material issues in updating our corporate story, which involved matters important to shareholders, investors, customers, business partners, employees and other stakeholders and the impact we have on the economy, environment and society. Since day one, our businesses have created corporate value while addressing material issues. This is the source of our originality and our strength.



The Value and Materiality Created by the Building of Sekisui House

Since its founding, Sekisui House has delivered value as part of its unwavering commitment to customer happiness, social happiness, and employee happiness through its businesses based on its corporate philosophy of love of humanity. Society values Sekisui House because of all we have done over the past 60 years, which is indeed a defining materiality.

Sekisui House has identified creation of high-quality housing stock, contributing to a sustainable society, and diversity and inclusion as its latest material issues. They are the basis for our ongoing commitment to providing sophisticated value with the goals of contributing to happiness in the era of the 100-year lifespan and making home the happiest place in the world.

Global Vision

Make home the happiest place in the world

The Building of Sekisui House—Our Corporate Story

Phase 3 Health, Connectedness and Learning	Providing high added value Self-directed careers
Phase 2 Comfort and Eco-Friendliness	Developed advanced technologies Promoted diversity
Phase 1 Safety and Security	Improved housing performance Develop human resources, including technicians

Value Delivered

Create Value That Contributes to Happiness in the Era of the 100-Year Lifespan

Customer happiness	Safety and security	Comfort
	Asset value creation	
	Extended useful life of housing	
Social happiness	Decarbonization	Biodiversity conservation
	Resource recycling	Coexisting with local communities
	Occupational health and safety & supply chain	
Employee happiness	Promote diversity	Employee happiness and health
	Diverse workstyles and job satisfaction	
	Human resource development and self-directed careers	

Material Issues



- Creation of High-Quality Housing Stock
- Contributing to a Sustainable Society
- Diversity and Inclusion

Corporate Philosophy of Love of Humanity, and Corporate Governance

Creation of High-Quality Housing Stock

Sekisui House's Technology and Mindset Back Our Material Issues

Focus on housing performance that encompasses safety, security and comfort as well as beauty to provide housing of value where customers can live for generations.



Technology to Improve Housing Performance Creates Safety, Security, and Comfort

Sekisui House focuses intensely on the ground and foundation, which are key to the useful life and accuracy of a house. The prevalence of soft ground in Japan necessitates investigation of the ground that supports a structure's foundation, but expensive and large-scale boring surveys prior to the construction of detached houses were not common in the past. Sekisui House addressed this situation by initiating preliminary ground surveys at construction sites in 1976 using Swedish weight sounding tests, which are now the norm. We were the first private housing manufacturer in Japan to attempt this approach.

We have been researching foundation methodologies since 1972 and developed our "1260 foundation" in 1974. This approach involves a single pour of ready-mixed concrete into a metal foundation frame form, and results in excellent uniformity, strength, and construction efficiency. We then turned to research and development for consistent quality, reduced labor, and improved durability. In 1992, we completed development and launched our proprietary "1660 foundation" that features a direct joint between framing and slab. As a result, none of our buildings were partially or completely destroyed by large seismic events such as the Great Hanshin-Awaji Earthquake of 1995, and the 1660 foundation remains our go-to approach.

In addition, Sekisui House has demonstrated effective safety and security using aseismic technology. Seismic resistance, seismic control, and seismic isolation technology are the three types of aseismic approaches, and we have been conducting proof-of-concept tests on the seismic resistance of our buildings since 1979. None of our buildings were completely or partially destroyed by the Great Hanshin-Awaji Earthquake, demonstrating their outstanding seismic resistance. In 2003, we announced a seismic isolated house, and in 2007, we announced our original SHEQAS seismic control system that is certified by the Ministry of Land, Infrastructure, Transport and Tourism. The innovative technologies we develop and put to use extend the life of housing, complementing ongoing initiatives to provide safe and secure homes to as many customers as possible.

Committed to comfortable housing, we improved insulation performance by making Centrage ∑ multi-layered high-performance heat insulating glass standard in 1996, and then made a next-generation energy-saving system standard in the GRENIER-DYNE series in 1999. We subsequently made these standard in all detached houses, which has helped to reduce environmental impact. We also consider the comfort of residents, and have made the Airkis high-quality indoor air system standard in all detached houses. Our latest initiative to provide housing that is comfortable for residents is our net zero energy house (ZEH).

Our Lifelong Housing Concept: Providing High-Quality Housing for Lifetimes

In 1989, Sekisui House launched its concept of lifelong housing that provides "comfortable living —now and always." Lifelong housing is durable and allows families to adapt easily to lifestyle changes. It also ensures safety and independence while helping residents respond to mental and physical changes due to aging or illness. This concept has been driven by our research into housing for the elderly and handicapped since 1975. Lifelong housing is a design concept that is a clear expression of our corporate philosophy of love of humanity. We built on our research and experience to establish

SH-UD (Sekisui House Universal Design) in 2002. Today, we are applying universal design that makes living easy in all of our detached houses.

Sekisui House is extending the useful life of homes through after-sales maintenance and the remodeling businesses in providing homes for the era of the 100-year lifespan. We systematized owner information and began visits to owners in 1985, then opened our first customer service center in Tokyo in 1987. We now have 30 customer service centers throughout Japan, reflecting how highly we value our customers. We also entered the remodeling business in 1999 by opening our first remodeling centers in Kanagawa and Osaka. We provide customized services even after we deliver homes to customers so that they can enjoy "comfortable living —now and always" over 20, 30 or even 50 years as their family structure and lifestyle changes. In 2005, we spun off the remodeling business into Sekisui House Remodeling to make lifestyle proposals and consistently provide satisfaction. Collaboration with our customer service centers enhances our ability to make proposals.

Sekisui House wants to maximize asset value for owners and provide them with housing for lifetimes. We therefore provide regular inspections and maintenance ranging from repair to reinforcement through our customer service centers, and provide equipment and living space upgrades and design change proposals through our remodeling business.

Well Known for Brand and Beauty

The market for mass-producible prefabricated housing has grown rapidly since 1971, supported by national policies to promote industrialization and strong housing demand. The number of homes exceeded the number of households in all Japanese prefectures in 1973, which initiated an era of quality over quantity in the housing market in which demand for multi-functional and luxury features increased while customer needs diversified. Sekisui House had been customizing designs for each customer since its establishment, and in 1971 pivoted to higher-quality prefabricated housing that addressed customer needs for higher quality in ways such as upgrading and modernizing its existing design portfolio.

In 1978, we began selling our Grenier series of homes developed with a full-scale marketing program. We complemented our emphasis on tangible features such as performance and construction method with compelling design and lifestyle proposals to brand the series as homes with a beautiful external appearance and way of life.

In 1984, we launched IS FLAT homes that were first to use the DYNE CONCRETE exterior wall material that we developed independently. Customer support was strong because of the expressive exterior design, texture and sophisticated elegance of DYNE CONCRETE, which features excellent fire resistance, thermal and sound insulation, durability, and strength. IS FLAT expressed Sekisui House's vision of housing as a social asset that holds its value, offers affluence and comfort, is suitable for long and narrow or irregular urban lots, and can be passed down generation after generation over 100 years, from parents to children to grandchildren. In 1987, we launched our best-in-class IS STAGE product that featured improved thermal and sound insulation and expansive interior spaces. Our IS series has continued to develop as a successful brand and our flagship product.

The Bellburn earthenware exterior wall panels we released in 2001 suggest fine stoneware pottery, and are appealing to customers who are discerning about design. We originally deployed these panels for the exterior walls of our SHAWOOD wooden-frame houses, then used them for the M'GRAVIS and M'GRAVIS Bellsa top-end SHAWOOD line products to enhance the upscale image of the SHAWOOD brand.

Sekisui House Town Development Concepts

Since initiating full-scale town development, Sekisui House has been committed to creating sustainable towns where asset value increases over the years and residents can live comfortably well into the future. Our goal is beautification over time. Houses form the basis of daily life in a town, which is a stage that supports the lives of the inhabitants. Interaction among the residents of a town is the medium that nurtures the local community and culture, and eventually the formation of social assets in a vitalized region. Sekisui House therefore complements fundamental town development components such as building layout plans and road design with an emphasis on greenery, parks and common spaces as mechanisms that encourage interaction between residents and revitalize communities. Sekisui House constantly innovates to improve housing performance while developing towns around a common ethos that emphasizes lifestyle and the connection between community culture and the environment. We have consistently improved the sustainability of towns with initiatives that have included people-centered town development in harmony with the environment launched in 1989; town security strategies for living with peace of mind initiated in 2002; initiatives for eco-friendly towns that employ fuel cells launched in 2007; and initiatives to support community formation by planning and providing community spaces and events from 2009.

We also employ the expertise we have gained in community development for Sha Maison rental housing, GRANDE MAISON condominiums, mixed-use development, and office building development. In addition, we deploy this expertise internationally, where our common ethos is central to the town of Camden Hills we designed in Australia. Sekisui House is well known for town development that creates living spaces and environments with consideration for the community and the environment.

Creation of High-Quality Housing Stock

Themes and KPI for Material Issue Initiatives

Material Issue Categories

Safety and security
Comfort
Asset value creation
Extended useful life of housing

KPI Categories

- Customer satisfaction rate
- Proposals of technologies, lifestyle design and services
- Residence evaluation
- Percentage of houses certified as Long-Term Quality Housing
- Rental housing occupancy rate
- Platform House Concept
- Sha Maison Gardens
- SumStock ratio

Material Issue	Category	No.	Indicator	Officer remuneration indicators PSU1*	Officer remuneration indicators PSU2*	Fifth Mid-Term Management Plan	President commendation ESG indicators	Unit	FY2020 Target	FY2020 Result	FY2021 Target	FY2021 Result	FY2022 Target	Remarks
Creation of High-Quality Housing Stock	Safety and Security Comfort	1.	Detached house customer satisfaction rate					%	95% or higher	96.1%	95% or higher	96.0%	95% or higher	
		2.	Rental housing occupancy rate					%	95% or higher	97.7%	97% or higher	97.9%	97% or higher	
	Asset Value Creation	3.	New proposals of technologies, lifestyle design and services					—	—	Launch of *Ouchi-de-Sumai Zukuri* and SMART-ECS	—	Launch of Family Suite *Ouchi* Premium II	—	
		4.	Platform House Concept to help customers achieve happiness in the era of the 100-year lifespan					—	—	Start of HED-Net pilot project	—	Sales of PLATFORM HOUSE touch initiated	—	
		5.	Internal standard for evaluating detached houses with exterior design and greenery that beautify the community (residence evaluation)				○	%	—	—	50% or higher	68%	70% or higher overall Third-range products: 85% or higher	4 stars or higher
		6.	Internal standard for evaluating the townscape attractiveness of rental housing that emphasizes resident safety, security and comfort (Sha Maison Gardens)				○	%	—	—	50% or higher	55%	55% or higher	4 stars or higher
	Extended Useful Life of Housing	7.	Percentage of detached houses certified as Long-Term Quality Housing					%	—	93%	—	93%	90% or higher	
		8.	Ratio of SumStock housing in the Group's existing home transactions					%	—	59%	—	70%	75% or higher	

PSU: Performance Share Unit (performance-related stock remuneration)

Contributing to a Sustainable Society

Sekisui House's Technology and Mindset Back Our Material Issues

Contributing to a sustainable society through our businesses from the perspective of people, towns and the Earth is our social mission as a housing manufacturer.



Reducing Environmental Impact Is a Social Mission

Sekisui House announced its Environmental Future Plan in 1999 and initiated full-scale environmental measures throughout the Group to fulfill its social mission as a housing manufacturer. The energy used from housing construction through residence and disposal accounted for about 20% of total energy consumption in Japan at that time. We therefore placed the effective use of resources and energy at the center of the environmentally responsible housing strategies we formulated. We began by creating an environmental charter with three basic environmental guidelines at its core: preserving the global environment, improving the living environment, and contributing to society. We subsequently established environmental action guidelines to build on our basic guidelines with the following four strategies for specific actionable goals: (1) reduce CO_2 emissions by improving insulation, (2) effectively use resources and reduce waste, (3) improve the value of housing stock by extending the life of buildings, and (4) promote community-friendly town development.

Well before the term "decarbonization" came into use, our action guidelines and strategies for specific actionable goals reflected the climate change issues resulting from global warming that have come to the fore worldwide. They are representative of our corporate commitment and mission as a housing manufacturer to think about and act on solutions to environmental issues. Over time, our basic environmental guidelines and environmental action guidelines have made Sekisui House a leading company in ESG management in the industry that consistently implements environmental initiatives such as ZEH.

Business Activities That Have Helped Preserve Biodiversity and Recycle Resources

Since 2001, Sekisui House has been implementing the *Gohon no Ki* Project to promote landscaping with greenery that takes local ecosystems into account to preserve biodiversity through its businesses. "*Gohon no ki*" means "five trees" in Japanese, and the project concept encourages planting indigenous trees, three out of every five for birds and two for butterflies from among 288 species of trees suitable for gardens. One of the goals is to maintain and revive the ecosystem network by connecting residential gardens, admittedly small areas, in residential areas and cities in order to link them with local natural areas such as *satoyama*, the disappearing native landscape of Japan, thus supporting the habitats and activities of living things. More than 18 million trees have been planted during the 21 years of this initiative. In 2021, we employed macro analysis to quantitatively evaluate the effectiveness of this initiative in preserving biodiversity, and shared the results with society at large.

» Pages 112-114: Biodiversity Conservation

Our use of FairWood for sustainable timber procurement is another key initiative to preserve biodiversity. FairWood ensures stable access to sustainable, renewable resources, and we are proactively working with our suppliers to maximize the ecosystem network through our businesses. In addition, in 2007, we formulated and implemented our own Wood Procurement Guidelines, which stipulate 10 procurement guidelines.

» Page 122: FairWood procurement and Wood Procurement Guidelines

In addition, Sekisui House believes it must recycle resources to support the lives of all people, and we have been one of the first in the construction industry in Japan to promote this initiative. In addition to recycling waste and suppressing its generation, we are also focusing on after-sales service and the remodeling businesses so that we can continue to use materials from housing that has become social stock, with the goal of making optimal use of resources throughout the product lifecycle.

Contributing to a Sustainable Society

Themes and KPI for Material Issue Initiatives

Material Issue Categories

- Decarbonization
- Biodiversity conservation
- Resource recycling
- Coexisting with local communities
- Occupational health and safety & supply chain

KPI Categories

- Ratio and number of ZEH units
- RE100 achievement
- Wood procurement rate
- Waste rate
- Corporate program to match employee donations
- CSR procurement
- Rate of CO_2 emissions reduction
- Supplier science-based target-setting rate
- *Gohon no Ki* Project
- Waste recycling rate
- Frequency of accidents and illness in the construction division that result in lost worktime

Material Issue	Category	No.	Indicator	Officer remuneration indicators PSU1	Officer remuneration indicators PSU2	Fifth Mid-Term Management Plan	President commendation ESG indicators	Unit	FY2020 Target	FY2020 Result	FY2021 Target	FY2021 Result	FY2022 Target	Remarks
Contributing to a Sustainable Society	Decarbonization	9.	Ratio of detached ZEH homes	○	○	○	○	%	88%	91%	89%	92%	90%	
		10.	Number of ZEH units for rent	○	○	○	○	%	—	—	—	—	50%	Limited to resident electricity sales
								Housing units	1,200	2,976	1,800	8,501	—	Changed to ratio from FY2022
		11.	Number of ZEH condominiums for sale			○	○	Housing units	32	32	196	192	540	Cumulative units built
			Ratio of ZEH condominiums for sale					%	—	—	35%	39.4%	85%	Additional sales ratio disclosure
		12.	Number of *Idocoro Dan-netsu* houses (location-based insulation upgrades)			○	○	Housing units	1,000	1,005	1,200	1,338	1,250	
		13.	Rate of CO_2 emissions reduction from new housing					%	42%	54.7%	—	55.5%	—	
		14.	Rate of CO_2 emissions reduction from business operations					%	29%	39.2%	—	46.6%	—	
		15.	RE100 achievement rate					%	6%	16.4%	25%	33.5%	35%	
		16.	Supplier science-based target-setting rate					%	—	18.6%	—	22.2%	—	
	Biodiversity Conservation	17.	Sustainable wood procurement rate					%	95.5%	97.0%	97.2%	97.2%	97.4%	
		18.	Biodiversity-friendly tree planting (*Gohon no Ki* Project)					Thousand trees	17,000	17,090	18,000	18,100	19,000	Cumulative trees planted
	Resource Recycling	19.	Waste rate (new construction)					%	5.5%	5.8%	5.5%	5.4%	5.2%	
		20.	Waste recycling rate (new construction)					%	100%	100%	100%	100%	100%	
		21.	Waste recycling rate (maintenance and remodeling)					%	90% or higher	92.8%	90% or higher	95.6%	90% or higher	
	Coexisting with Local Communities	22.	Percentage of employees joining employee-company joint donation programs (Sekisui House Matching Program employee participation rate)					%	30%	27%	30%	31%	35%	
		23.	Trip Base *Michi-no-Eki* Stations Project, a project for regional revitalization					—	—	4 prefectures: 8 buildings 596 rooms	5 prefectures: 14 buildings 1,053 rooms	5 prefectures: 14 buildings 1,053 rooms	9 prefectures: 20 buildings 1,582 rooms	
	Occupational Health and Safety & Supply Chain	24.	Frequency rate of accidents in the construction division that result in lost worktime					—	2.63	2.27	2.15	2.49	2.13	
		25.	Occupational illness frequency rate in the construction division					—	0.39	0.37	0.33	0.20	0.31	
		26.	CSR procurement coverage					%	85.0%	88.0%	89.0%	93.8%	90.0%	
		27.	CSR procurement score					Points	87.0	91.2	91.5	91.9	92.0	
		28.	CSR procurement, human rights and labor scores					Points	—	90.1	90.4	90.9	91.0	

Diversity and Inclusion

Sekisui House's Technology and Mindset Back Our Material Issues

Employee happiness is essential to make home the happiest place in the world. We are conducting human resource development to create happy workplaces that are akin to home for employees.



Continually Deepening Human Resource Development as Times Change

Sekisui House has been focusing on developing its people since its founding in 1960. We initially focused on on-the-job training through actual work, but in the 1980s, competition in the housing industry intensified backed by diversifying lifestyles brought on by high economic growth. We immediately strengthened and accelerated our sales capabilities by providing training for sales personnel.

Amid these changes, in 1987 we established education and training guidelines that set forth our basic policy for developing employee skills. This policy defines training as the development of the people we need to provide products and services that result in high customer satisfaction, people who excel at work and business, and people who are creative and innovative. Based on this policy, we have dramatically improved our employee training systems and further enhanced content. We also have a well-developed in-house certification system to help technicians improve their skills, with certification of competent in-house qualified personnel in the design and construction departments, encompassing Chief Architects, Platinum Specialists, Structural Planning and Design Specialists, and Chief Constructors.

» Page 143: In-house certification programs

Our certification system enhances both employee expertise and autonomy by improving skills and motivation. An additional personnel development theme is nurturing people with self-directed careers who can achieve customer satisfaction because they act on their own accord with a personal vision to independently develop their own capabilities.

Training That Imparts the Technology and Spirit of Sekisui House to Technicians

The Sekisui House Group shares the spirit of "a community with a common destiny." It emerged when the Company name changed from Sekisui House Industry to Sekisui House in 1963, and is the basis of our corporate philosophy of love of humanity that we formulated in 1989 as our core value and basis of our contribution to society of which we are all part.

The spirit of a community with a common destiny is not limited to our inner circle. Cooperation among many people empowers the housing industry, so strong ties with partner building contractors and companies are key. Sekisui House opened a vocational training school for technicians in Kanagawa in 1982 to improve construction quality by enhancing Group capabilities, imparting technologies and developing people. We added schools in Ibaraki, Shiga, and Yamaguchi through 1987 for four locations nationwide. These schools differ significantly from general training centers. They cover practical techniques for housing construction along with subjects ranging from socially responsible behavior and adult education to the soul of the Sekisui House Group. We believe that the Group's spirit is key to making customers happy, so we must impart both our technology and our spirit.

Our unique examination and certification system helps to enhance our construction capabilities. We initiated Chief Technician certification in 1983, then established Sekisui House Remodeling Meister to improve construction quality at remodeling sites. Moreover, our spirit of a community with a common destiny expands our focus to developing people at partner building contractors.

Respect for Diversity and Self-Directed Careers to Make Employees Happy

Employee happiness is essential to make home the happiest place in the world. The workplace is akin to home for employees, so we want to make it happy for employees by respecting employee diversity, enhancing relevant systems, reforming workstyles and empowering self-directed careers.

Since 2004, Sekisui House has introduced various systems with an emphasis on diverse work styles. Typical examples are the expansion of the childcare support program in 2006 and the nursing care support program in 2014. We also launched a childcare leave program for eligible male employees in 2018, and introduced a new eight-week post-partum leave program for eligible male employees in 2021 to improve the quality of childcare leave for men.

The launch of the Career Challenge System to support career advancement and autonomy is representative of our efforts. We initiated Sekisui House Women's College in 2014 to systematically and effectively develop talented female employees for promotion to managerial positions. We also introduced career interviews in 2021 based on extensive communication between managers and team members. By promoting self-directed careers development among employees, we help them to establish a personal career vision rather than one provided by Sekisui House, and to take on the challenge of actualizing their vision.

Respect for diversity expands opportunities for employees to participate in their own way regardless of nationality, race, ethnicity, gender, sexual orientation, gender identity, age, disability, or educational background. We have promoted employment and expanded opportunities for participation by establishing a system for registering partners in a common law or same-sex marriage in 2019, and the Promotion of Employment of Persons with Disabilities Office in 2020. Furthermore, we employ many people of different nationalities and cultural backgrounds mainly in our international operations, and have a support system that helps non-Japanese technical trainees work with peace of mind at the technical training facility we opened in Vietnam in 2019.




East Japan Training Center graduates play an active part at construction sites.



The childcare leave program for male employees provides more time to spend with children.



More male employees of Sekisui House Australia are also taking childcare leave.



Technical trainees from Vietnam learn Sekisui House building technology.

Diversity and Inclusion

Themes and KPI for Material Issue Initiatives

Material Issue Categories

- Promote diversity
- Employee health and happiness
- Diverse workstyles and job satisfaction
- Human resource development and self-directed careers

KPI Categories

- Number of female directors of the Board and managers
- Ratio of female new graduates hired
- Rate of employees opting for the secondary medical checkup
- ESG Dialogue
- Eligible male employee childcare leave
- Qualifications acquired
- Ratio of full-time female employees
- Employment rate of persons with disabilities
- Walking Challenge
- Happiness diagnosis
- Working hours and paid leave take-up per person

Material Issue	Category	No.	Indicator	Officer remuneration indicators PSU1	Officer remuneration indicators PSU2	Fifth Mid-Term Management Plan	President commendation ESG indicators	Unit	FY2020 Target	FY2020 Result	FY2021 Target	FY2021 Result	FY2022 Target	Remarks
Diversity and Inclusion	Promote Diversity	29.	Number of female directors of the Board (non-consolidated basis)					Persons	1 or more	1	3	3	3 or more	
		30.	Number of female managers (Group basis)	○	○	○		Persons	225	236 3.79%	240	273 4.31%	260	
		31.	Ratio of full-time female employees (Group basis)					%	27.0%	27.3% 6,225	27.5%	28.1% 6,454	28.0%	
		32.	Ratio of female new graduates hired (Group basis)					%	—	41.6% 305	41.1%	41.2% 278	42.0%	
		33.	Employment rate of persons with disabilities (non-consolidated basis)					%	2.61%	2.76%	2.61%	2.90%	2.61%	
	Employee Health and Happiness	34.	Rate of employees opting for the secondary medical checkup				○	%	—	87.0%	89.0%	97.8%	98.0%	
		35.	Walking Challenge participants and average step count				○	Persons	—	19,138	—	19,691	—	
								Steps	—	5,388	—	5,641	—	
		36.	ESG dialogue implementation (workplace basis)[1]					%	—	Sekisui House managers	Sekisui House employees Group managers	Sekisui House employees Group managers	100%	
		37.	Happiness diagnosis Well-Being Circle total score[2]					Points	—	65.51	—	65.75	—	
	Diverse Workstyles Job Satisfaction Human Resource Development Self-directed careers	38.	Take-up rate for eligible male employee childcare leave (non-consolidated basis)	○	○	○		%	100%	100%	100%	100%	100%	
		39.	Monthly average working hours per person		○		○	Hours	—	176.71	176	177.64	175.5	
		40.	Annual paid leave take-up rate and number of days taken	○				%	57%	46.5% 8.4	58%	52.7% 9.5	60%	
		41.	Cumulative number of workers who have acquired major qualifications required for a position					Persons	22,300	22,534	22,700	22,940	22,900	Total

1. Participants in FY2020 and FY2021. Changed to implementation ratio from FY2022.
2. Average Well-Being Circle score for 34 items in 11 categories in the happiness diagnosis

Message from the President



We are making steady progress in offering integrated proposals of technologies, lifestyle design and services to realize our global vision to make home the happiest place in the world.

Yoshihiro Nakai

Representative Director of the Board
President, Executive Officer, CEO

Message from the President

The Second Year of the Fifth Mid-Term Management Plan in Review

Overcoming Difficulties by Aligning Efforts and Integrating Technologies and Lifestyle Design for Happiness

Amid the ongoing global COVID-19 pandemic, I would like to express my deepest sympathies to those suffering from the disease and everyone whose lives have been affected.

Sekisui House is conducting its business under the global vision it set forth in 2020 to make home the happiest place in the world. Our aim is to become a global company that offers happiness by integrating technologies, lifestyle design and services based on the residential domain. Despite the challenging economic conditions brought about by the pandemic, we were able to accelerate growth in FY2021 by aligning Group-wide efforts to realize our global vision. As a result, net sales increased ¥142.6 billion year on year, or 5.8%, to ¥2,589.5 billion, and operating income increased ¥43.6 billion, or 23.4%, to ¥230.1 billion yen, both record highs.

In FY2022, the final year of the Fifth Mid-Term Management Plan, orders for the custom detached houses business continue to grow steadily, centered on Family Suite, which integrates our technologies and lifestyle design. We are conducting initiatives to promote new value in housing, including our Tomorrow's Life Museum hands-on, experience-based facilities where families can have fun imagining their future lifestyles and *Minna no Kurashi* 7 Stories lifestyle-themed model houses that complement Sekisui House technologies with a full range of lifestyle design proposals that contribute to customer happiness. In the rental housing and real estate management fees businesses, we build and manage valued assets for owners and implement initiatives to satisfy their tenants. Efforts include conducting comprehensive area-specific marketing strategies, promoting the popularization of ZEH as we do for detached houses, and providing high-quality services. In February 2022, we reorganized the Sekisui House Real Estate Group under the newly established intermediate holding company Sekisui House Real Estate Holdings, Ltd. to further improve the group's management and services while strengthening its governance.

We also achieved excellent results in the remodeling business, mainly from proposal-based and environment-based remodeling, and both the condominiums business and the urban redevelopment business posted solid results in line with the Company's plan. In the overseas business, the transfer of the marketing expertise and technology we have cultivated in Japan to U.S. subsidiary Woodside Homes is proceeding smoothly. By dispatching technicians from Japan and shifting to a lifestyle proposal-based business rollout, we have achieved a high level of customer satisfaction, and Woodside Homes has become widely recognized as a customer-oriented premium brand. In December 2021, we made Holt, our second homebuilder in the United States, a wholly owned subsidiary and we will continue to accelerate the transfer and popularization of Sekisui House technologies.

Thoughts on Our Global Vision, Medium-to-Long-Term Policies, and Perception of Issues

Utilizing the Advantages of Sekisui House Technologies and Lifestyle Design to Realize Our Global Vision

Day after day, Sekisui House analyzes three components of happiness—health, connectedness and learning—to explore how it can provide high-added-value housing that will make home the happiest place in the world. We are currently conducting research and development under our Platform House Concept to help residents achieve happiness in the era of the 100-year lifespan. As the first phase of this process, we have begun providing our industry-leading PLATFORM HOUSE touch floor plan-linked smart home service. Installation of edge computers systems strengthens in-home security, and by using our dedicated smartphone app residents can operate devices while looking at the floor plan of their home. For example, they can check the status of the house, remotely control devices such as air conditioners, and receive notifications when other residents enter or leave the premises. Customers gave PLATFORM HOUSE touch a warm response from the very start, and we are planning to install a series of additional services in the future. For the second phase, we will provide services for health, connectedness and learning, and for the third phase we aim to start the HED-Net service, an in-home early detection network for a rapid response to acute illnesses. Details of the Platform House Concept and HED-Net were announced at CES[1] in Las Vegas and both have attracted substantial attention in Japan and overseas. We continue in our aim to help residents achieve happiness through homes that generate the intangible assets of health, skills and knowledge.

Moreover, we aim to make Sekisui House technologies the global de facto standard based on a variety of comprehensive proposals that include the technologies, lifestyles and high-value-added features that we have cultivated in Japan. For instance, although technologies for safety and security underpin all we do, the level of urgency in addressing natural disasters such as storms, floods and earthquakes differs by country or region. In the United States, earthquakes are considered a danger on the West Coast but in central and southern areas hurricanes are a problem, and temperatures vary substantially by region. To meet the diverse needs for solutions to these issues and to provide added value, we plan

to transfer Sekisui House technologies, including SHAWOOD, which incorporates our high-level technical capabilities.

I also believe that our Family Suite concept of lifestyle design proposals will gain acceptance overseas. Most houses outside Japan are two-by-four construction, so large open spaces are not feasible. Using Sekisui House's SHAWOOD construction method, Family Suite enables a large open living area where family members can gather while spending time separately as they please, thus making home a happier place. By 2025 we are targeting sales for the overseas business of 10,000 detached houses per year, the same as for Japan. This will require collaboration with overseas companies that share our approach of integrating technologies and lifestyle design, and we are considering M&A as one means of expanding our business.

1. Consumer Electronics Show: One of the world's largest exhibitions of the latest technologies

Identifying New Material Issues

Three New Material Issues for the Sustainable Future We Pledge to Our Stakeholders

We recently reviewed our material issues to clarify the tasks that Sekisui House must carry out. I believe that material issues are not short-term; rather, they should combine the salient points of the Company's history and contemporary trends in order to provide direction for the future. Sekisui House was established to help resolve the housing shortage problem in 1960s Japan. Since then it has consistently worked to make housing safe, secure, comfortable and eco-friendly. To provide happiness in the era of the 100-year lifespan through housing, we have positioned three material issues as management priorities going forward: creation of high-quality housing stock; contributing to a sustainable society; and diversity and inclusion.

Regarding our first material issue, creation of high-quality housing stock, I consider housing to be a form of social capital equal in importance to infrastructure such as roads, railways, gas, electricity and waterworks. I therefore see Sekisui House's primary mission as providing high-quality housing that can be passed on to future residents for many years to come. This is premised on the expected role of housing to function as a safe and secure shelter that protects the lives and property of the people who live in it. Since its establishment, Sekisui House has been developing strong, highly earthquake-resistant housing to ensure customer safety and security. Customer trust in those technical capabilities reached new heights after the 1995 Great Hanshin-Awaji Earthquake, during which not even one of our houses collapsed, even partially. Then, based on our track record in lightweight steel-frame housing, for our SHAWOOD wooden-frame houses we adopted foundation direct joints, which connect posts directly to the foundation, and announced our metal joint (MJ) system for connecting posts and beams. In 2004, we introduced base-isolated houses for greater earthquake resistance. In 2007, we developed and began sales of SHEQAS, a seismic vibration absorption system that reduces building deformation by about 50%, and it is now standard in nearly all of our lightweight steel-frame houses. These measures have given us a complete construction lineup of seismic resistance, seismic control and seismic isolation products to counter the impacts of earthquakes. In preparing for unforeseen disasters, our mission is to create high-quality housing stock that will contribute to a resource-recycling society. We will do this by maintaining and improving the asset value of housing and help bring the earthquake resistance of some 5 million detached houses up to a sufficient standard.

Insulation performance is also indispensable in the creation of high-quality housing stock. Sekisui House was among the first companies in Japan to sell comfortable, thermally insulated houses. The aluminum sashes we have provided dramatically improve airtightness compared with conventional wooden window frames. We also developed and introduced exterior wall panels that incorporate polystyrene foam that significantly improves thermal insulation performance. In our efforts to improve the comfort of homes, a commitment to delivering the highest quality and technology has kept us ahead of national standards. When attention to energy conservation rose to a new high during the 1973 oil crisis, we were at the forefront of developing advanced, energy-efficient houses. Following that, in 1996 we developed detached houses featuring large atriums and open staircases integrated into living room floor plans to provide comfort and enjoyment for residents, in addition to energy conservation. We adopted high-performance thermal insulated double glazing as standard for doors and windows, which are a weak point for insulation. Seldom used at the time, they already met Japan's new building energy standards that came into effect three years later in 1999. In 1997, the same year that COP3 was held, we began selling a house model equipped with photovoltaic power as a standard feature, adopting eco-friendly and economical rooftop solar panels with an improved design. This has led to our current promotion of ZEH. Only 13% of housing stock in Japan meets current standards for energy efficiency. As an industry leader, Sekisui House is pursuing the creation of high-quality housing stock in terms of insulation performance as well.

Decarbonization is key to our second material issue, contributing to a sustainable society.

Climate change is a global issue that substantially impacts the Earth's natural environment. We do not inherit the environment from our ancestors; we borrow it from our children. Based on the concept of building homes for the children of the future, in 1999 we announced our Environmental Future Plan, making the environment a Group-wide initiative, and in 2005 issued our Declaration of Sustainability, making a sustainable society part of our corporate vision. When The Kyoto Protocol[2] came into effect, we formulated our Action Plan 20 to help achieve Japan's targets and

Message from the President

worked to popularize houses that contribute to the targeted 20% reduction in CO_2 emissions during occupancy. Our measures included the adoption of high thermal insulation and high-efficiency water heaters as standard features. Next, we announced our 2050 Vision targeting net zero CO_2 emissions from housing and shifted our management focus to decarbonization ahead of other companies. First, we launched the Carbon Neutral House, which targeted net zero CO_2 emissions during occupancy and was the forerunner of our current net zero energy house (ZEH). Then in 2009, we launched Green First houses that use photovoltaic power and Ene-Farm fuel cells, and began a full-scale environmental strategy called the Green First Strategy. In 2013, we launched the Green First ZERO net zero energy house, and as of FY2021 efforts to popularize it have increased the customer adoption rate to 92% of all orders for our detached houses. In addition to detached houses, we are now focusing on ZEH for rental housing, condominiums and non-residential buildings such as rental offices. We promote cutting-edge initiatives ahead of other companies, and we intend to continue leading the housing industry going forward. In all of our initiatives, we work to improve the balance among comfort, economy and environmental performance, seek benefits for residents, and nurture shared understanding and expectations with our customers. Through these initiatives, we aim to achieve carbon neutrality by 2050.

2. The protocol to prevent global warming adopted at the third session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP3) held in Kyoto in 1997

Our third material issue is diversity and inclusion. Our policy for promoting diversity encompasses three areas: promoting the active participation of female employees; encouraging the active participation of diverse human resources; and promoting diverse workstyles. Under this policy we work every day to create an environment and framework for the sustainable growth of our employees and the Group. We started full-scale efforts to promote the active participation of female employees in 2006, with the establishment of a Diversity Development Team. Our aims were to support career planning by female employees, plan training, actively hire female sales staff and promote women to managerial positions. As a support system for promoting women to managerial positions, we opened Sekisui House Women's College, which features a two-year training curriculum covering various fields. As of January 2022, the ratio of full-time female employees to total employees was 28%. This is a very high level for the construction industry, and we expect to reach about 30% in the future.

To promote diverse workstyles, in 2018 we introduced a program encouraging eligible male employees to take at least one month of childcare leave. The take-up rate has consistently been 100% since the launch of the program. The program facilitates new awareness among participants toward both work and private life, which in turn has a positive effect on our business.

As for human resource development, we positioned 2021 as the kickoff year for a variety of personnel system reforms, introducing a highly transparent evaluation system, a career interview system and a system to support employees' self-directed careers. Rather than systems in which the Company directs employees, we aim to create a corporate culture in which employees define their own career vision and have the motivation to make it a reality by taking on challenges independently.

Moreover, to make Sekisui House a more vibrant organization, I believe innovation and communication are indispensable. Innovation and communication are the keywords of SHIP,[3] an awards program that we started in 2021. I can sense the steady penetration of various forward-looking ideas that have been proposed. I am certain that efforts to innovate and communicate will foster a vibrant corporate culture and lead to further enhancement of our corporate value. To make home the happiest place in the world, it is crucial for our own employees to be happy. By promoting diversity and inclusion, we will create a working environment where everyone can continue to work in their own way, happily and with peace of mind, as we work to build an organization that can strengthen and leverage diversity and autonomy.

3. Sekisui House Innovation & Performance (SHIP) Collective Communication and Innovation Awards Program

Outlook and Improvement of the Sekisui House Group's Corporate Value Going Forward

In closing, I would like to reiterate my belief that housing is social capital that should endure and be passed on to future residents for many years to come. At the same time, we aim for beauty in our houses with the idea that they should become even more attractive over time. I think that as a housing manufacturer, Sekisui House should play a role in wishing for, providing and realizing happiness for our customers, while giving shape to and clearly demonstrating to stakeholders its objective of becoming a leading company in ESG management. I am confident that the spirit of Sekisui House's philosophy of love of humanity, in which we wish for the happiness of others and make their joy our own, will continue to be passed on into the future in any era.

You can expect great things from Sekisui House as we continue making strides toward the decades ahead.

Feature: Growth Strategy Case Studies

The Sekisui House Group has started a variety of initiatives for new growth. This section features three case studies from among these initiatives.

Case Study 1

A New Business That Generates New Growth
PLATFORM HOUSE touch

The services offered in the first phase of the Platform House Concept will lead to the happiness of residents in the era of the 100-year lifespan and to the acquisition of new profit opportunities for Sekisui House.

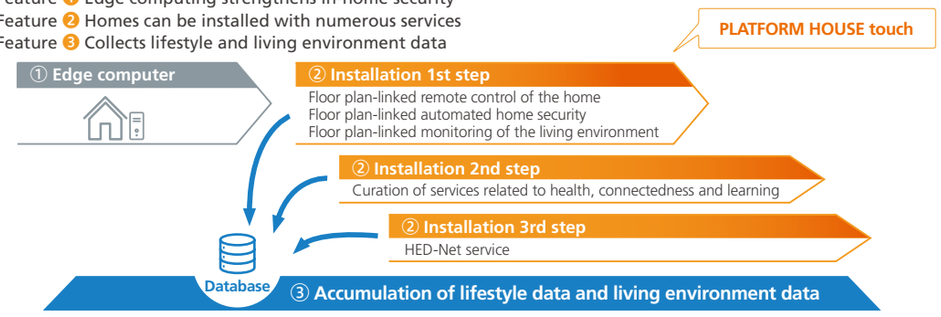
The Platform House Concept Pioneers New Business

One of the growth strategies in the Fifth Mid-Term Management Plan is the Platform House Concept. Announced in 2020, this initiative expands the Company's business domain from the house as a tangible product into lifestyle services for residents. We integrate technologies, lifestyle design and services to offer houses that continue to generate the intangible assets of health, connectedness and learning, which in turn serve as the basis of new lifestyles. Through this process, we are working to help residents achieve happiness in the era of the 100-year lifespan.

We are working to provide three specific features in housing that will help residents accumulate these intangible assets: edge computers that will strengthen in-home security; the ability to install numerous services; and the accumulation of lifestyle and living environment data. Our new PLATFORM HOUSE touch service, launched in August 2021 as the first step of the Platform House Concept, facilitates a new way of living for residents that keeps them connected to their home and family wherever they go by using a smartphone to check the status of their house and operate devices in it. We will expand curation of services for health, connectedness and learning, and develop a business for implementing our HED-Net service.

Platform House Rollout

Feature ❶ Edge computing strengthens in-home security
Feature ❷ Homes can be installed with numerous services
Feature ❸ Collects lifestyle and living environment data



First Step of the Platform House Concept
PLATFORM HOUSE touch



PLATFORM HOUSE touch, which helps achieve happiness through connectedness between a house and the people who live there, is the industry's first smartphone app offering intuitive operation using a diagram of the floor plan. Services include remote control of the home, self-monitored home security, monitoring of the living environment and notifications when other residents enter or leave the home.

Many consumer electronics manufacturers already offer "smart homes" centered on home appliances that are connected to and operated via the Internet, but in the case of Sekisui House's PLATFORM HOUSE touch, the residents themselves play the central role. The service concept of PLATFORM HOUSE touch goes beyond the Internet of Things to include the ability to visualize the current status of the house, and a record of the devices and the people who operated them. This enables residents to confirm who did what, and when. Firmly rooted in our approach of prioritizing safety and security, these services are also closely attuned to residents' lives, based on the housing technologies that we have cultivated over many years.

PLATFORM HOUSE touch is a subscription service with a monthly fee. We plan to provide ongoing value through a menu of intangible assets, from which customers will be able to select the services they require. Going forward, we also plan to offer a series of appealing services that will lead to greater happiness for residents and their families as well as to new profit opportunities for us.



Value Provided No. 1

Making Us Happy as a Family (Opinion from a User)

The remote controls save time in various ways. For example, when I'm in the kitchen I can use my smartphone to turn off lights on the second floor, and while I'm at work I can check that my children have arrived home. These advanced functions make us happy as a family, even though we are a busy two-income household.



Value Provided No. 2

A Sales Advantage (Opinion from Sekisui House Sales Department Staff)

Customers feel special having an app uniquely linked to their own house's floor plan, and our animated presentation showing 16 ways in which PLATFORM HOUSE touch enhances daily living and family connectedness was very popular among customers, which has led to orders.

PLATFORM HOUSE touch (Japanese only)

Feature: Growth Strategy Case Studies

Case Study 2

Transferring Sekisui House Technology Worldwide

Homebuilding Business in the United States

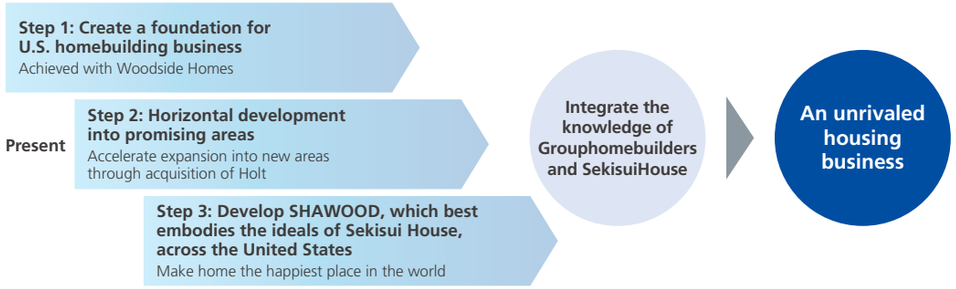
To make our global vision a reality, we will transfer Sekisui House technologies to areas where we establish businesses outside Japan, with the aim of providing the value of happiness through the integration of technologies, lifestyle design and services. The homebuilding business in the United States is at the core of this initiative.

Extending the Coverage Area of the U.S. Homebuilding Business for Further Growth

The Sekisui House Group is focusing on creating value through happiness by transferring Sekisui House technologies to integrate the housing technologies the Group has cultivated in Japan with lifestyle design proposals and services. To make Sekisui House technologies the global de facto standard, we have set a target for our homebuilding business of supplying 10,000 detached houses per year outside Japan by 2025.

The homebuilding business in the United States is at the core of this initiative, and we will combine Sekisui House expertise with that of local Group homebuilders to develop a one-of-a-kind housing business. We aim for growth in this business, which started with our acquisition of Woodside Homes in 2017, through a three-step process: establishing the foundation for the business; expanding horizontally (acquiring companies in the same line of business) into promising areas throughout the United States; and rolling out the SHAWOOD business, which best embodies the ideals of Sekisui House, across the country. Currently, we are in the stage of expanding into promising areas, and will use Holt, which we have made a wholly owned subsidiary, to gain a foothold for expansion in the Pacific Northwest.

Three Steps to Expand the U.S. Homebuilding Business



Aiming to Become the Global De Facto Standard with SHAWOOD



SHAWOOD

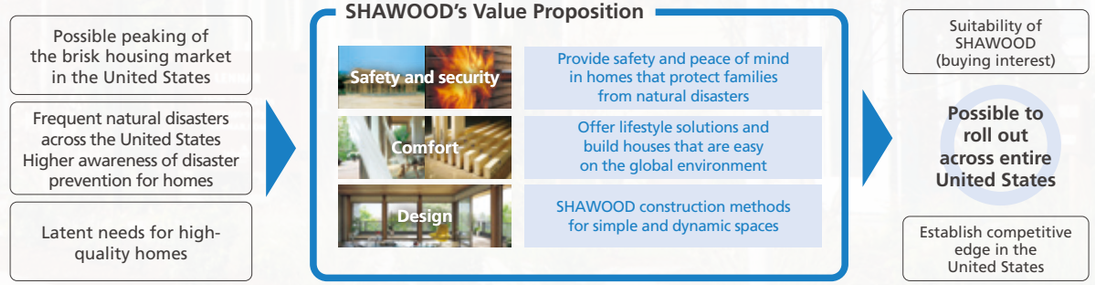
Chōwa HOUSE concept home
(First exhibition of a SHAWOOD house in the United States at the International Builders' Show in January 2020)

The transfer of Sekisui House technologies to Woodside Homes is proceeding smoothly. Woodside Homes, which conducts the homebuilding business in Utah, California, Arizona and Nevada, has achieved a high level of customer satisfaction from its shift to a value-oriented, lifestyle proposal-based business. It has also earned wide recognition as a premium customer-oriented brand.

In addition, by making Holt a wholly owned subsidiary in December 2021 we expanded the area we serve to Oregon and Washington and further accelerated the transfer of Sekisui House technologies. The Western United States, where Holt operates, has a large high-end housing market, making it a highly promising area for expanding our homebuilding business. We aim to provide higher-quality housing in collaboration with Woodside Homes and Holt. In addition, given that the Southern United States accounts for about 50% of total U.S. housing starts, and the number of high-priced houses being built there is second only to the Western United States, we are also considering expanding into this area by acquiring a homebuilder to make it a member of the Group and rolling out the SHAWOOD business.

We will also pursue the potential of the SHAWOOD business with Woodside Homes and other Group builders who share our global vision. By addressing changing needs in this changing market, we will convince U.S. customers to accept the free and novel approach to homebuilding and lifestyles, unencumbered by the traditional concepts and conventional wisdom of wooden-frame housing, that SHAWOOD offers. By providing the value of SHAWOOD homes to customers in the United States and around the world, we will ramp up the homebuilding business to make Sekisui House technologies the global de facto standard.

SHAWOOD's Technological Capabilities for Success in the U.S. Market



Feature: Growth Strategy Case Studies

Case Study 3

Fostering an Innovative Corporate Culture

Sekisui House Innovation & Performance (SHIP) Awards Program

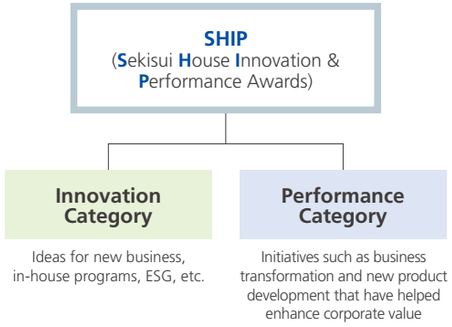
Fostering an innovative corporate culture is crucial for the sustainable growth of the Sekisui House Group. The SHIP awards program plays an important role in developing self-directed people and organizations.

An Innovative Corporate Culture Fostered by Innovation and Communication

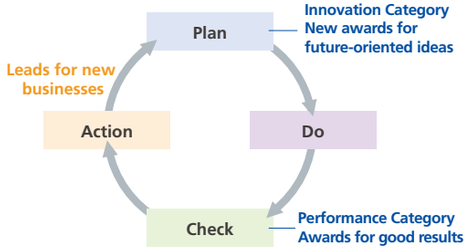
SHIP is a Group-wide initiative to foster innovation through communication. All employees are eligible to participate. It combines the former Innovation Competition that we held to commemorate Sekisui House's 60th anniversary with our traditional awards such as for technical development and business achievements. The Innovation Competition was an initiative to cultivate the innovative corporate culture necessary for the Sekisui House Group to overcome challenges and succeed over the next 30 years. It reflects our strong commitment to innovation and communication, with a focus on employee communication as the source of innovation.

SHIP consists of two categories. In the Innovation category, employees share ideas with ESG perspectives for new businesses and in-house programs. In the Performance category, employees showcase the outcomes of business transformation and newly developed products, as well as initiatives that have improved operational efficiency and productivity, social contribution activities, and other areas based on freely implemented ideas at workplaces. By linking the two categories and motivating employees to generate and act on their own ideas, we create a virtuous cycle of innovation and enhancement of corporate value.

SHIP Awards Program



Creating a Virtuous Cycle of Innovation and Enhancement of Corporate Value



Advancing the Group through Ideas That Emerge from Communication

Collective Communication and Innovation SHIP

Unpredicted, yet impactful outcomes emerge from interactions between individuals. When people communicate, they are exposed to new perspectives. As a result, they achieve better outcomes than those achieved by lone individuals. SHIP fosters cross-organizational communication and collaboration—between employees who normally have no contact with each other, between employees and senior management, and among employees from different Group companies—generating new ideas that lead to positive impacts. Through cross-organizational communication and an improved workplace culture, SHIP is aimed at cultivating a Group environment where new ideas constantly emerge, and at encouraging greater employee self-development. We believe that SHIP also plays a role in promoting greater openness to new ideas and discoveries in day-to-day work at branches, Group company offices, factories and the head office. Compared with the 232 entries we received for our Innovation Competition in 2021, the newly launched SHIP garnered a total of 843 compelling submissions for the Innovation and Performance categories.

In March 2022, we held the final round and award ceremony for the first SHIP at the W Osaka hotel. The finalists, comprising 20 teams, pitched their innovative ideas and initiatives to senior management. The event was livestreamed to Group offices and employees worldwide.

At SHIP, ideas emerge from diverse perspectives. These ideas, which include novel and competitive business opportunities and effective practices in Human Resource management, also address pressing organizational and social needs, thus enhancing our corporate value. In addition, the event offers employees a unique opportunity to pitch their ideas directly to senior management and receive feedback and guidance.

Sekisui House Group employees are inspired by the passion of their colleagues demonstrated in the final round. By motivating other employees to take part in the future, SHIP drives us to grow into a Group where each employee takes on new challenges and initiatives.



Front row: Final round judges (Company directors of the Board as of March 15, 2022)
Back rows: Finalists (award winners)


Presentation by a finalist

Section

2

Mechanisms and Catalysts for Creating Value

31 Value Creation Process
32 Sekisui House's Operating Environment, Risks and Opportunities
33 Management Resources
35 Core Competencies
36 Business Models
37 Value Chain
39 Stakeholder Engagement

Value Creation Process

Love of humanity is Sekisui House's core corporate philosophy, and we have drawn on our philosophy, technology and people to achieve numerous innovations. Our history since our founding can be broken down into 30-year phases. We emphasized safety and security during the first phase, then comfort and eco-friendliness during the second phase. We are now emphasizing health, connectedness and learning in our third phase.

Based on our love of humanity, which is essentially the DNA of Sekisui House, and the three phases of our corporate story, we will identify risks and opportunities in our operating environment and use resources effectively and efficiently to expand our businesses and accelerate growth with the goal of creating corporate value and achieving our global vision.

The Sekisui House Global Vision

» Page 8

Make home the happiest place in the world



Propose happiness through the integration of technologies, lifestyle design and services



Become a leading company in ESG management



Make Sekisui House technologies the global de facto standard

» Page 32

Sekisui House's Operating Environment



- Megatrends
- Opportunities
- Risks

» Pages 33–34

Management Resources

People
(Human capital, investment in human resources)
Includes Group employees, female managers, and first-class architects

Tangibles
(Manufacturing capital and natural capital)
Includes production bases in Japan and overseas, and the Resource Recycling Centers

Capital
(Financial capital)
Includes healthy finances, cash flow generation, and ongoing investment in the foundation for growth

Intellectual and Social Assets
(Intellectual capital and social/relationship capital)
Includes patents, design rights, the Comprehensive Housing R&D Institute, cumulative number of dwellings built, and partner building contractors

» Page 13 / Pages 15–22

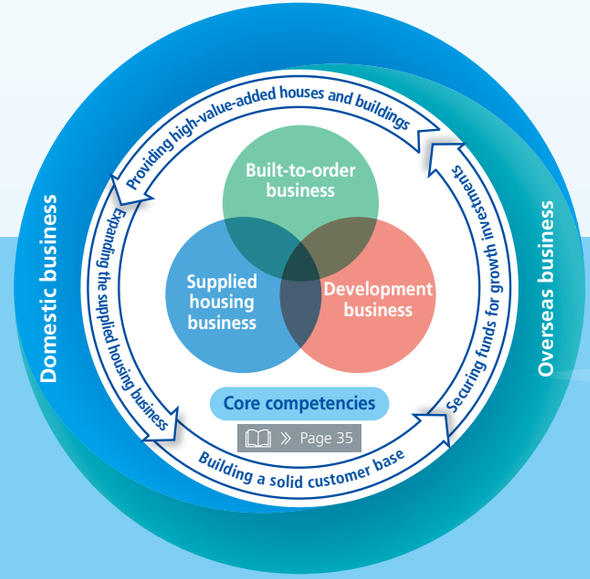
Material Issues



- Creation of High-Quality Housing Stock
- Contributing to a Sustainable Society
- Diversity and Inclusion

» Page 36

Business Model



Expand businesses and accelerate growth

The Sekisui House Concept of Happiness

— Customer happiness —

The creation of high-quality housing stock is our objective. We therefore focus on safety, security, comfort and beauty in providing housing of value in which customers can live for generations.

— Societal happiness —

Our social mission as a housing manufacturer is to contribute to a sustainable society through our businesses with a perspective that encompasses people, communities and the Earth.

— Employee happiness —

Initiatives to make the workplace a happy home away from home for employees, ensure diversity and inclusion and help our people autonomously develop their careers.

The Building of Sekisui House—Our Corporate Story

» Pages 9–12

Phase 1: Safety and Security → Phase 2: Comfort and Eco-Friendliness → Phase 3: Health, Connectedness and Learning

Corporate Philosophy of Love of Humanity, and Corporate Governance

» Page 6 » Pages 69–82

Sekisui House's Operating Environment, Risks and Opportunities

Social conditions continue to change rapidly, so we consider formulating plans to create value through businesses based on current predictability to be an inadequate approach. The Sekisui House Group analyzes medium-to-long-term issues that affect value creation with relation to sustainability, identifies risk factors, and positions them as opportunities for future business development. These solutions are then reflected in medium-to-long-term strategic business planning.

Megatrends	Specific Risk Scenarios	Specific Examples of Opportunities Created
Climate change • Acceleration of decarbonization due to concerns about global warming	Impact of extreme heat on lifestyles Impact of extreme heat on business (production, construction sites, etc.) Impact of increasingly severe natural disasters Increased costs due to introduction of carbon tax	Promoting net zero energy houses (ZEH) Promoting net zero energy buildings (ZEB) Popularizing highly durable (long-lasting) homes, etc. Growing adoption of renewable energy
Biodiversity conservation • Initiatives to protect biodiversity from the effects of global warming • Demand for effective use and re-use of water resources	Changes in growing ranges and areas suitable for plants used for afforestation Demand for the introduction of water conservation business and facilities	Effective landscaping proposals for shrubs and trees Popularization of water-saving housing facilities
Resource recycling • Demand for effective use and re-use of resources • Change in awareness, moving toward a society without plastic	Demand for higher-quality recycling Increased processing costs for plastic waste materials derived from fossil fuels	Promotion of recycling business through the use of high-level, thorough sorting and "wide-area certification"
Economic and policy changes • Response to pandemics • Promotion of workstyle innovations • Acceptance of foreign workers • Extension of loan deduction, expansion of housing benefit • Increase in consumption tax	Global spread of infectious diseases Reduced workforce due to declining employee satisfaction, turnover, and work-hour regulations should reforms not go ahead Turnover and reduced productivity due to worsening working conditions End of support measures for home purchases Downturn in demand after the last-minute purchasing ahead of tax rate increase, and move away from home ownership	Development of technologies for preventing the spread of infectious diseases in the home Improved productivity due to better employee satisfaction, recruitment of talented personnel Ensuring a high-quality workforce through improvements in the working environment Increased orders due to appropriate funding advice Various government support measures for home purchasing
Globalization • Acceleration of business globalization • Increase in foreign visitors to Japan • Inadequate number of hotel rooms	Intensification of competition Changes in demand due to lost opportunities and changes in circumstances	Development of overseas business Capturing long-term demand
Changes in population movement • Coming of a super-aged society • Total population reduction • Concentration of population in urban areas • Social participation of the millennial generation • Escalation of the issue of nursery school waiting lists • Coming of a long lifespan/high death rate society • Rising health consciousness	Accidents in the home, lack of care services Decline in the number of new housing starts, decline in the occupancy rate of properties under management, worsening problem of unoccupied houses Decline of rural areas Lost opportunities due to an inability to respond to the needs of the millennial generation Delay in employees returning to work Increasing complications and trouble with asset inheritance Competition to be first in advanced health-related technology	Expanding platinum business, providing health-conscious housing Provision of good-quality housing Increased need for regional revitalization Expanding digital marketing opportunities Increased opportunities for nursery school intake, improved child support systems Increased circulation of existing housing and need for real estate management trusts Promoting the sale of housing that contributes to health
Technological innovation • Coming of an IoT/AI era • Advances in robotics technology	Loss of business opportunities, growing need for security measures Discontinuity in transfer of construction techniques	Providing highly convenient housing Improving construction efficiency

Management Resources

People
(Human capital/Investment in human resources)

Based on our core philosophy of love of humanity, we formulated and announced the Sekisui House Group Human Rights Policy and we aim to create workplaces where all employees can practice "innovation and communication." In our business operations, we proactively hire and train human resources with various qualifications and skills, including national qualifications required by law, and improve the skills of employees through an in-house certification system. The sharing of information throughout the Group helps us to properly deploy these qualified personnel.

Consolidated employees
28,821
- Sales representatives: 7,153
- Technical staff: 8,282

Authorized First-Class Architects
3,311

Chief Architects*
266

Chief Constructors*
156

Structural Planning Specialists*
172

Platinum Specialists*
41

CS Meisters*
84

Female employees in managerial positions
273

Employment rate of persons with disabilities (non-consolidated basis)
2.90%

Diversity and Inclusion

* Internal qualifications (excluding ineligible employees such as those taking maternity/childcare leave, those who have changed their job type and retirees)

» Pages 48–49: Human Resources Strategy
» Page 143: In-house certification programs
» Pages 145–149: Diversity and Inclusion

Tangibles
(Manufacturing capital and natural capital)

● Manufacturing capital

In our domestic businesses, we have production bases (factories) with production lines that are the key to production involving different specifications for each home in the built-to-order business, and distribution bases that deliver materials to construction sites nationwide. We are working to reduce the environmental impact of our distribution methods through a modal shift to rail transport. To improve production efficiency in the custom detached houses, rental housing, and houses for sale businesses, we are making capital expenditures centered on production equipment for materials. We are conducting capital investment in the urban redevelopment business.

● Natural capital

We conduct sustainable CSR procurement. In addition to procuring Fair Wood, we pursue sustainability on the basis of coexistence and co-prosperity with our suppliers through measures including due diligence for imported lumber and promotion of local production for local consumption of domestic lumber. In the field of energy, we expect to achieve our original target of employing 100% renewable energy for the electricity used in our business activities (RE100) by 2030, substantially ahead of our 2040 target, through the efforts of Sekisui House Owner Denki, a program in which we purchase surplus electricity from Sekisui House homeowners' photovoltaic power generation systems for use in the Group's business operations. In addition, our Resource Recycling Centers recycle 100% of the waste materials collected from our construction sites.

Capital expenditure
¥89.5 billion

Production bases
6
5 in Japan
1 overseas

Distribution bases
40

Sustainable wood procurement rate
97.2%

CO_2 emissions
88 thousand t-CO_2

Waste emissions
1,022 thousand tonnes
- Sekisui House Owner Denki
- Resource Recycling Centers

» Pages 37–38: Value Chain
» Page 182: Environmental Data ⑩
» Page 122: Supply Chain Management
» Page 106: Promote RE100 through Sekisui House Owner Denki
» Page115: Resource Recycling

Management Resources

Capital
(Financial capital)

To support sustainable growth, we must establish a strong financial base, preparing for various risks in the market environment, and maintain the financial capacity to make swift and flexible investment decisions. As a standard for evaluating financial health and an appropriate level of financial leverage, we have set a target D/E ratio of 0.45 or less, premised on maintaining our credit rating. We will strive to improve the balance sheet with an awareness of cost of capital and asset efficiency, with the intention of promoting investment and raising asset efficiency.

D/E ratio
0.37

Free cash flow
¥4.3 billion

Real estate investment
¥1,161.3 billion / **¥1,890.0 billion**
(61.4% progress) (during Fifth Mid-Term Management Plan)

Interest-bearing debt
¥549.8 billion

» Pages 42–45: Financial and Capital Strategy
» Pages 197–200: Financial Analysis
» Page 4: Business Portfolio

Intellectual and Social Assets
(Intellectual capital and social/relationship capital)

● Intellectual capital

We conduct various types of development at our advanced research facilities, which include the Comprehensive Housing R&D Institute, a base for development of cutting-edge housing-related technologies and R&D for universal design based on ergonomic studies, and the Human Life R&D Institute, Japan's first institute specializing in research into well-being. We also hold and manage numerous patents and design registrations, which are intellectual property rights related to Sekisui House's product technology, research and development, design or other areas.

● Social/relationship capital

A solid customer base built from the industry's highest cumulative number of dwellings built, together with the construction capabilities required to achieve it—these are two of our core competencies, which in turn are integral to the Sekisui House Group's connection with society. One factor in building long-term relationships with owners after delivery is the after-sales service system we have established at our customer service centers. For construction, we have established a design-build system with construction companies in the Sekisui House Group, and since our founding we have shared the spirit of a community with a common destiny that includes our partner building contractors.

Research and development expenses
¥9.4 billion

Number of patents held
716

Number of design rights held
343

Cumulative number of dwellings built
2.54 million

Number of partner building contractors involved in essential construction processes for Sekisui House
About 2,650 companies

- Comprehensive Housing R&D Institute
  Comprehensive Housing R&D Institute (Japanese only)
- Human Life R&D Institute
  Human Life R&D Institute (Japanese only)

» Pages 37-38: Value Chain
» Page 50: Technology Development Strategy
» Pages 129-130: Customer Initiatives, Technology Development and New Business Creation
» Page 160: Benefits programs for partner building contractors and working with the Sekisui House Association

Core Competencies

Our core competencies are our three greatest strengths—technical capabilities and construction capabilities driven by Sekisui House technologies, and a solid customer base derived from the industry's highest number of dwellings built—together with our unique value chain, which maximizes value for customers because the Sekisui House Group handles all processes relating to homebuilding, from product and technology development to sales, design, construction and after-sales service. These core competencies are the source of the value we create.

Technical Capabilities

- Universal design for "comfortable living—now and always"
- SHEQAS, Airkis and other original technologies for proven safety and security
- Green First ZERO and other environmental technologies
- Original DYNE CONCRETE and Bellburn original exterior wall panel manufacturing technologies
- Staff with diverse qualifications, including first-class and second-class architects
- Improved ability to make proposals through the introduction of an in-house system of qualifications (Chief Architect, etc.)

Construction Capabilities

- Sekiwa Construction companies, which are wholly owned subsidiaries of Sekisui House, use a design-build construction system
- Loyal cooperative system for construction through the Sekisui House Association
- Acquisition of model approval for shortened construction timeframes
- Improved ability to make proposals through the introduction of an in-house system of qualifications (Chief Constructor, etc.)

Customer Base

- Owners of the 2.54 million dwellings we have built, the most in the Japanese housing industry
- An after-sales service system featuring customer service centers for customer peace of mind after they take possession of their houses
- Long-term relationships with rental housing owners through Sekisui House Real Estate companies
- Owner referrals and a high repeat rate

Maximizing Customer Value through Synergies from Cooperation within the Group

Research & Development → Design → Sales → Production → Construction → After-sales service

+

New Technologies

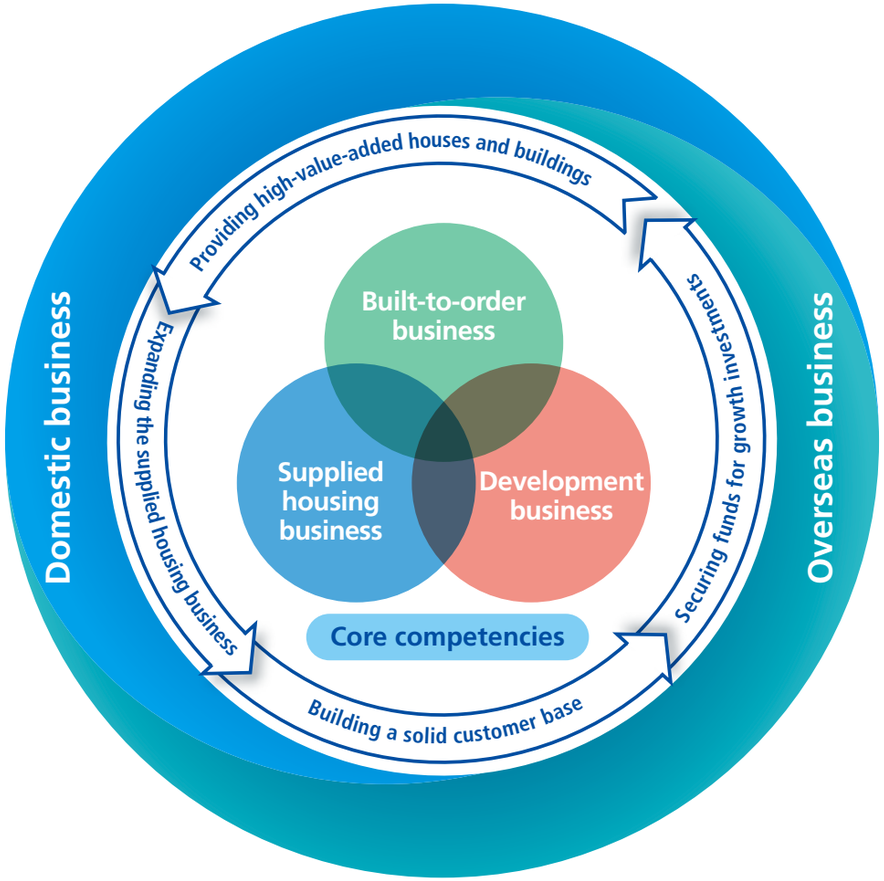
IoT　AI　Robotics　Blockchain

Advancing and Extending Our Core Competencies

Open Innovation

Industry-academia collaboration　Investment in startups　Business alliances　M&A

Business Models



Based on a management foundation that incorporates ESG initiatives, as well as its unique value chain and core competencies, Sekisui House has established business models that create value for diverse stakeholders through collaboration within the Sekisui House Group.

Our operations in Japan utilize three business models. The first is the model of the built-to-order business—it has established a solid customer base by providing high-value-added houses and buildings. Next is the model of the supplied housing business—it draws on this customer base to conduct remodeling, rental housing management and other operations. The profit from these businesses is then invested in our third business, development—the model for which is high-quality urban redevelopment and the development of beautiful communities that are a pleasure to live in. As we make growth investments for the future, we are also establishing a sustainable value creation process. We plan to establish the same three business models overseas through further expansion of the built-to-order business.

The Sekisui House Group will steadily achieve sustainable growth as it works to become a global company. Since 2010, we have continued to grow by reducing our emphasis on the built-to-order business through a more optimally balanced business portfolio. By leveraging high-quality housing stock to accelerate growth in the supplied housing business and increasing asset turnover in our development business, among other measures, we are enhancing all three of our core businesses to create a base for generating growth.

Domestic and Overseas Business Operations

Built-to-order business	Build a solid customer base by providing high-quality houses and buildings
Supplied housing business	Draw on the customer base from the built-to-order business to conduct remodeling, rental housing management and other operations
Development business	Invest profits from the built-to-order and supplied housing businesses in high-quality urban redevelopment and the development of beautiful communities that are a pleasure to live in

Value Chain

The Sekisui House Group aims to create happy homes by constantly evolving the basic performance and environmental technologies that are important for residents, and by combining research and proposals for new ways of living. Our unique value chain is the source of this value creation.

▶Please see Section 6 for details.
» Pages 102–127: Environment
» Pages 128–162: Social



Research and Development

We aim to create value for residents in the era of the 100-year lifespan. Our research and development therefore encompasses technologies, lifestyle design and services, based on the residential domain, and ranges from the development of advanced technologies for safety, security, comfort and health to surveys and research for proposals for happy living and services.

Strengths and Differentiating Features

- Opened the Comprehensive Housing R&D Institute in 1990, the largest of its kind in the world
- Opened the Human Life R&D Institute in 2018, Japan's first institute specializing in research on well-being
- Research and development that leverages our extensive, industry-leading residential database and expertise
- Research from the perspective of customers at *Nattoku Kobo* Studio (Home Amenities Experience Studio), a hands-on research facility

Risks and Opportunities

- Loss of business opportunities due to inability to respond to technological innovation
- Increasingly severe natural disasters due to climate change

Measures to Step Up

- R&D for disaster-resilient housing
- R&D to extend the life of houses
- R&D based on co-creation with sales, technology, production and other departments
- Information sharing and R&D with companies and educational institutions



Product Development, Design and Technologies

Our objective is to remain a leader in developing products that deliver the highest quality and technology and meet customer needs. The products we create based on this mission are houses that realize customers' dreams through customized designs using our advanced design proposal capabilities.

- Various original technologies that are ahead of the times and unrivaled by other companies
- 3,311 first-class architects
- Chief Architect, an in-house system of certification for our top creators, fosters excellent in-house architects

- Changing lifestyles and diversifying values
- Diversifying performance requirements for housing (eco-friendliness, disaster resilience, infection control measures, etc.)

- Creation of housing that addresses lifestyle changes by integrating technologies, lifestyle design and services
- Resilience improvement and creation of versatile housing
- Rapid development of products to avoid missing business opportunities



Sales

In sales, which are the front line of customer contact, we stay closely attuned to our customers to offer value proposals for their ideal house, based on our philosophy of love of humanity. Our aim is to build strong and lasting relationships of trust with our customers.

- Established reliability and track record
- Closely attuned to customers based on our love of humanity
- Consulting capabilities that enable us to identify latent needs and expectations to propose housing where people can live happily for years to come
- Proposal capabilities for public and corporate business in addition to housing for private individuals

- Intensifying competitive environment
- Changes in housing policy, and changes in and end of support measures for home purchases

- Promotion of Long-Life Quality Housing
- Proposals for the creation of assets that offer value not only for customers but for the local community
- Strengthening of cooperation within the Sekisui House Group to reliably capture business opportunities
- Promotion of active participation by female sales representatives

Value Chain









Overview	Strengths and Differentiating Features	Risks and Opportunities	Measures to Step Up
Procurement Building a house requires tens of thousands of components. Sekisui House works with diverse suppliers to promote sustainable procurement based on its CSR Procurement Guidelines.	• A strong supply chain structured for coexistence and co-prosperity with suppliers • CSR procurement as a signatory of the United Nations Global Compact* • Fair Wood procurement based on our Wood Procurement Guidelines * The world's largest sustainability initiative in which the United Nations and the private sector (corporations and other organizations) have joined hands to realize a sound global community	• Rapid increases in raw material prices and supply constraints • Impact of natural disasters and the spread of infectious diseases • Human rights risks in the supply chain • Impact of wood procurement on ecosystems and forests	• Diversification of suppliers and building of strong relationships of trust with them • Strengthening and promoting CSR procurement for coexistence and co-prosperity with suppliers • Promotion of supplier decarbonization and cultivation of Fair Wood procurement
Production Our unique production system carefully manages each process from manufacture to shipping for each individual home. Under an advanced quality control system for pre-engineered housing, we promise consistent high quality for all homes.	• Strong production and quality control system through the use of cutting-edge information technologies such as AI, IoT, big data analysis and robotics technologies • Flexible production lines and distribution systems enable production on a house-by-house basis • Teams of technicians with a spirit of challenge to drive in-house development of production technologies	• Rapid increases in raw material prices and supply constraints • Rising logistics costs and a shortage of drivers • Shortages of production line labor • Decarbonization	• Strengthening of quality control by enhancing the use of cutting-edge technologies and promotion of production and logistics reforms • Rationalization of production through automation and creation of comfortable workplace environments • Decarbonization through means including raw material recycling, energy saving and energy transition
Construction We have established a design-build system encompassing our wholly owned Sekiwa Construction companies, and the Sekisui House Association, which is made up of partner building contractors. Together, they promote superior construction systems, the highest construction quality and environments, and the development of construction techniques.	• Construction capabilities of 15 Sekiwa Construction companies and about 7,000 partner construction companies that unite in the spirit of a community with a common destiny • Group-wide system for construction quality control, continuous improvement, and record management and storage • Three education and training centers throughout Japan and a technical training facility in Vietnam for developing outstanding people as the Group's future leaders	• Decrease in construction capabilities due to aging and shortages of skilled personnel • Increase in employee turnover and decrease in new hiring due to delays in improving working environments • Decrease in productivity due to deterioration of the natural environment • Occupational accidents	• Enhancement of work efficiency and construction environments to make construction sites safer and workers happier • Hire and train human resources that have multiple perspectives • Strengthening of cooperation with Konoike Construction, which has strengths in construction of houses using the traditional method and in the civil engineering business
Customer Service To ensure comfortable living—now and always, we consider proper after-sales service to be part of the intrinsic value of a home, and provide lasting security with long-term support systems such as our initial 30-year warranty program and U-trus System.	• Commitment to customer service that impresses customers • Extensive after-sales service organization of approximately 1,500 employees • System for centralized management of maintenance information from new construction onward	• Decline in customer satisfaction due to delays in response • Risk of leakage of customer and other information	• Building solid relationships of trust with owners • Enhancement of responsiveness by accepting phone calls 24 hours a day, 365 days a year, and by using AI chat bots • Strengthening of support for Sekisui House noie and other Sekisui House Group companies • Strengthening of information management system and handling

Stakeholder Engagement

The Sekisui House Group identifies various issues and expectations through engagement with stakeholders, including customers (homeowners), consumers (prospective customers), business partners, employees, shareholders and other investors, and local communities. We work to create value unique to Sekisui House by sincerely addressing these issues and expectations.

Key Stakeholders	Responsibilities	Main Examples of Engagement		Results of Initiatives	
Customers (homeowners)	We will maintain a customer-first attitude and continue to value open communication so that important customer assets can be used for a long time with a sense of attachment.	• Customer questionnaire surveys • Informative magazines published as communication tools ・*Kizuna* (detached housing, twice annually) ・*Maisowner* (rental housing, twice annually) ・*gm* (condominiums, three times annually)	• Operation of the Net Owner's Club • Customer Service Center Owner Desk • Suite Concier website introducing lifestyle services for homeowners	• Longer useful lives for housing • Improved customer satisfaction • Enhanced after-sale support • Creation of high-quality housing stock	
Consumers (prospective customers)	We will proactively disclose information so that we can establish a relationship of trust, with the goal of creating enriching homes and environments.	• *Nattoku Kobo* Studio (Home Amenities Experience Studio), at the Comprehensive Housing R&D Institute • Tomorrow's Life Museum • Sekisui House Eco First Park	• SUMUFUMU TERRACE facilities • *Sumaijuku* seminars • Stimulating dialogue through lifestyle literacy books and other media	• Enhanced development of new products and technologies • Accumulation of big data relating to housing	
Business partners	We will engage in fair and equitable transactions while fostering relationships of mutual benefit in order to develop together with our business partners, utilizing a track record of customer satisfaction.	• Establishment of the Sekisui House Association and the Sekisui House Cooperation Association • Annual activity policy briefing session	• CSR procurement (adhering to our CSR Procurement Guidelines) • Supplier evaluations	• Establishment of construction site environments that facilitate work (streamlining and standardization of work)	• Establishment of a robust, sustainable supply chain
Employees	We respect individuality so that employees can make the most of their individual capabilities. We nurture fairness and a spirit of challenge through meaningful work, create a healthy, happy workplace environment and systems where employees can develop their careers autonomously, and work to improve employee satisfaction.	• ESG Dialogue • Human relations training (annually) • Compliance training • Well-Being Survey • Sekisui House Women's College • Career interviews	• *Hito* in-house online magazine • SHIP Collective Communication and Innovation Awards Program • Challenge 6 initiative (six challenges for physical and mental health)	• Active participation of women and human resources with diverse characteristics • Human resource training and development • Occupational health and safety (including pandemic countermeasures)	• Maintenance and improvement of employee well-being • Innovation
Shareholders and other investors	We engage in fair and highly transparent corporate management with the aim of remaining an enterprise with high social value. We do so in order to improve our corporate value through sound growth that returns profits to shareholders and other investors.	• Financial results presentation and management plan briefing session • Meetings with institutional investors and analysts • General Meeting of Shareholders	• Publication of *Value Report (Integrated Report / Sustainability Report)* • Publication of *Business Report* (twice annually) • Issuance of *IR News Mail* • Factory tours for shareholders	• Return of profits to shareholders • Enhancement of information disclosure • Improvement in relationships of trust with shareholders and investors through active dialogue	
Local communities	In order to protect the global environment and enable all people to enjoy a rich and fulfilling life, we will strive to cooperate, participate and give back to society by fostering local culture and richness while making the most of our uniqueness as a housing company.	• Sekisui House Matching Program for joint donations by employees and the Company • Collaboration with NPOs such as Uzo Nishiyama Memorial Library and Kids Design Association • Rokko Island Fund for Kobe Town Development charitable trust	• Providing training in the SDGs using case studies • Providing training in programming for elementary school students	• Safe and secure living • Community development for crime prevention and disaster preparedness • Fostering of future generations (Kids First) • Support for the self-reliance of disaster victims and people with disabilities	• Support for a diverse society • Regional revitalization • Coexistence with local communities • Social contribution activities (including initial disaster response and recovery and reconstruction support)

Employee Engagement: Aiming to Be a Partner in Happiness

We want to continue providing new value as a partner in happiness. We will therefore make all Group employees happier to make our customers and society happier.

Employee Happiness Empowers Sekisui House to Be a Partner in Happiness

As a partner in happiness, the Sekisui House Group must create an environment in which employees are motivated to work happily and enthusiastically in order to continue providing new value to customers and society. We can only achieve our vision to make home the happiest place in the world if the employees who drive our businesses are happy, which in turn helps make customers and society happy. Enhanced employee engagement, which refers to the emotional commitment of employees to their work and company, is a key responsibility in the Sekisui House Group's initiatives for employee happiness. We are therefore committed to a corporate culture with a workplace environment and systems that are fair and that encourage employees to create value and grow through their work by taking on challenges and respecting diversity while collaborating to make the most of the capabilities each employee demonstrates.

Our Well-Being Survey Communicates Our Commitment to Employee Happiness

Generally speaking, employees perform better, communicate more effectively and are more likely to innovate when they are happy. At the same time, the Sekisui House Group does not limit its concept of employee happiness to partial indicators such as satisfaction with benefits and workplace environment. We also see employee happiness as a holistic, subjective indicator that encompasses job satisfaction, personal development and every other aspect of work and personal life.

The Four Factors of Happiness Advocated by Dr. Takashi Maeno of Keio University Graduate School



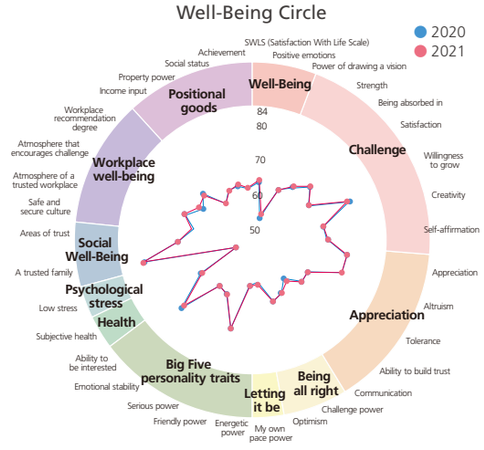
Factor 1: Let's try!
(self-realization and growth)
Factor 2: Thank you!
(connection and gratitude)
Factor 3: It will turn out all right!
(positive and optimistic)
Factor 4: Be yourself!
(independent and self-paced)

The Sekisui House Group has high scores for Factor 2, "Thank you!," indicating that our corporate philosophy has permeated the Group.

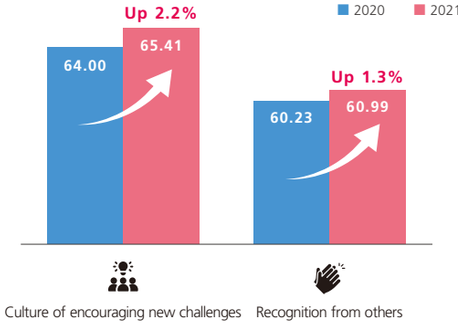
Based on this mindset, the Sekisui House Group initiated its Well-Being Survey in 2020 to analyze the correlation between individual and workplace happiness for all employees. The survey results show that the Sekisui House Group as a whole is happier than other workplaces because its scores are higher than the average for organizations taking the survey. Furthermore, happiness diagnostics that measure the happiness of individuals had high scores for items such as gratitude and altruism, and also high scores for items related to happiness in the workplace such as contribution to others, personal growth and teamwork. These results indicate that love of humanity, our corporate philosophy, has permeated the Group. We conducted this survey for the second time in 2021, and compared the results to the 2020 survey. We found that scores for items such as encouraging new challenges in the workplace, positive emotions, and recognition from others had increased significantly. At the same time, scores for items related to stress and recreation were relatively low, indicating room for improvement.

The Sekisui House Group visualizes individual and workplace happiness to give all employees direct insights into their own happiness. We also use survey results in discussions and workshops as a means to increase employee happiness. These ongoing initiatives engender a psychologically safe workplace culture that facilitates innovation through energetic communication while empowering employees to act autonomously to achieve happiness.

Our Well-Being Survey Holistically Gauges Employee Happiness



Initiatives including ESG dialogue, career interviews and the SHIP Collective Communication and Innovation Awards Program have raised scores for items including our culture of encouraging new challenges and satisfaction with evaluation by others.



Section

3

Strategies and Initiatives for Sustainable Growth

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51 Sekisui House's Digital Technology and Initiatives for Digital Transformation (DX)

Financial and Capital Strategy



We will balance further growth investment with healthy finances as we create new value that addresses our changing times and environment.

Yosuke Horiuchi
Representative Director of the Board
Vice Chairman, Executive Officer
In Charge of Division of Finance and ESG and TKC Project
Head of ESG Management Promotion Headquarters

Changes in the Business Environment and Sekisui House's Response

The business environment in which Sekisui House operates has changed significantly over the past 10 years, as represented by megatrends such as the increasing topicality of climate change, biodiversity conservation, resource recycling and other environmental issues, as well as changes in economies, government policies and demographics. In particular, year after year the ESG management expected of companies is increasing in importance, including initiatives to achieve carbon neutrality, which has been taken up as an urgent issue worldwide. In this business environment, with the shift to remote work and home schooling and other aspects of people's lifestyles in the "new normal" brought about by the COVID-19 pandemic, attention to housing has been rising worldwide.

Sekisui House has provided customers with value in housing based on a belief it has held since its founding: that helping to resolve social issues supports its sustainable growth. After reexamining our value creation process centered on that corporate story, we substantially revised the way we identify material issues and reclassified them from five issues to three: creation of high-quality housing stock; contributing to a sustainable society; and diversity and inclusion. The development and popularization of eco-friendly housing, an area on which we were the first company in the industry to focus in Japan, is one of our representative initiatives for contributing to a sustainable society. Today, more than 90% of our customers for new detached houses choose a net zero energy house (ZEH). Our current focus is on

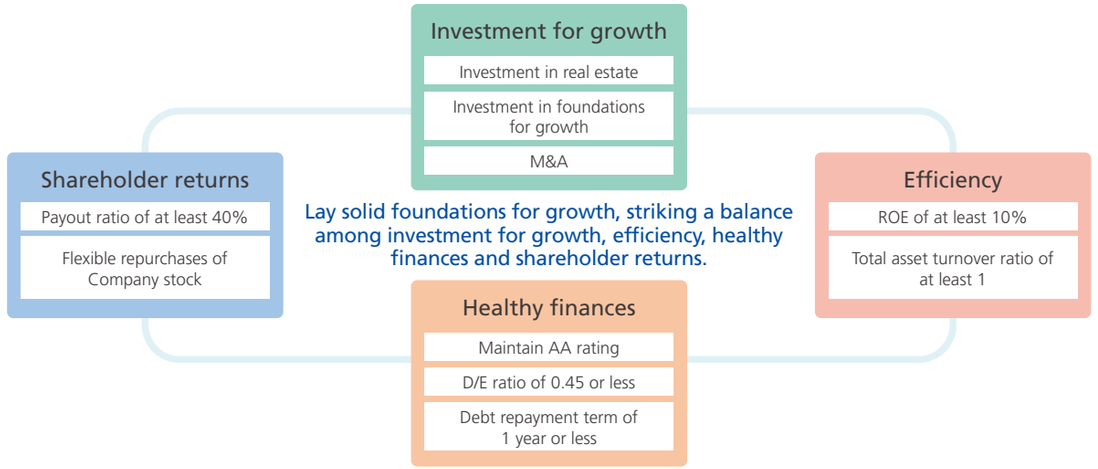
Financial and Capital Strategy

popularizing ZEH for rental housing and switching to ZEH for all units in the condominium buildings we develop. We intend to lead the industry in this initiative as well. Meanwhile, for the RE100 initiative, our initial target date for employing 100% renewable energy sources for the electricity used in our business activities was 2040, but we now expect to reach that goal by 2030, ten years ahead of schedule. Through this and other measures, we are making steady progress in decarbonization. Based on our efforts to address our material issues, we intend to continue creating new value to provide happiness in the era of the 100-year lifespan.

Furthermore, to realize our global vision to make home the happiest place in the world, we aim to offer happiness through the integration of our technologies, lifestyle design and services and to make Sekisui House technologies the global de facto standard. We will therefore step up our investment for growth, considering options including mergers and acquisitions as well as capital or business tie-ups so that we can provide new added value and fully demonstrate our technologies worldwide.

Basic Policies of the Fifth Mid-Term Management Plan

1. **Lay growth foundations with an eye on the Third-Phase Management Vision and where the Group should be in 10 years**
2. **Build a strong financial position to respond flexibly and agilely to growth opportunities**
3. **Promote investment for growth and strengthen shareholder returns for sustainable improvement in corporate value**



Improving Measures to Take Our Healthy Finances to the Next Phase

Sekisui House provides housing, a product that creates close, long-lasting relationships with customers, as well as services for residents. To earn the trust of those customers and other stakeholders, we consider it vital to make ongoing investments in business growth, and by extension, to build a strong financial base that enables such investment.

Under the Fifth Mid-Term Management Plan, we have continued our efforts to improve our finances from the Fourth Mid-Term Management Plan. By successfully promoting improvement of capital and asset efficiency in management through these efforts, we have reached a major milestone, and I feel we are ready to pick up our pace for further growth. We have already started studying financial strategies for the coming Sixth Mid-Term Management Plan, and we want to employ KPIs suited to Sekisui House so our employees can work together to achieve the plan's targets. Moreover, despite the ongoing COVID-19 pandemic we have maintained AA credit ratings from two domestic rating agencies. We will continue working to balance further growth investment with healthy finances, while maintaining these AA ratings as a measure of their robust health.

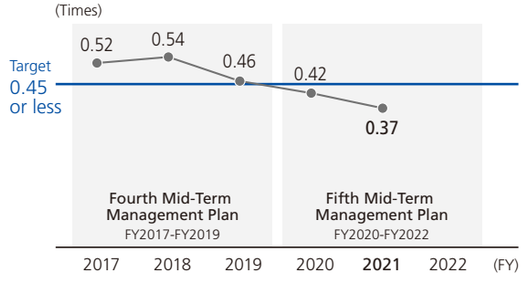
Maintain AA Ratings* as a Measure of Robust Health

D/E ratio of 0.45 or less	Debt repayment term (Net debt/EBITDA) of 1 year or less

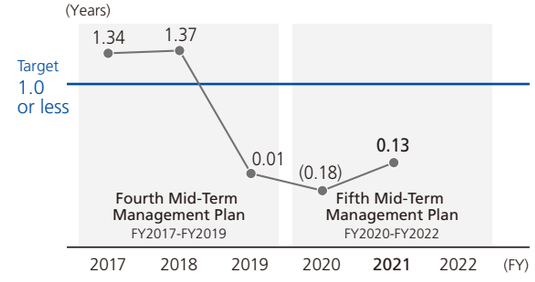
* Ratings for Sekisui House

Japan Credit Rating Agency, Ltd. (JCR) AA　Rating and Investment Information, Inc. (R&I) AA-

D/E Ratio



Debt Repayment Term



Financial and Capital Strategy

A Growth Strategy of Aggressive Real Estate Investment and Investments in the Foundation for Medium-to-Long-Term Growth

For sustainable growth, we are aggressively investing in real estate with an emphasis on asset efficiency (turnover ratio), as well as investing in the foundation for growth from a medium-to-long-term perspective.

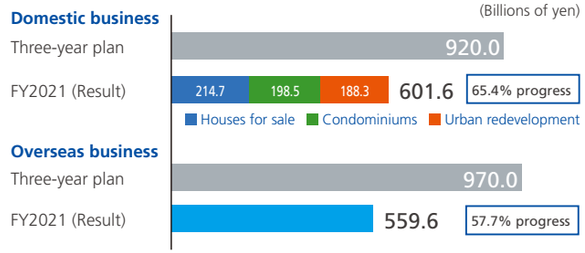
Before investing in real estate, we set a hurdle rate (the minimum acceptable internal rate of return) based on the cost of capital as a standard for investment decisions. Sekisui House has made creation of high-quality housing stock one of its material issues, and to provide advanced, high-quality stock such as ZEH, ZEH condominiums and ZEB, real estate investment is indispensable. Investments under the Fifth Mid-Term Management Plan have progressed in Japan in particular, with aggressive purchases of land for detached houses, condominiums, and development projects. Since real estate investment generally entails risk, we emphasize asset turnover when making investment decisions. Especially in the development business and overseas business, where the scale of assets is large, we emphasize ROA and work to improve asset efficiency through monitoring.

Investment in Real Estate

(Billions of yen)

	Domestic business	Overseas business	Total
Investment	920.0 (631.9)	970.0 (874.9)	1,890.0 (1,506.8)
Recovery	825.0 (810.1)	1,175.0 (975.3)	2,000.0 (1,785.4)
Net investment	95.0 (-178.2)	-205.0 (-100.4)	-110.0 (-278.6)

Note: Figures in parentheses indicate actual results under the Fourth Mid-Term Management Plan



Planned Foundation for Growth

Improvement of productivity	R&D
Investment to secure and develop human resources	New business and M&A

Over three years

About ¥200 billion

Strengthen the business foundation and consider and implement M&A as necessary

[Over three years] About ¥200 billion

- Acquired Holt in the United States
- Other progress centered on investment in production equipment and R&D

We have set investments in our foundation for growth at ¥200 billion during the three-year period of the Fifth Mid-Term Management Plan, with about ¥100 billion of this set aside for potential new businesses and M&A in Japan and overseas, which we are currently studying. Our progress in this area has been steady, including the December 2021 acquisition of Holt, a homebuilding company in the United States. In addition, our SHAWOOD model house, built using the conventional Japanese wooden-frame construction method, received excellent reviews at the IBS* held in Las Vegas in 2020. As one consideration when transferring Sekisui House technologies to our overseas business, the required housing performance differs in each region of the United States. Therefore, we intend to transfer our technologies while working toward a nationwide rollout of SHAWOOD, building houses with excellent earthquake resistance in areas where earthquakes are common, and houses that can withstand wind and flood damage in areas with frequent hurricanes. We therefore think that a key point for growth investment will be M&A or business tie-ups with companies that have their own factories, as well as the acquisition of factories in the United States capable of applying the Japanese wooden frame construction method. We are eager to consider all suitable possibilities for collaboration in various fields.

To sustainably improve corporate value, we also recognize the importance of investment in various intangible assets that support value creation and in non-financial capital such as ESG. Accordingly, the remaining ¥100 billion for our growth foundation has been earmarked for investments in areas such as productivity-improving equipment, IT, research and development, and the securing and development of human resources. These investments are proceeding steadily. Regarding human capital, we believe that in order for Sekisui House to provide happiness to customers, its employees must be happy. One initiative to ensure this involves conducting ESG dialogue and a Well-Being Survey targeting all employees. We have also been working to strengthen our organization. Efforts have included making 2021 the kickoff year for a variety of personnel system reforms and establishing a dedicated department for human resources development in February 2022. Since self-directed career development by each employee is indispensable for building a strong organization, we will continue to proactively conduct personnel system reforms and invest in human capital.

* International Builders' Show: One of the world's largest housing exhibitions

Financial and Capital Strategy

Stable Returns and Improved Value for Shareholders

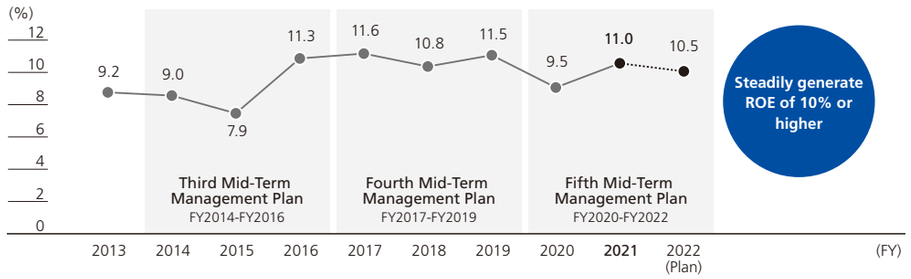
In addition to investments for growth and robust finances, we recognize that returns to shareholders is a key management theme of our financial and capital strategy. In the Fifth Mid-Term Management Plan, we are working to improve capital efficiency by meeting our KPI of ROE of at least 10%, which exceeds the cost of shareholders' equity (considered to be about 6%), and we are targeting an average dividend payout ratio of 40% or more over the medium term. For shareholder returns in FY2021, we paid dividends of ¥90 per share, an increase of ¥6 from the previous fiscal year, and repurchased approximately ¥15 billion (approximately 6.6 million shares) of our stock. In FY2022, we are planning our eleventh consecutive year of dividend increases with dividends for the year totaling ¥94. We also plan to repurchase up to ¥30 billion, or 15 million shares, of our stock. Continuous dividend growth remains our aim as we work to improve shareholder value through flexible stock repurchases.

Enhanced engagement with shareholders and investors is key for the Sekisui House Group to grow sustainably and increase its corporate value. We will continue to proactively conduct investor relations activities and appropriately reflect your suggestions and opinions in our management.

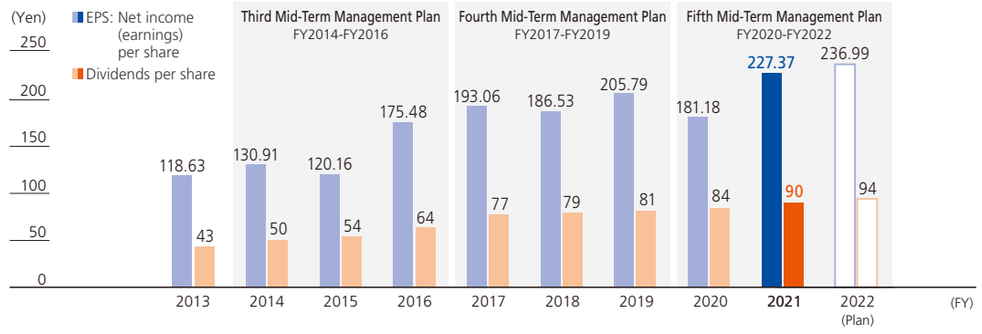
ROE Calculation Method and Breakdown

	ROE	= Profit margin	× Total asset turnover ratio	× Financial leverage
Fourth Mid-Term Management Plan (Final FY result)	11.5%	5.8%	0.96 times	2.06
Fifth Mid-Term Management Plan (Target)	At least 10%	At least 5%	At least 1.0 time	Approx. 2
Target level		At least 6%	At least 1.2 times	Approx. 2

ROE



EPS and Dividends per Share



	2013	2014	2015	2016	2017	2018	2019	2020	2021 (Result)	2022 (Plan)
EPS: Net income (earnings) per share (Yen)	118.63	130.91	120.16	175.48	193.06	186.53	205.79	181.18	227.37	236.99
Dividends per share (Yen)	43	50	54	64	77	79	81	84	90	94
Dividend payout ratio (%)	36.2	38.2	44.9	36.5	39.9	42.4	39.4	46.4	39.6	39.7

Environmental Strategy

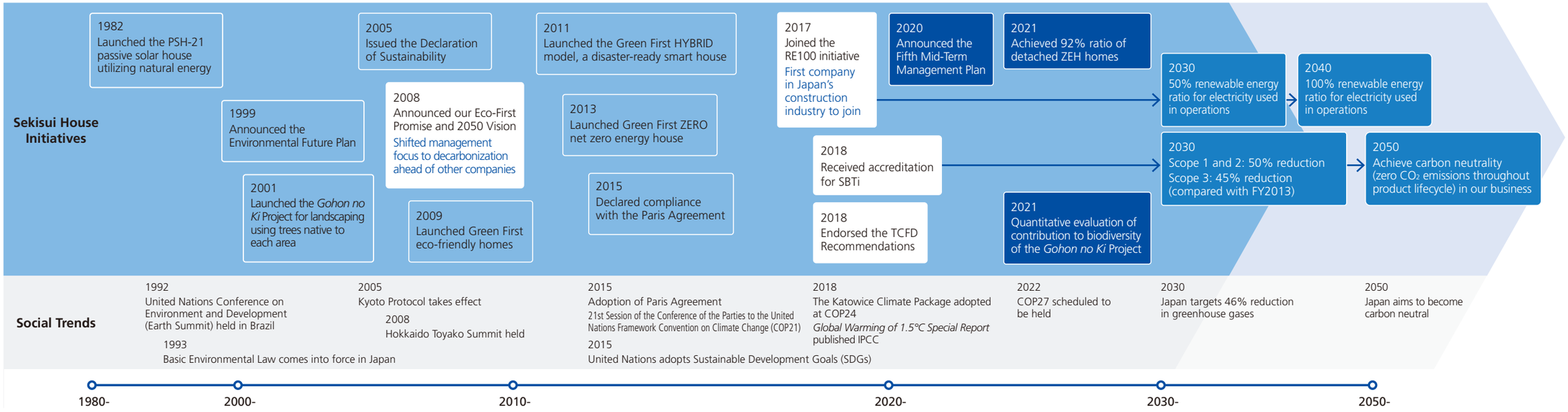
Integrating Our Environmental and Business Strategies for Happy Lives for Our Customers

The starting point for the Sekisui House Group's environmental strategy was the Environmental Future Plan we announced in 1999. Since the announcement of this plan, we have been effectively conducting various initiatives to quantitatively understand and reduce the impact of our business activities on the global environment. In particular, we realized that popularizing energy-saving housing would be a core measure to help prevent global warming. We began by making double-glazed windows a standard feature, followed by high-efficiency thermal insulation and water heaters, and began sales of houses with solar cells and fuel cells. Then, in 2013, we were among the first in Japan to begin sales of a net zero energy house (ZEH). In these and other ways, we have consistently considered our environmental and business strategies to be integrated. As an industry-leading corporate group, we are working to evolve our environmental strategy, taking an approach not simply of complying with laws and regulations and adapting to external factors, but of practicing ESG management.

Earning broad acceptance is important for the Sekisui House Group in conducting these initiatives. For instance, our ZEH makes dynamic use of large living rooms and windows, which are disadvantageous in terms of saving energy, but compensates for them with our technological capabilities in thermal insulation and other areas for a living space that offers both comfort and energy savings. In addition, for over 20 years we have been helping to preserve biodiversity by attracting birds and butterflies to customers' gardens through our *Gohon no ki* Project. In this project, our exterior construction and landscaping business plants trees native to each area, with approximately 18.1 million trees planted to date. These initiatives not only have a positive impact on the global environment, but also help to enrich the lives of our many customers.

In ways such as these, the Sekisui House Group's environmental strategy has been based on an approach of integrating the resolution of various environmental issues into our business. Since its starting point in 1999, this approach has continued unchanged into our third phase, in which we aim to achieve our global vision to make home the happiest place in the world.

Main Progress in the Sekisui House Group's Environmental Strategy



Environmental Strategy

Promoting Our Net Zero Energy House (ZEH)

To help create a decarbonized society, Sekisui House must first work to reduce CO_2 emissions from the housing it sells, which account for more than half of the CO_2 emitted as a result of its business activities. In other words, we must promote houses that use less energy. We have been selling our ZEH product Green First ZERO since 2013. In FY2021, 92% of orders for new Sekisui House detached houses were for ZEH, and the total of 69,163 buildings we have received orders for to date is the highest in the industry in Japan.

As for multi-dwelling complexes, we completed the first all-ZEH buildings in Japan for our Sha Maison rental housing in 2018 and GRANDE MAISON condominiums in 2019, and full-scale promotion has now begun. The ZEH rental housing we are promoting, in which tenants can sell the electricity generated by the unit, is particularly expected to meet the needs of ethical consumers, who will grow in number as society moves toward decarbonization. Owners can therefore expect long-term, stable management, while Sekisui House Real Estate can expect growth in rental income.

Net Zero Energy House (ZEH): Targets[1] and Progress

● Ratio of Detached ZEH Homes
Target: 90%
Progress:[2] 92%
(Cumulative total of 69,163 detached ZEH homes ordered)

● Ratio of ZEH Units for Rent
Target: ..... 2,500 units per year
Progress:[3] ..... 8,501 units per year
(Cumulative total of 12,307 ZEH units ordered)

● Total ZEH Condominium Units Built
Target: ..... 540 units
Progress:[4] ..... 192 units

1. Targets for FY2022, the final year of the Fifth Mid-Term Management Plan
2. Results from April 2021 through March 2022
3. Results from February 2021 through January 2022
4. Results to January 2022

» Page 103: Contributing to a Decarbonized Society

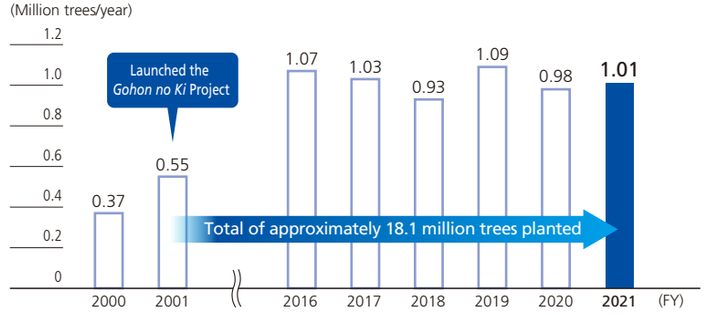
Gohon no Ki Project

Since 2001, Sekisui House has been conducting the *Gohon no Ki* Project to promote landscaping of customers' gardens using greenery native to the region that is adapted to the local climate. "*Gohon no ki*" means "five trees" in Japanese, and the project concept encourages planting three out of every five trees for birds and two for butterflies. This project arose from the idea that even in cities, biodiversity can be restored by establishing an ecological network with the surrounding natural environment.

In 2021, in collaboration with the Kubota Laboratory (Faculty of Science, University of the Ryukyus), we constructed the world's first system for quantitatively evaluating contribution to urban biodiversity to verify the impact of the *Gohon no Ki* Project. The more than 17 million trees planted in the 20 years since the start of the project (the number up to 2020 at the time of the evaluation) resulted in an approximately tenfold increase in tree species planted in urban residential areas nationwide, which was shown to lead to a doubling of the number of bird species and a fivefold increase in the number of butterfly species that residential districts can attract. Sekisui House's landscaping business thus helps to preserve biodiversity as it provides customers with happy lives in gardens where they can enjoy birds and butterflies, and contributes to vibrant townscapes.

» Page 112: The *Gohon no Ki* Project, an eco-friendly landscaping and greening project
» Page 113: Evaluating effectiveness quantitatively by using big data on biodiversity

Number of Trees Planted per Year Since the Launch of the *Gohon no Ki* Project



Governance for Implementing Environmental Strategy

The Sekisui House Group's environmental policies and strategy are formulated by the Environmental Subcommittee, which is mainly composed of individuals in charge of the head office departments involved in environmental management and the environmental managers of each business division. Important matters are also examined by the ESG Promotion Committee, which includes outside experts, and decided on with the approval of the Board of Directors as necessary. More specific and detailed action plans are examined by working groups established under the Environmental Subcommittee and reflected in the plan in line with business operations throughout the Group. The progress of initiatives is managed through routine reports and instructions to the directors of the Board responsible for each business and other executives for timely monitoring and supervision.

Social conditions related to the environment will become increasingly severe, with a further rise in social and stakeholder expectations toward the Sekisui House Group's response. To meet these expectations, we believe that reviewing our environmental strategy based on medium-to-long-term scenario analysis is indispensable from the perspective of business continuity. Based on this approach, we will respond flexibly and appropriately, which includes reviewing our organizational structure.

Human Resources Strategy

▶Please see Section 6 for details.
» Pages 140-144: Developing Human Resources

Promoting a Human Resources Strategy to Maximize the Happiness of Our Customers, Employees and Communities

Based on its global vision to make home the happiest place in the world, the Sekisui House Group's ideal vision for 2050 is to maximize the happiness of its customers, employees and communities. To achieve this ideal vision, we are implementing a human resources strategy underpinned by our belief that the growth of our employees is the growth of the Sekisui House Group, as we further instill a corporate culture of innovation and communication throughout the Group.

To make Sekisui House the world's happiest company, we started new personnel system reforms in 2021 with self-directed career development as a key point, in addition to the topics of diversity and inclusion, and workstyle innovations that we had been addressing. Sekisui House regards employees and the Company as having an equal relationship, and considers it important for employees to take ownership of their careers and develop them autonomously, rather than entrusting their career development to the Company. By proactively utilizing the Sekisui House Group's unique technologies, brand power, customer base and other resources to provide new value to our customers and communities and to increase the happiness of every customer, our employees will further enhance their own careers.

Consideration of the new personnel system began in FY2020 with a series of discussions with the management team from the initial stage to elucidate problems with the old system and identify projected issues from future personnel simulations, among other matters. After reports to the Personnel Affairs and Remuneration Committee and Management Meetings and further discussions, we introduced a new rating system starting with Sekisui House in February 2021, followed by a grading system and remuneration system in April 2022 (Sekisui House Real Estate Group introduced the rating, grading and remuneration systems simultaneously in February 2022).

To instill these personnel system reforms throughout the Group, in February 2022 we also took proactive measures to strengthen our talent management organization by restructuring the former Personnel Department to establish the new Human Resources Development Department. We will take an extensive view of the entire Group's human resources in aggressively carrying out measures such as conducting selective training to systematically discover and cultivate our next generation of business leaders and creating opportunities for growth through personnel rotation.



Discussion sessions offer employees the chance to talk across generations and job roles about topics such as childcare leave for eligible male employees and balancing work and home life

Four Reforms of Our Human Resources Strategy

1. **Career consciousness reform: Self-directed careers**
2. **Leader appointment reform: Leadership pipeline**
3. **Group human resources interchange reform: Group human resources database**
4. **Governance reform: Appropriate deployment of Group governance-related human resources**

1 Career Consciousness Reform: Self-Directed Careers

We promote the self-directed career development of our employees and are working to cultivate human resources who can create value for communities and stakeholders on their own initiative. We have started holding career interviews as a key measure supporting self-directed careers. Through regular dialogue with supervisors, employees share their values and thoughts about their careers, and receive pertinent feedback on their individual strengths and points for development. Via this process, the interviews support growth through practice and introspection. Employees lay out their vision for their careers themselves, rather than leaving it to the Company, which fosters a corporate culture in which employees can take on challenges autonomously.

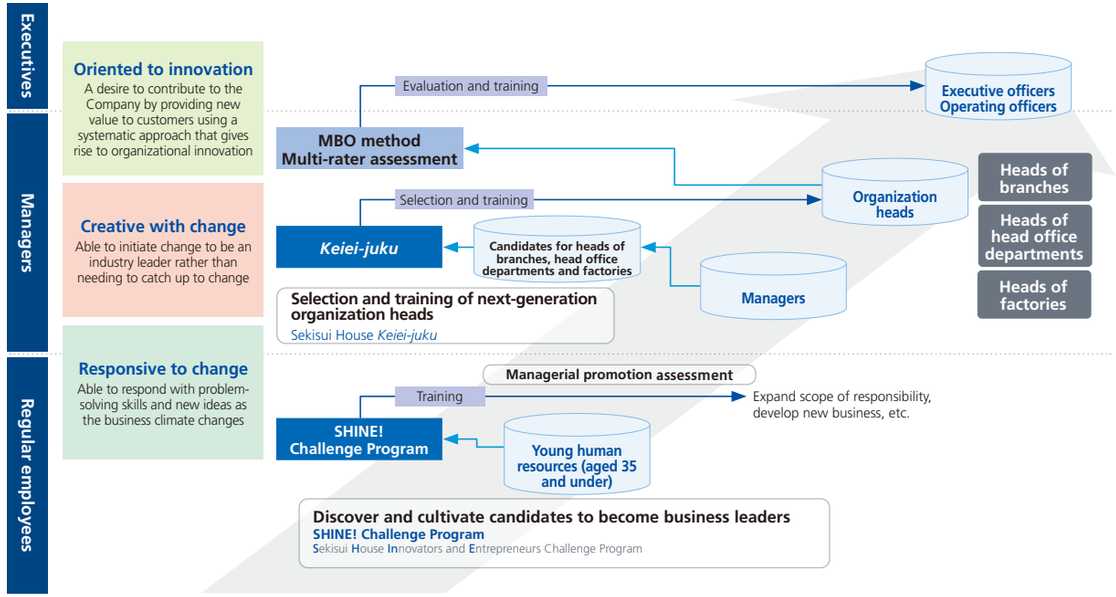
Human Resources Strategy

2 Leader Appointment Reform: Leadership Pipeline

To remain in demand from society as a sustainable corporate group, the Sekisui House Group must develop a class of managers and leaders who will consistently surpass those who came before. It is therefore important that current leaders take responsibility for cultivating their successors.

We are building a leadership pipeline with three levels: executive officer and operating officer candidates; organization leader (heads of branches, head office departments, factories, etc.) candidates; and young human resources aged 35 and under. For executive officer and operating officer candidates, we conduct annual performance evaluations and multi-rater assessments using the management by objectives (MBO) method and devise development plans for each individual based on our succession plan. Progress under the development plans is shared with directors, executive officers and operating officers at meetings of the Succession Plan Council, which are held twice a year, and we aim for development on a Company-wide scale through challenging assignments, including transfers to other departments. In addition, appointments to posts are decided after multifaceted discussions at the Human Resource Promotion Council, which is made up of directors of the Board, and an assessment by an external organization in addition to the internal evaluations mentioned above.

Leadership Pipeline for Cultivating the Next Generation of Business Leaders



3 Group Human Resources Interchange Reform: Group Human Resources Database

We have introduced a new human resources information database as a platform for the self-directed careers targeted by the new personnel system. In addition to the personal data and career information maintained under the former personnel system, it includes data on each employee's career vision, requests for specific transfers or duties, and self-reported information on strong points such as competencies and expertise. The database also enables centralized management and visualization of various human resources information such as performance evaluations, evaluations of abilities and behavior and multi-rater assessments. For the next stage, we will further enhance human resources information by expanding coverage to Group employees and linking with the Well-Being Survey and the SHIP Collective Communication and Innovation Awards Program.

In the future, we intend to conduct our human resources strategy by linking the Group human resources database with the career planning reform initiatives for self-directed careers and with the leadership appointment reform initiatives for the leadership pipeline.

4 Governance Reform: Appropriate Deployment of Group Governance-Related Human Resources

To strengthen Group governance, we have clearly positioned persons in charge of general affairs as governance-related human resources, and are conducting appropriate deployment and training throughout the Sekisui House Group. As a new initiative, we have built a cross-Group network and began holding the Area Governance Meeting to tackle important governance topics.

At this meeting, members of Sekisui House and its Group companies share updates on deployment of government-related human resources and training in each area as they strengthen Group-wide governance.

» Page 71: Corporate Governance

Technology Development Strategy

Research & Development (Japanese only)
Family Suite (Japanese only)
SMART-ECS (Japanese only)

Research and Development of Housing for Customer Happiness

To realize our global vision to make home the happiest place in the world, our task for technology development is to ramp up coordination between our research and development, production and construction departments and our sites for housing R&D that integrates our technologies, lifestyle design and services. Based on the technologies for safety, security and comfort that we have been accumulating since our founding, we conduct research and development with the keywords of health, connectedness and learning to make home a happier place.

Housing is both a personal asset and social capital. High-quality housing stock that can be passed on intact to the next generation requires consideration of sustainability and the environment as well as a quest for beauty, and we are aware of a housing manufacturer's substantial responsibility to society. We will therefore continue our proactive efforts for research with a view to carbon neutrality by 2050, including promotion of ZEH and ZEB, harmony with townscapes, and design research that matches the sensibilities and values of residents. We will also roll out our business overseas to make Sekisui House technologies the global de facto standard through the creation of happy homes.

Research and Development That Integrates Technologies, Lifestyle Design and Services

Our advantage in research and development lies in our ability to compile data through thorough technical verification at our Comprehensive Housing R&D Institute and to propose "happy homes" based on the research and analysis at our Human Life R&D Institute. With technology development based on the highest quality and technology as the industry leader, we conduct research and development aligned with our management strategy. Moreover, in collaboration with the Platform House Promotion Department, we have established the conditions for research and development that integrates technologies, lifestyle design and services.

Family Suite, which offers happiness for families through the integration of technologies and lifestyle design, is one result of our research and development. Our original Dynamic Frame System, which enables open living spaces with spans of up to 7 meters without pillars, is the preeminent technology in Japan's housing industry. Launched in 2020 to further build on the Family Suite concept, Family Suite *Ouchi* Premium incorporates various proposals for enjoying the changes in lifestyle and time spent at home due to the COVID-19 pandemic, and the adoption rate has exceeded 60% of our newly built detached houses. In addition, the adoption rate for SMART-ECS, our next-generation indoor environment control system that handles viruses, pollen and other pollutants, has exceeded 85%. Our technology development that integrates technologies and lifestyle design has received a very positive response from our customers.



In addition, our research and development that integrates technologies, lifestyle design and services is resulting in a series of new lifestyle proposals. These include the launch of PLATFORM HOUSE touch, which allows residents to use a smartphone to check from outside the home on in-home temperature and humidity and whether doors and windows are locked.

» Page 27: PLATFORM HOUSE touch

Expanding in New Business Areas with Technology Development Based on the Residential Domain

Based on the unique Sekisui House technologies and lifestyle design that we have cultivated, we have started working to expand our area of business by incorporating the Platform House Concept, which provides new value to residents through services, into our technology development.

Sekisui House's main business has been housing, so we often seek external assistance when developing and providing new services. Aiming to find alliance partners who are aligned with our thinking, we exhibited at the CES exhibitions held in Las Vegas in 2019 and 2020 to spread information about the Platform House Concept. As a result of the exhibitions, we started joint research with the Massachusetts Institute of Technology (MIT), which has also laid the groundwork for the Sekisui House Group's globalization. Meanwhile, for prompt management of our internal organization, we established the Platform House Promotion Department, a specialized department to build a system that balances the three areas of business, planning and technology by securing internal human resources, introducing external human resources and collaborating with alliance partners to design and conduct business.

Sekisui House is developing products that fully utilize the accumulated results of its research and development. Looking ahead to the world of 2050, we see two urgent tasks: further expanding our R&D fields to collect and analyze information in all areas, based on the residential domain; and building a system to conduct R&D while singling out individual phenomena for further research and collecting substantial data. This will require effective utilization of resources from outside as well as inside the Group. We will work to enhance interchange and collaboration with parties in our own and other industries through measures including open innovation and M&A.

Intellectual Property Strategy for Technology Development

In addition to our strategic acquisitions of intellectual property (IP), individuals in charge of technology development collaborate from the initial stage with departments responsible for IP and hold regular meetings that provide an opportunity to understand the importance of IP derived from our technology development. This early-stage collaboration also serves to increase the value of our technology through feedback to the departments responsible for technology development.

As the output from this process, we set and work toward patent application targets for each department. As of January 31, 2022, we held 716 patents and 343 design rights. To further strengthen our competitiveness, we have set higher targets for FY2022 (850 patents and 400 design rights) and will work to expand our research and development fields by proactively promoting joint research and development with universities and other companies.

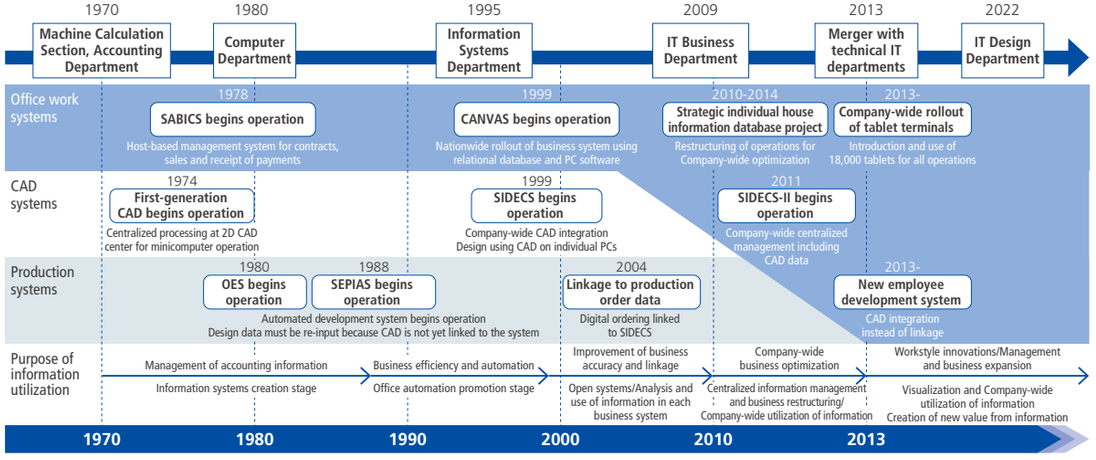
Sekisui House's Digital Technology and Initiatives for Digital Transformation (DX)

History of Sekisui House's Digital Technology

Sekisui House has developed digital technology mainly in three areas: office work, computer-aided design (CAD) and production. For office work, we began operation of SABICS to manage contracts, sales and receipt of payments in 1978, the AES estimate and order system in 1980, and the CANVAS business operations system in 1999, among others. For CAD, we started with the first system developed especially for housing in 1974, and after going through several stages we began operation of SIDECS in 1999. We also took the first step into the age of total presentations through linkage with peripheral systems. For production, we began operation of OES, a system for developing components, in 1980. By developing the building components we use from blueprint data created by CAD, we have achieved efficient production and advanced quality control at our factories. Through a strategic project we started in 2010, we have used this infrastructure to create a centralized database of information on individual customers' houses from initial contact to after-sales service. This platform underpins Sekisui House's DX.

Sekisui House thus has a history of leveraging its competitive advantages in the industry by introducing digital technology that increases efficiency and helps to manage and improve overall quality while considering changes in the business environment. Today, the IT Design Department plays this role. The former Information Systems Department, which was part of the Management Division, merged with the CAD/AES Center in 2009 to become the IT Business Department. In 2013, this department merged with technical IT departments from the Production Division, Development Division and elsewhere, and from 2018 it was made part of the Business Strategy Division. Now in 2022, as the IT Design Department, it is working to transform Sekisui House's businesses to pursue new potential from IT.

History of Utilizing Information at Sekisui House



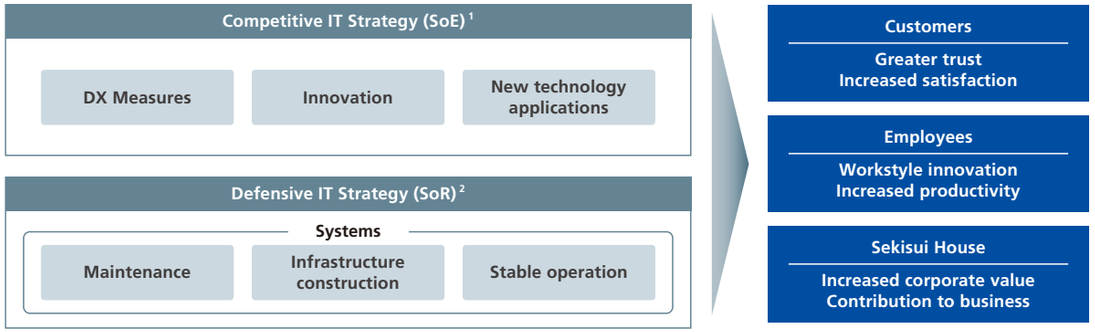
Approach to DX

The Sekisui House Group's DX is centered on its businesses. We use digital technologies to transform these businesses. The extensive customer information and design data we have collected and managed over more than 60 years since our establishment provide a foundation for the application of these technologies. While using the data we have accumulated to conduct advanced competitive IT that applies AI, IoT and blockchain technology, we also conduct defensive IT, which entails raising operational efficiency through system-level reforms and upgrades in addition to constructing and stably operating system infrastructure. Furthermore, we are working to improve corporate value by establishing IT governance for strategic control of investment risks and returns in each information system according to uniform rules.

In recent years, responding to labor shortages and workstyle reforms has become an urgent issue. The COVID-19 pandemic in 2020 necessitated new ways of working, such as remote work, that can be done anywhere. Our top priority in addressing this issue was speed. As a result of the smooth introduction of new workstyles, remote work is now firmly established at Sekisui House. We have identified work premised on printed documents and personal seals and are promoting more efficient and effective ways of getting these tasks done. Moreover, as remote work has brought effective use of online communication methods to the fore, we are ambitiously working to improve performance by using new communication tools not just internally but also for meetings and consultations with customers and suppliers.

We will continue to formulate and promote our competitive IT and defensive strategy to create value for all our stakeholders.

Overview of DX Strategy



1. System of Engagement 2. System of Record

Sekisui House's Digital Technology and Initiatives for DX

DX Initiatives and Technologies

1 Using Daily Resident Data to Provide Personalized Services

● HED-Net In-Home Early Detection Network for Acute Illnesses and PLATFORM HOUSE touch Smart Home Service

As a core initiative for our global vision, we are promoting our Platform House Concept to help residents achieve happiness in the era of the 100-year lifespan. One such service, which focuses on health, is HED-Net, the world's first in-home early detection network for acute illnesses. Contact-less sensors detect and analyze the vital data of residents while at home. If an abnormality that may be acute illness is detected, an emergency call center is notified and an operator confirms the resident's heath status. If necessary, the operator requests dispatch of an ambulance, confirms the arrival of the ambulance crew, and remotely unlocks and locks the front door, all in an integrated process. We have obtained a patent in Japan for this system, which is the first of its kind in the world, and filed an international patent application. Based on year-long field tests we started in December 2020, we will improve the accuracy and responsiveness of sensors and algorithms for commercialization and a full-scale launch. We will also use the vital data we accumulate to develop health monitoring over time and preventive services.

In August 2021, we began sales of PLATFORM HOUSE touch, a smart home service that focuses on connectedness. It uses the industry's first smartphone app offering intuitive operation using a diagram of the house's floor plan. The service collects IoT data from temperature and humidity sensors, window sensors and other inputs and stores it on a public cloud, and enables the user to check and operate devices such as air conditioners from outside the house. Users can also remotely check the use of entrance doors by family members and abnormal conditions such as unauthorized opening of windows and doors or activation of fire alarms.

Through the Platform House Concept, we will continue to provide highly convenient services that connect homes and families by using big data on housing, IoT and AI for functions such as recommendation, prediction, detection and classification.

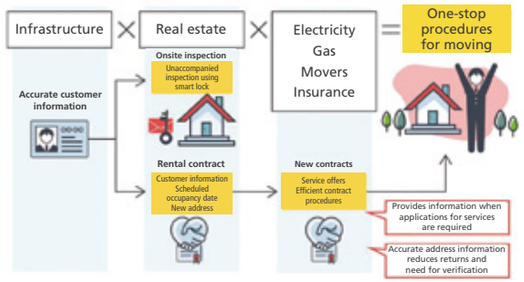
» Page 27: PLATFORM HOUSE touch

2 Sharing Information Securely with Other Companies Using Blockchain Technology

Sekisui House is a member of NEXCHAIN, a consortium that coordinates information among corporations. A DX implementation project with the support of the Japan Business Federation (*Keidanren*), NEXCHAIN* uses blockchain technology to build a platform capable of sharing information across industry and business categories. In addition to helping to realize Society 5.0, an initiative endorsed by the Japanese government, the consortium's platform also helps to accelerate open innovation by promoting secure utilization of information.

The consortium aims to go beyond pilot studies to implement NEXCHAIN in corporate business. About 50,000 tenants annually use this inter-enterprise information-sharing platform in the actual usage scenario of moving into rental housing.

Image of a Consortium Model for Developing an Inter-Enterprise Information-Sharing Platform



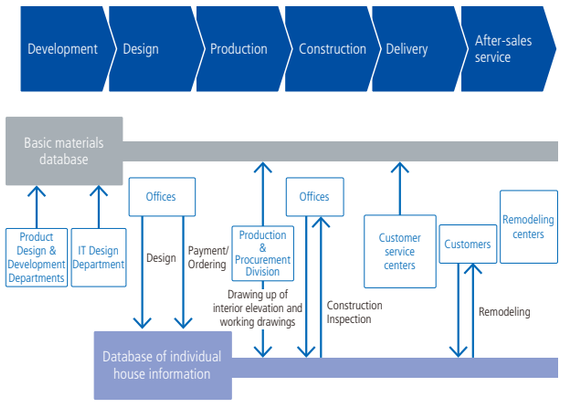
Note: In March 2019, Sekisui House and Hitachi Ltd. started collaboration as the project operators to develop an inter-enterprise information-sharing platform.

* NEXCHAIN: A consortium that provides a cooperative information service for securely linking and utilizing data held by various enterprises

3 Integrated Management of Information Assets

We conduct integrated management of our customer information and extensive design data, which are key information assets that help maintain our competitive advantage. Integrated information management makes our workflow more efficient, optimizes Group-wide operations and enhances Group cooperation. Using our secure IT platform, we are also conducting initiatives to generate profits by deploying these assets in new businesses and services. We have developed a database of individual house information, and ensure that our information is accurate and up to date to facilitate greater utilization. We will also use individual customer data in sales activities for integrated management of long-term relationships from initial contact to after-sales service. In addition, we will leverage modeling information from design to production and construction to improve production and construction efficiency.

Integrated Management of Customer Information and Design Data



Sekisui House's Digital Technology and Initiatives for DX

4 Utilizing Customer Data (CRM Strategy)[1]

Constantly remaining closely attuned to our customers has been a fundamental principle since our founding. We are working to provide value from our customers' point of view to better satisfy them. By establishing and utilizing a data platform based on our CRM strategy, we provide consistent high-quality experiences and value from housebuilding to after-sales service as we strive to further increase customer satisfaction with support that incorporates DX.

1. A management strategy for maintaining and improving relationships with customers to ensure continuous and stable profits.

● Promoting Our CRM Strategy

Since our founding, we have been closely attuned to our customers to provide value through housing. Now, amid a shift to digital contact points and more complex relationships with customers, they come to expect us to consistently provide value and communicate based on comprehensively identifying and understanding our relationships with them. Therefore, based on a customer-centric approach, we are devising and promoting a CRM strategy to improve total experience value from housebuilding to after customers take possession.

We aim to provide customers with consistent, quality CX[2] and value by establishing a platform that can safely store and utilize individual data on the valued information customers give us and our business activities with them for timely and accurate linkage to on-site sales activities and after-sales service. We expect this not only to improve customer loyalty, but also to create customer contact points and sales opportunities throughout the Group. In addition, by establishing this data platform, we can create a management and sales environment based on data analysis, which will further improve each employee's ability to create value.

2. CX: Customer experience

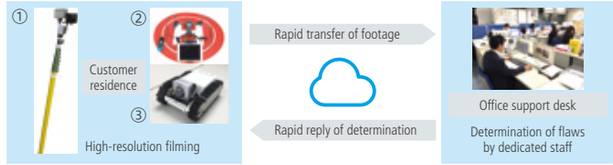
● System Support for the Increased Number of Calls to the Owners' Desk

At our Customer Service Center Owners' Desk, we have introduced a system that can accept calls 24 hours a day, 365 days a year. We have created conditions for homeowners to feel free to contact this consultation channel at any time and from anywhere at their convenience via our website for homeowners, AI chatbots on the LINE smartphone app and the Internet, or live chat, in addition to the telephone. In addition, we store data from each inquiry for analysis, verification and other use in homeowner support, with the aim of further increasing customer satisfaction.

● Smart Inspection System That Improves Customer Satisfaction and the Workplace Environment

Our smart inspection system for detached houses uses multiple advanced devices to conduct regular inspections every 10 years. High-resolution footage is taken during inspection of 10 items such as the roof surface, and the data are shared with the office support desk via the cloud for high-quality, consistent inspections based on the judgment of dedicated staff. The shortened inspection time has led to a reduction in the burden both on customers and in inspection work.

Smart Inspection System



① Remote extension camera for attic inspection
② Semi-automatically controlled drone
③ Underfloor inspection robot

5 Communication Using Digital Technology and Mobile Terminals

As online work becomes more widespread, we are facilitating greater work efficiency by incorporating digital technology, which is advancing faster year after year, and striving to innovate workstyles and stimulate internal communication through the use of mobile terminals. The resulting improvement in the quality of our sales activities and proposals has further enhanced the value we provide to customers.

● Promoting Our Individual House Database Strategy

Sekisui House is promoting workstyle innovations by centralizing information from proposals to post-contract data, schedule management and after-sales service for use as a database of individual house information.

In 2017, we were the first in the industry to make practical use of a system that sends CAD data of our original, customized housing plans to a server for automatic conversion to virtual reality images. This facilitated better communication in sales negotiations and design proposals, significantly improving our proposal capabilities and competitiveness. By shortening the time required from design to presentation, it has also substantially increased work efficiency.

● Expanded Use of Mobile Terminals

We supply tablet terminals and mobile phones to employees in sales, after-sales maintenance and other departments. We have also upgraded to an environment that allows employees to view and input data in our core system for managing the entire sequence of work data for planning, sales, design, production, construction and maintenance. This has dramatically improved the speed and accuracy of information transmission.



Sample in-house tools and apps developed and distributed by the IT Design Department

Upon the Japanese government's first declaration of a state of emergency in April 2020, we also distributed tablet terminals to employees engaged in office work and developed a new remote desktop service for remote connection to their office PCs. Enabling employees to work remotely by viewing core system data on their tablets through this new service has led to a 70-80% reduction in work carried out in-person at offices. It has also provided an opportunity for us to reconsider our use of desktop PCs in offices.

With the spread of remote work during the COVID-19 pandemic, we have moved ahead with hot desking in offices and online meetings, training and other events. Now that we have popularized tablet terminals, in 2022 we are gradually switching from desktop PCs to mobile PCs as we strive to improve work efficiency and stimulate communication though online connectedness anytime and anywhere.

Sekisui House's Digital Technology and Initiatives for DX

6 Online Sales

While unable to meet directly with customers during the COVID-19 pandemic, our front-line sales offices have come up with many ideas for alternative means of customer contact. Utilizing IT has rapidly given these ideas form, transforming the way we conduct sales. Previously, we visited customers' homes or customers came to one of our locations for meetings, but the spread of online communication has enabled us to build relationships in new ways.

● Advances in Online Sales

We have added the hands-on *Ouchi-de-Shiawase* Planning (Happy Planning at Home) tool to our corporate website, allowing customers to freely create layout simulations online. We also launched a service that creates 360-degree VR environments from those layouts for customers. In addition to traditional face-to-face communication, through online sales activities we are building closer relationships with customers that are only possible in the digital realm.



VRscope® for viewing *Mirai no Wagaya* (Our Future Home).

Left and right eye views are generated.

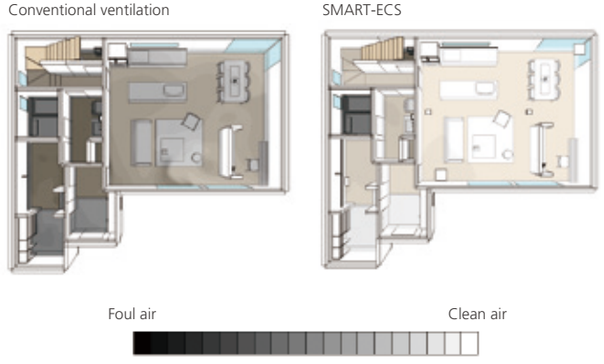
Note: VRscope® is a registered trademark of Toppan Printing Co., Ltd.

● Ventilation/Air Purification Simulation Tool for SMART-ECS Proposals

We have commercialized SMART-ECS, a next-generation indoor environment control system that handles household pollutants such as viruses and pollen.

A system that analyzes ventilation and air purification in each house linked to a SIDECS residential housing CAD system enables visualization of air flow and the degree of air purification using a simulation video. Based on this, we propose the most suitable ventilation and air purification equipment for each customer's floor plan.

Verification of SMART-ECS's Effectiveness



7 Strengthening Information Security Measures

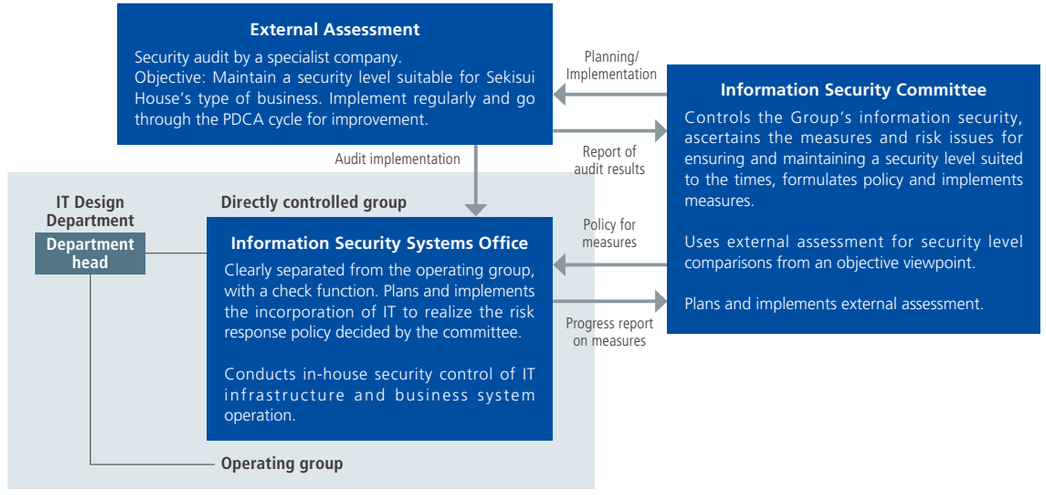
The development of IoT has led to an age when various devices interconnected via the Internet can monitor and operate each other. In addition to promoting initiatives to ensure IoT safety and security, including analysis of security problems and development of technology, we are working throughout the Group to strengthen information security measures against cyberattacks, which have been increasing in recent years.

● External Assessment of Cybersecurity

To manage its cybersecurity, Sekisui House has established the Risk Management Committee as a consultative body to the Board of Directors, and under it, the Information Security Committee. Reporting to that committee is the Information Security Systems Office within the IT Design Department. We have also been conducting annual information security audits since 2019.

As cyberattacks have rapidly increased in recent years, greater diversity in workstyles, including remote work as a COVID-19 countermeasure, has led to more diverse working locations and networks. Conventional perimeter security that protects the boundary between an intranet and the Internet is generally considered to have reached its limits. Sekisui House has been implementing cybersecurity measures premised on protecting this boundary, but we also need new security concepts to support diverse workstyles. We are therefore accelerating the installation of next-generation network security.

Cybersecurity Countermeasures Implementation System



Sekisui House's Digital Technology and Initiatives for DX

Meanwhile, advances in IT have made it necessary to verify the validity of our security measures from a third-party perspective through an external security assessment. Therefore, in 2021 we had a specialist company conduct an external assessment of our cybersecurity to ascertain the current status of our security measures, elucidate issues and prepare a roadmap for achieving the desirable level of cybersecurity for Sekisui House based on the changes in our internal and external environment.

Conducting the external cybersecurity assessment enabled us to visualize the current state of our security and what it should be. By formulating a roadmap, we were able to achieve security suited to the times. We will also use it to take further cybersecurity measures for greater sustainable growth as a company that provides safety and security to our customers and our many other stakeholders.

● Strengthening Countermeasures against Computer Viruses and Other Malware[1]

In response to the greater ingenuity and sophistication of cyberattacks in recent years, we have strengthened anti-malware measures through various mechanisms as well as through education, training and awareness-raising. In addition to conventional malware countermeasures for the email environment, which is a likely pathway of entry, we have added a sandbox function that inspects the operation and behavior of attached files to determine whether they contain malware. For online communication, which is a transmission route for malware, we have introduced cloud-based web security that enables inspection not only for intra-Company communication but also for terminals used outside the Company. For user terminals and various servers, we have introduced next-generation antivirus software and EDR[2] to detect and track malicious processes based on their behavior. We also regularly conduct information security training for all employees to raise their awareness and send emails that mimic actual targeted emails as a training exercise to ensure that employees either leave suspicious files unopened or promptly report them according to the rules if they do open such files. In addition, we send reminders about malware within the Group as necessary to reinforce countermeasures.

1. A general term for malicious and fraudulent software and programs such as viruses and ransomware.
2. Endpoint Detection and Response

8 DX in Our Overseas Business

● Website Redesign at Woodside Homes of the United States to Improve User Experience

Sekisui House Group company Woodside Homes, a homebuilder in the United States, redesigned its corporate logo and website in January 2022. Based on a multifaceted investigation, including a survey of user behavior, research studies and interviews with home buyers about their home search needs, the new website meets customer needs by providing a better user experience. Woodside Homes will continue working to increase its brand value and improve the digital experience on its website, social media and elsewhere.

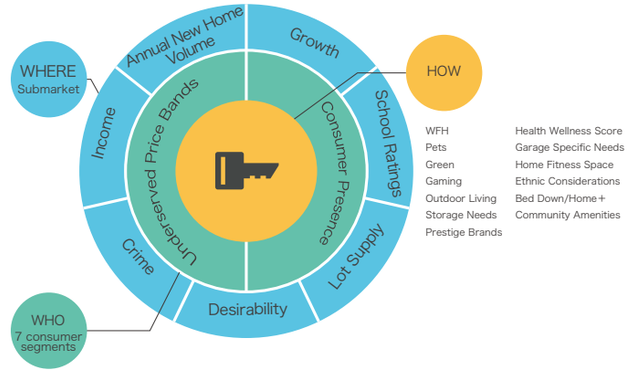
Woodsidehomes.com



● Differentiation Using Unique Digital Tools and Data Analysis

To differentiate itself from its homebuilder competitors, Woodside Homes built a suite of digital analytics tools for land purchasing and home design tailored to local characteristics to hone its processes for homebuilding that meets customer needs. Using real-time mobility data to analyze population movement, the company can predict regions where new home demand will be strong. It can also identify needs that differ among regions to offer lifestyle solutions such as unique storage, furnishings and home fitness solutions. Through this initiative, Woodside Homes will strengthen its price competitiveness and increase its recognition as a premium brand.

Woodside Homes Differentiation Model



Section

4

Mid-Term Management Plan

57 Development of Our Strategies and Positioning of the Fifth Mid-Term Management Plan
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63 Development Business
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Development of Our Strategies and Positioning of the Fifth Mid-Term Management Plan

We formulated our Fifth Mid-Term Management Plan for the three years from FY2020 to FY2022 to help realize our global vision to make home the happiest place in the world. We are working to implement growth strategies with a fundamental policy of further strengthening core businesses and embarking on new businesses. We will further strengthen our current core businesses by honing our sensitivity and adaptability to market needs, and develop new business by promoting the Platform House Concept of equipping houses with services supporting the health, connectedness and learning that will underpin new lifestyles, as well as initiatives such as utilizing the Internet of Things (IoT).

We will also invest in the expansion of new businesses, including an overseas rollout of the Sekisui House technologies we have been cultivating, and work for sustainable growth by strengthening our foundation through open innovation and other measures.

FY2014-FY2016

Third Mid-Term Management Plan

Fundamental Policy

Strengthening Group synergies and taking on new challenges in the residential-related business

Key Measures

Built-to-order business

Enhance product appeal, ability to make proposals and construction capabilities

Supplied housing business

Enhance cooperation within the Group

Development business

Conduct quality community and town development
Build brands overseas
Establish asset value for the future

Main Management Indicators (FY2016 Results)

(Billions of yen)

Net sales	2,026.9
Operating income	184.1
Ordinary income	190.9
Profit attributable to owners of parent	121.8
EPS	¥175.48
ROE	11.3%

FY2017-FY2019

Fourth Mid-Term Management Plan

Fundamental Policy

Building the foundation for the residential-related business toward BEYOND 2020

Key Measures

Built-to-order business

Lead the industry as the top brand and take on the challenge of a new built-to-order business

Supplied housing business

Expand the business domain by creating new markets, taking advantage of existing houses

Development business

Focus on balance between growth investments and the asset turnover ratio

Overseas business

Increase business opportunities by providing high-value-added houses and housing environments in overseas markets

Main Management Indicators (FY2019 Results)

(Billions of yen)

Net sales	2,415.1
Operating income	205.2
Ordinary income	213.9
Profit attributable to owners of parent	141.2
EPS	¥205.79
ROE	11.5%

FY2020-FY2022

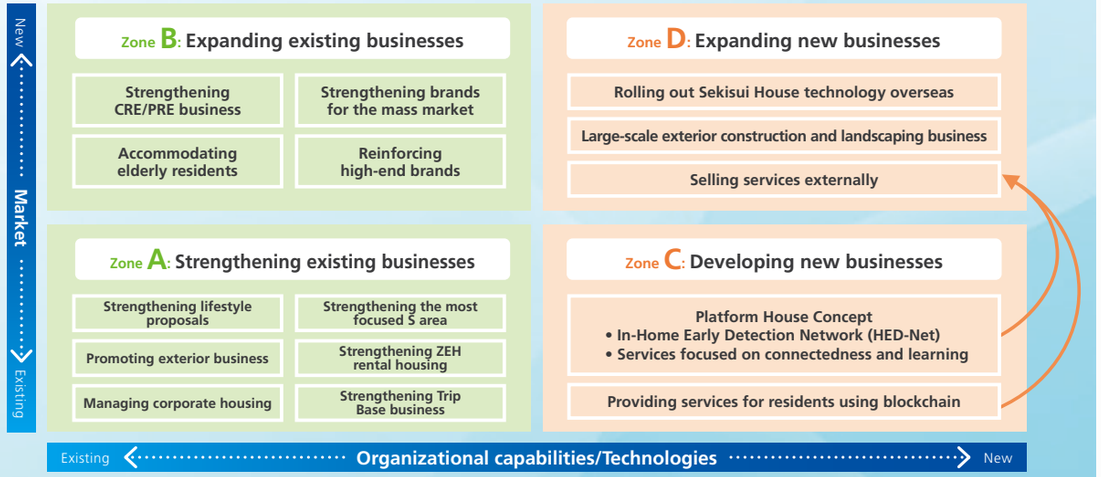
Fifth Mid-Term Management Plan

Management Direction

Deployment of growth strategies focused on the residential business domain

Fundamental Policy

Further strengthening core businesses and embarking on new businesses



Main Management Indicators

(Billions of yen)

	FY2020 (Results)	FY2021 (Plan)*	FY2021 (Results)	FY2022 (Plan)*
Net sales	2,446.9	2,553.0	2,589.5	2,787.0
Operating income	186.5	220.0	230.1	236.0
Ordinary income	184.6	218.0	230.0	234.0
Profit attributable to owners of parent	123.5	148.0	153.9	158.0
EPS	¥181.18	¥218.65	¥227.37	¥236.99
ROE	9.5%	10.7%	11.0%	10.5%

* Figures are the most recent revised values based on the business environment and progress since the Fifth Mid-Term Management Plan was announced.

Progress of the Fifth Mid-Term Management Plan

Key Measures

Built-to-order business
- Implement three brand strategies
- Promote focused S and A* area marketing

Supplied housing business
- Actively deploy proposal-based and environment-based remodeling
- Strengthen rental housing management and brokerage business through change in company name to "Sekisui House Real Estate"

Development business
- Pursue ROA management
- Generate stable profit by improving turnover and acquiring prime land

Overseas business
- Start the global rollout of Sekisui House technologies and advance to the next stage

*Areas in cities that the Company classifies as strategic locations for business development

FY2021 Progress by Business

Built-to-order business

Orders were strong for ZEH, Family Suite and other high-value-added proposals backed by our technological capabilities for both detached houses and rental housing. Despite the impact of higher material prices, the profit margin improved and both sales and operating income increased. The architectural/civil engineering business achieved its plan for operating income even though sales decreased amid the severe business environment.

Supplied housing business

In the remodeling business, the profit margin increased as orders for large-scale projects increased due to proactive promotion of proposal-based and environment-based remodeling projects. The real estate management fees business has continued to grow steadily, maintaining high occupancy rates and rent levels by providing high-quality buildings in prime locations, as well as building management and services that put tenants first.

Development business

In the houses for sale business, success in purchasing high-quality land and strengthening the sales organization resulted in substantial increases in sales and operating income. Sales in the condominiums business were strong, including high-end condominiums, and closings proceeded as planned, resulting in increases in sales and operating income. Sales and operating income in the urban redevelopment business were as planned.

Overseas business

Sales and operating income increased due to continued strong performance in the United States by the homebuilding business and the master-planned community business and the sale of three properties by the multifamily business, as planned. In December 2021, we made Holt a consolidated subsidiary, expanding our business area. In Australia, sales and operating income decreased due to a delay in recovery of the real estate market. In China, we progressed as planned toward completion of our projects.

Other

The exterior business strengthened proposals integrating housing and exteriors for detached houses, rental housing and other buildings, and conducted the *Gohon no Ki* Project that proposes the planting of tree species native to each area.

Businesses

Built-to-Order Business

Custom detached houses business **Rental housing business**
Architectural/Civil engineering business

This business builds custom detached houses, rental housing and other properties under contract on land owned by the customer. The custom detached houses business promotes three brand strategies according to price range that offer added value in housing as well as high-quality, high-performance products. The rental housing business and architectural/civil engineering business provide high-quality, hotel-like rental housing, commercial buildings and other properties centered on urban areas, their priority strategic focus.



Review of FY2021 and Strategies Going Forward

In FY2021, both sales and operating income grew as severe business conditions persisted with the impact of COVID-19, rising prices for materials and other factors.

In the first range of products in the custom detached houses business, orders for Sekisui House noie brand houses gradually increased due to stronger information links with Group companies. At the same time, customer needs for housing increased as requirements for living spaces changed and diversified due to the impact of the COVID-19 pandemic. Under these circumstances, we won new orders for second- and third-range products Family Suite *Ouchi* Premium and SHAWOOD *KOKAGE* LOUNGE. Through these new high-added-value products, we address changing lifestyles by proposing spaces where residents can spend time at home in greater comfort. In addition, the adoption rate of our SMART-ECS next-generation indoor environment control system was a very strong 85%. As a result of these successful value-added proposals, the price per house continued to rise, improving the profit margin.

We expect customer interest in housing to continue. Therefore, we intend to pursue new appeal and value through our technologies, lifestyle design and services so residents can feel happiest spending time at home.

In the rental housing business, although growth was weak in orders for non-residential properties such as hotels and medical and nursing facilities, orders for residential rental properties were strong due to a rapid increase in the ratio of net zero energy houses (ZEH) and the penetration of the Sha Maison brand, which maintains high occupancy rates and rent levels. The architectural/civil engineering business achieved its plan for operating income even though sales decreased amid the severe business environment.

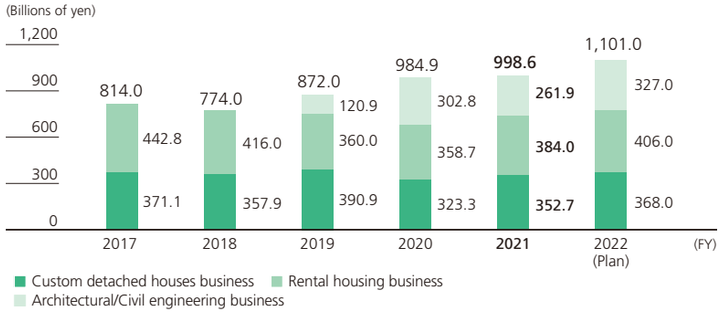
To meet the targets of the Fifth Mid-Term Management Plan, the custom detached houses business will conduct its three brand strategies and implement a CRM strategy to attract more new customer inquiries and successfully close new contracts. The rental housing business will further strengthen its sales for corporate real estate (CRE) and public real estate (PRE), supply Sha Maison rental housing through value-added offerings, continue to promote its price leader strategy, and ramp up sales of 3- and 4-story rental properties that use our unique Flexible β System construction method. The architectural/civil engineering business will enhance collaboration with Konoike Construction and improve its proposal capabilities to strengthen its CRE and PRE businesses.

* CRM (customer relationship management) strategy:
A management strategy for ensuring continuous, stable profit by maintaining and improving relationships with customers

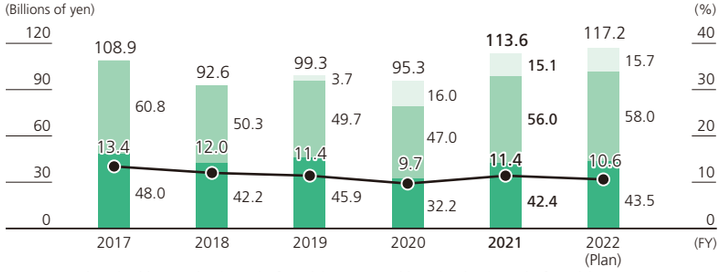
Family Suite *Ouchi* Premium (Japanese only)

KOKAGE LOUNGE (Japanese only)

Sales



Operating Income and Operating Margin



Built-to-Order Business

Custom Detached Houses Business

We provide happiness through value-added offerings driven by leading-edge technologies and comfort and lifestyle design proposals tailored to residents that incorporate new services.

Technologies

Dynamic Frame System

The high-strength Dynamic Beam Sekisui House has developed enables large-scale pillar-free living rooms—spacious, open areas of approximately 50 square meters or more.

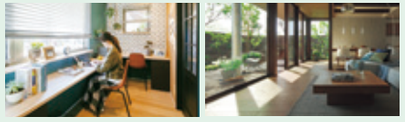


SHAWOOD Construction Method

Our metal joint (MJ) system reinforces the joints, which are considered a weak point of wooden houses. This enables large pillar-free spaces and atriums, which are difficult to achieve in ordinary wooden structures.



Lifestyle Design



Family Suite *Ouchi* Premium

A brand that is tailored to lifestyle changes such as the increase in time spent at home due to COVID-19.

KOKAGE LOUNGE

A large roof-covered space provides comfort to residents.



Services

PLATFORM HOUSE touch

A smartphone app showing the home's floor plan offers services to confirm conditions in the house, including self-monitored home security, monitoring of the living environment and notifications when other residents enter and exit.

» Page 27: PLATFORM HOUSE touch

Suite Concier

Sekisui House carefully selects services in areas including childcare, sleep and relaxation, and lifestyle assistance with the aim of increasing the customer experience value of happiness.



By integrating technologies, lifestyle design and services:

2017 → Price per house: Increase of ¥4,580 thousand → 2021

Rental Housing Business, Architectural/Civil Engineering Business

We work for the happiness of owners and tenants by conducting area-specific marketing that specializes in city-center locations and introducing tenant services in high-quality, hotel-like rental housing.

Technologies





Flexible ß System

High-strength columns and beams enable larger doors and windows and pillar-free open spaces with spans of up to nine meters.



High performance acoustic isolation floor system SHAIDE シャイド

Our patented technology reduces impact sound from the floor above to about half that of the L-65 floors used in conventional steel-frame construction.

Lifestyle Design



Sha Maison ZEH

Achieves both eco-friendliness and improved profitability. Tenants can sell electricity generated by photovoltaic power generation system.

» Page 104: Promotion of ZEH in Sha Maison Rental Housing



Sha Maison Premier

This is the highest-grade rental housing in our history, offering the best in quality and value for tenants.

Services

Sha Maison Life CLUB App

This app provides a range of services including access to information useful for daily life and disaster preparedness, and a contact feature for reporting equipment breakdowns or other problems, with further service expansion under consideration.



Cumulative total of over 250,000 registered users

Blockchain-Based One-Stop Service for Renters' Pre-Occupancy Procedures

NEXCHAIN* reduces the burden on new tenants by offering a one-stop service for cumbersome procedures such as onsite inspection, lease preparation and contracts with utilities. The NEXCHAIN platform uses the blockchain to create an environment where users can safely disclose information and receive highly convenient services.

Sha Maison: Quality (Japanese only)

* NEXCHAIN: A consortium for developing an inter-enterprise information-sharing platform that securely links and utilizes data held by various companies

Close-Up

Quantitative Evaluation of Biodiversity Conservation from the *Gohon no Ki* Project over 20 Years

Since 2001, Sekisui House has been conducting its *Gohon no Ki* Project to promote the use of indigenous species in landscaping and greening. While taking local ecosystems into account, the project has included the planting of more than 17 million trees over the 20 years up to 2020. From 2019, we have been working with Kubota Laboratory (Faculty of Science, University of the Ryukyus) and Think Nature Inc. to quantitatively evaluate the contribution to urban biodiversity (conservation and restoration of biodiversity) of the 17,090 thousand trees we have planted with our customers' understanding and cooperation under this project. The findings show a substantial beneficial effect when compared with planting conventional horticultural and non-indigenous species. Results included a tenfold increase in the number of tree species native to each region, which is the foundation of regional biodiversity, as well as a doubling of the number of bird species and a fivefold increase in the number of butterfly species that residential districts can attract.

Sekisui House Nature-Positive Methodology



Businesses

Supplied Housing Business

Remodeling business **Real estate management fees business**

This business supports owners of our custom detached houses, rental housing and other properties by proposing remodeling solutions and assists in rental housing management by subleasing, superintending or operating properties. In the remodeling business, we proactively conduct proposal-based and environment-based remodeling. In the real estate management fees business, we strengthen relationships with owners and improve services for tenants.



Review of FY2021 and Strategies Going Forward

In the remodeling business in FY2021, the COVID-19 pandemic made it difficult to visit customers' homes to make remodeling proposals and conduct sales negotiations. However, the methods we used to attract new customers were well received. For example, we conducted online consultations using the content of *Ouchi-de* Remodeling (Remodeling from Home) and held hands-on tours for small groups at our Tomorrow's Life Museum facilities. We also ramped up promotion of proposal-based remodeling such as Family Suite Renovation, which addresses growing interest in more comfortable living spaces and changes in lifestyle, as well as environment-based remodeling, which includes *Idocoro Dan-netsu* thermal insulation upgrades that focuses on key locations within the home and energy-generation remodeling using Ene-Farm fuel cells, storage batteries and other equipment. As a result, the ratio of orders for large-scale remodeling projects over ¥5 million increased, the profit margin improved and sales reached a record high.

In the real estate management fees business, thorough area-specific marketing led to a steady increase in units under management, backed by strong orders for our high-value-added Sha Maison rental housing built in prime locations. In addition, we maintained high occupancy rates and rents and stable business growth as a result of high-quality property management by the Sekisui House Real Estate companies, which proposed renovations to update older buildings to contemporary styles and provided lifestyle services to residents, among other initiatives.

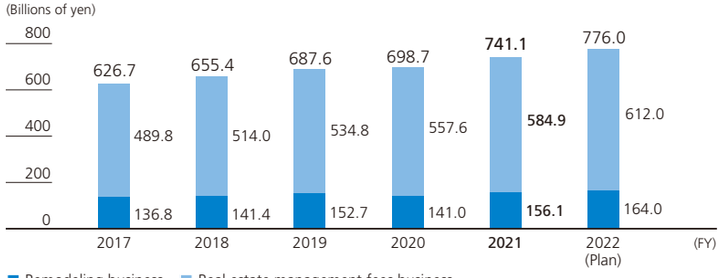
In the final year of the Fifth Mid-Term Management Plan, the remodeling business will proactively roll out its proposal-based remodeling to meet lifestyle needs as residents spend more time at home and environment-based remodeling for greater comfort and economy. In addition, a focus on remodeling rental housing will lead to greater satisfaction for tenants and improved asset value for owners. Securing and training human resources to support this business will be crucial, so we will ramp up recruiting and organize training programs.

The real estate management fees business aims to improve the asset value of properties by continuing to ensure high occupancy rates and by conducting thorough measures to increase rents through renovations upon tenant turnover. Sekisui House Real Estate Holdings, an intermediate holding company established in February 2022 to oversee the Sekisui House Real Estate companies, will lead efforts to improve owner and tenant services in rental housing for business growth.

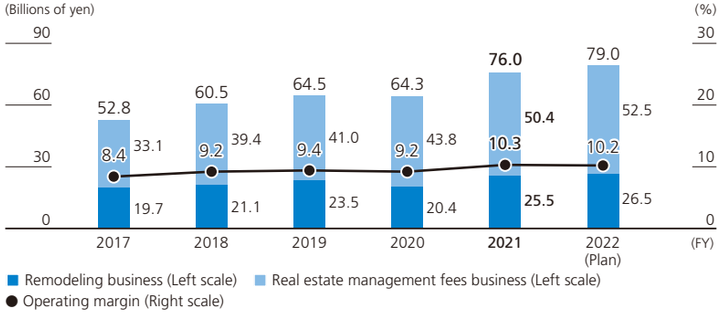
Remodeling business (Japanese only)

Sekisui House Real Estate Holdings (Japanese only)

Sales



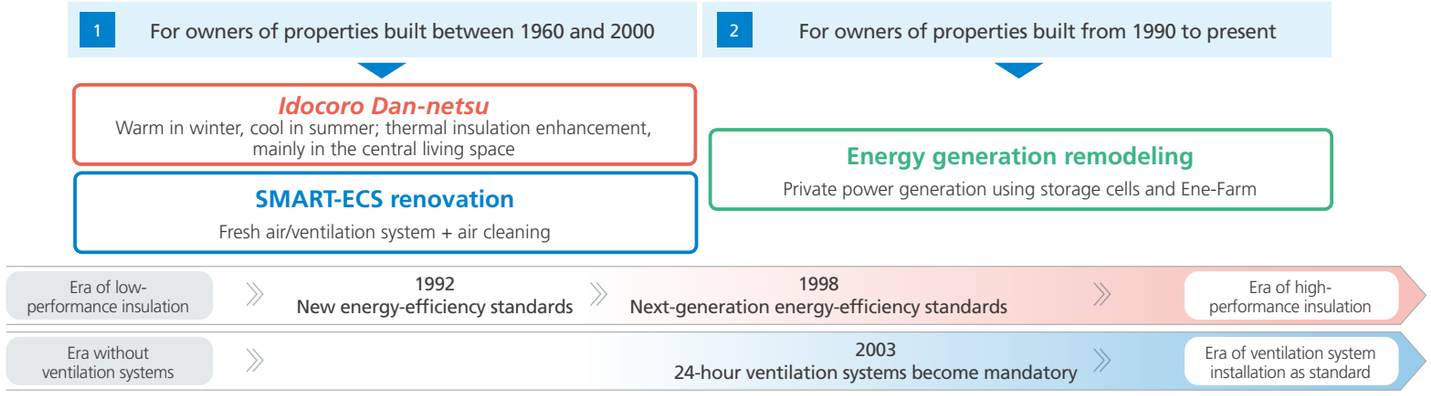
Operating Income and Operating Margin



Supplied Housing Business

Remodeling Business

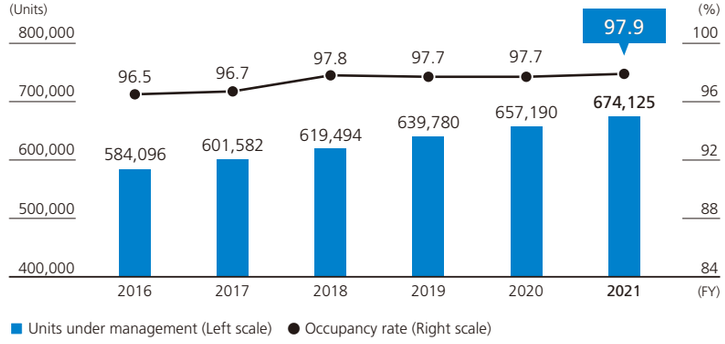
Sales of proposal-based and environment-based remodeling have been strong, and the ratio of large-scale remodeling orders is increasing. Popular proposal-based remodeling options include our Remodeling Support Beam System, which enables a reduction in the number of existing pillars and walls to create a large partition-free living space, and Family Suite Renovation, which addresses growing interest in more comfortable living spaces and changes in lifestyle. In addition, we offer a menu of environment-based remodeling options corresponding to the age of the property. In December 2021, we began sales of SMART-ECS Renovation for installation of our next-generation indoor environment control system, which is popular in newly built detached houses.



Real Estate Management Fees Business

We supply high-quality, high-performance Sha Maison rental housing with features such as hotel-like styling under a detailed strategy focused on area-specific marketing (prime city center locations). Moreover, management contracts with owners for whom we have built rental properties in the past are increasing. As a result of both these factors, the number of rental properties managed by Sekisui House Real Estate companies has grown steadily and now exceeds 670,000 units. Sha Maison has become a regional price leader by meeting the needs of tenants and enhancing their satisfaction. In addition, under our approach that puts residents first we are strengthening property management and conducting full renovations of older Sha Maison properties, including upgrading facilities and changing room layouts. In addition to maintaining occupancy rates at a high level despite the COVID-19 pandemic, these measures have also enabled rent increases averaging approximately ¥20,000 per tenant, increasing asset value for owners.

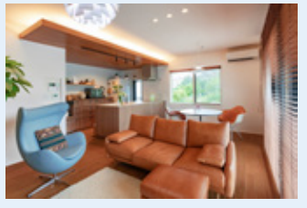
Units under Management and Occupancy Rate

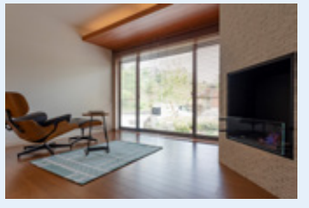


Close-Up

Designing High-Quality Living Spaces in the Remodeling Business

Based on its global vision to make home the happiest place in the world, Sekisui House is proactively conducting proposal-based remodeling under its Family Suite Renovation concept of proposing a new style of home that reflects diverse values and unique lifestyles. Making a clear distinction from simple improvements in number or scale that the word "remodeling" used to imply, we formulate plans on matters such as comfort and eco-friendliness from a long-term perspective. We propose designs for enjoyable and relaxing daily living spaces, including richly textured interiors that appeal to all five senses, and exteriors linked with the townscape and the natural environment.





The H Family Residence in Yamaguchi Prefecture, built 24 years ago
This example of full-floor renovation encompasses the kitchen and bathroom and conversion of a room from traditional Japanese to Western style.

Family Suite Renovation
(Japanese only)

Businesses

Development Business

Houses for sale business **Condominiums business**
Urban redevelopment business

This business starts with investments such as acquisition of land for development into houses for sale, condominiums for sale or rent, or office buildings to help create high-quality, verdant communities with good asset value. We emphasize ROA-focused management in development that generates stable earnings by improving asset turnover and acquiring prime land.



Review of FY2021 and Strategies Going Forward

In FY2021, the houses for sale business continued to actively purchase prime land. To meet the high level of demand, we strengthened the sales framework using streamed online property tours such as *Ouchi de Tochi Sagashi*, among other measures. In addition, amid increasing consumer interest in peaceful, verdant and beautiful townscapes, due in part to the increased time spent at home during the COVID-19 pandemic, the business focused on promoting sales to customers who were considering acquiring land for building. Orders remained strong.

The condominiums business developed its high-value-added GRANDE MAISON condominiums using a thorough area strategy as well as environmental performance and lifestyle proposals cultivated in the custom detached houses business. Sales increased as closings progressed as planned. In addition, to help achieve a decarbonized society, all units in GRANDE MAISON condominiums sold from FY2023 onward will be ZEH. Under our area strategy, we proactively acquired properties in prime locations in the four metropolitan areas of Tokyo, Nagoya, Osaka and Fukuoka.

The urban redevelopment business sold part of its stakes in Grand Front Osaka and W Osaka and sold rental housing including three Prime Maison properties to Sekisui House Reit, Inc. Occupancy rates remained firm for Group-owned properties, including office buildings and Prime Maison properties developed by the Company. However, earnings from hotels decreased as a result of factors including a decline in the number of tourists due to the impact of the COVID-19 pandemic.

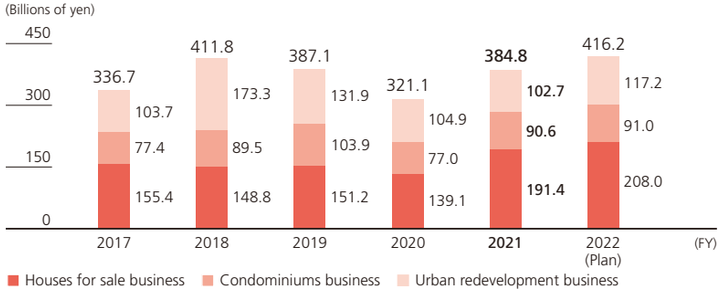
In the final year of the Fifth Mid-Term Management Plan, all three businesses will remain focused on ROA. Centered on Sekisui House and the Sekisui House Real Estate Group, the houses for sale business will strengthen coordinated land purchasing by the Group in target areas.

The condominiums business will continue to develop properties in Japan's four main metropolitan areas and to promote the rollout of ZEH-M (ZEH condominiums) as a product strategy that addresses social issues such as decarbonization and extending building life. It will also ramp up measures for long-life quality housing and air quality specifications, and work to improve services to make daily life more convenient for residents through the proactive introduction of IoT.

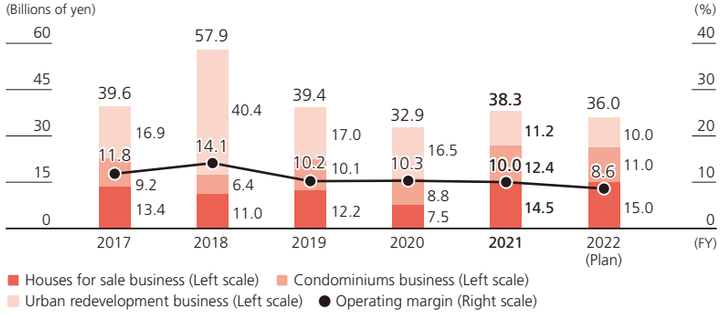
The urban redevelopment business will continue to ensure a stable pipeline by paying close attention to future trends in the real estate trading and financial markets. In addition to continuing to invest in rental housing and other properties with a relatively short recovery timeframe, the business will seek opportunities for new large-scale projects that keep in mind the asset turnover ratio of the portfolio as a whole. Ongoing promotion of the Trip Base *Michi-no-Eki* Stations Project will support regional revitalization.

GRANDE MAISON: brand (Japanese only)
GRANDE MAISON: gallery (Japanese only)

Sales



Operating Income and Operating Margin



Development Business

Houses for Sale Business

Through our "smart common city" concept, the aim of which is to create communities with electrical power self-sufficiency under the four core themes of safety and security, health and comfort, eco-friendliness, and keeping watch, and through our support for fostering lasting attachments among inhabitants, we are working to create truly livable communities that take advantage of both technological capabilities and the connections between people.

Sekisui House Community Development
(Japanese only)



SMART COMMON CITY AKAISHIDAI

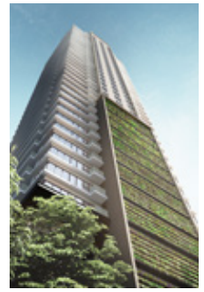
Condominiums Business

We conduct our condominiums business mainly in Tokyo, Nagoya, Osaka and Fukuoka, applying the environmental strategies cultivated in our housing businesses to promote the development of ZEH-M condominiums.

All GRANDE MAISON Condominiums from FY2023 to Meet ZEH Specifications

We are steadily working to meet our target of making all the units of our GRANDE MAISON condominiums sold from FY2023 onward ZEH or all condominium buildings ZEH-M. All new construction starts in FY2021 already have specifications that meet ZEH or ZEH-M standards, and the planned ZEH and ZEH-M ratios for properties to be sold going forward are 85% for FY2022 buildings and 100% for FY2023 construction starts.

News release: All GRANDE MAISON Condominiums from FY2023 to Meet ZEH Specifications
(Japanese only)



GRANDE MAISON Uemachi 1-chome Tower

Urban Redevelopment Business

Sekisui House also develops large-scale properties such as offices, rental housing, commercial buildings and hotels, with a focus on attractive and highly valuable assets. We established Sekisui House Reit, Inc. and have created an exit strategy based on a pipeline support agreement between its asset management company, Sekisui House Asset Management, and its sponsor, Sekisui House.

Opening of Luxury Hotel The Westin Yokohama

In June 2022, The Westin Yokohama, run by global hotel chain Marriott International, Inc., opened in the Minato Mirai 21 district of Yokohama. Sekisui House manages the project as the organizer and Marriot International operates the hotel, providing high-grade facilities that meet the diverse demands for accommodations from customers including business guests from overseas.

Redevelopment business
(Japanese only)



The Westin Yokohama

Close-Up

Regional Revitalization Project to Reduce Food Loss in Kyotamba

Sekisui House launched the Trip Base *Michi-no-Eki* Stations Project, a tourism-based regional revitalization business, in 2018. As a local initiative for the project, the Company spearheaded a three-party agreement with Kyotamba Town in Kyoto Prefecture and partner company KURADASHI Co., Ltd. to establish the KURADASHI Challenge, a social contribution internship. In this initiative, participating university students help to address crop spoilage and food waste by harvesting black soybeans, a local specialty, which had been left unharvested due to the aging farming population and worker shortage. Harvested crops are sold on the KURADASHI socially conscious shopping site. In this way, all three parties have contributed to the promotion of specialty products from Kyotamba, the expansion of sales channels, and regional revitalization.



Businesses

Overseas Business

We sell detached houses and residential land, and develop condominiums for sale or rent and other properties in five countries including the United States. Using the Sekisui House technologies we have cultivated in our domestic businesses in areas including safety, security and comfort, we will help resolve social issues in each country and conduct initiatives to provide new value in housing to maximize the happiness of our customers and society.

Overseas Business Regions and Major Projects



Review of FY2021 and Strategies Going Forward

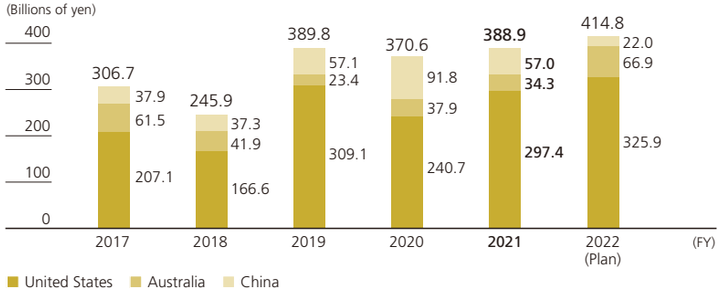
In FY2021, the global COVID-19 pandemic caused labor shortages and supply chain disruptions that continue to the present. Under these circumstances, we conducted business activities according to the conditions in each country.

In the United States, business results substantially exceeded the target and served as the primary driver of the entire overseas business. In the multifamily business, city-center rental markets recovered significantly, with a few exceptions, and real estate investment by institutional investors was more active than anticipated. As a result, the sales prices of three projects exceeded expectations. The master-planned community business and the homebuilding business performed well as a result of strong demand for housing backed by low interest rates and rising demand for relocation to the suburbs due to the pandemic. On the other hand, in Australia, pandemic-related lockdowns delayed construction and therefore closings in the condominiums and homebuilding businesses. Lockdowns also significantly delayed the opening of model rooms in the United Kingdom, which had a substantial negative impact on sales. In China, however, both sales and deliveries of condominiums were steady, and earnings exceeded the plan. In Singapore, demand increased for relocation to the suburbs in search of a better living environment as remote work has become the norm, but this trend also had a negative impact on sales of our city-center properties.

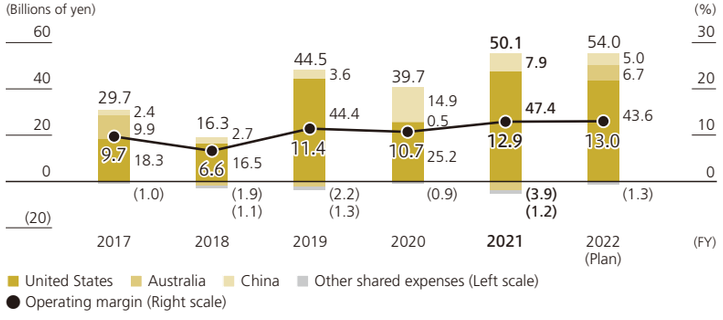
Under the Fifth Mid-Term Management Plan, the overseas business is working to bolster its financial position by raising profitability, including the operating margin and ROA, as it focuses on laying the foundation for future growth by acquiring land, creating a supply chain and taking other measures. We are also working to localize our businesses by emphasizing relationships of trust with outstanding local partners and focusing on developing capable local talent who understand our corporate philosophy and vision. By revising our strategies to address COVID-19 and other changes in the business environment when transferring Sekisui House technologies overseas, we aim to enhance not only our technological capabilities but also our services, such as our lifestyle design proposal capabilities and a fuller range of after-sales services, to offer customers the new value of happiness.

Overseas Business (Global site)

Sales



Operating Income and Operating Margin



Note: Results of businesses in Singapore and the United Kingdom are recorded in equity in earnings of affiliates.

Overseas Business

United States

Develop high-value-added rental properties and step up sales of houses based on lifestyle proposals and eco-friendly houses

Homebuilding business

Despite the substantial impact of supply chain disruptions, Woodside Homes improved its profit margin, performing strongly without major construction delays due to its efficient construction management and good collaborative relationships with subcontractors. In addition, by making Holt a consolidated subsidiary, we have broadened our service area from four to six states in the Western United States, enabling us to further expand sales of houses featuring Sekisui House technologies.

» Page 28: Homebuilding Business in the United States



Acacia at Cypress


The Ivey on Boren and The Ayer

Multifamily business

We are focusing on developing high-value-added rental housing using thorough research and carefully selected prime urban locations. With investors eager to purchase properties, we sold three projects in FY2021, in Portland, Denver and San Diego. We will continue to maximize earnings by selling properties at the optimal time according to market conditions.

Australia

Help resolve consumer issues with basic and environmental performance developed in Japan

Since 2008, we have been conducting sales of detached houses and residential land, and developing condominiums, commercial facilities, complex and other properties in Sydney and Brisbane. Following the impact on FY2021 results from the delay in recovery of the real estate market due to ongoing restrictions on foreign investors, lockdowns due to the COVID-19 pandemic and other factors, we carried out a review of the business. We now plan to change the rollout area for the homebuilding business to coastal and northwestern Sydney, where demand for high-priced properties is expected, and to expand SHAWOOD sales in Australia.

The development business has been centered on large-scale projects, where we have established a high level of recognition as a developer. While focusing on sales of long-term, large-scale projects that we currently own, we will also consider selling some of our equity stakes. Going forward, we intend to make a policy shift to small and medium-sized projects to establish a business strategy based on asset turnover.


West Village

United Kingdom

We aim to utilize the pre-engineered housing technology and expertise we have cultivated in Japan to supply high-quality housing demanded in the U.K. market. We are also working to help resolve issues such as a serious housing shortage and the need for eco-friendly housing.


New Islington

China and Singapore

In China, mainly in the cities of Shenyang, Suzhou, Wuxi and Taicang, we have been conducting a townhouse business that leverages our track record in eco-friendly housing and a condominium business that creates world-class living spaces. We are making steady progress toward the completion of business, with expectations of completing closings for all units in all projects during FY2022.

In Singapore, we collaborate with leading local developers to develop high-value-added condominiums matching the lifestyles of Singaporeans and build complexes that include commercial facilities and offices.

Close-Up

Addressing ESG in the U.S. Homebuilding Business

At the SoCal MAME Awards* 2021, the Sommers Bend community developed by Woodside Homes and the model home exhibited there won the highest awards in five categories including Master Planned Community of the Year. Sommers Bend is a lifestyle-experience-oriented community that Woodside Homes has been involved in from the master planning stage. In addition to recognition for fully incorporating lifestyle proposals, which is an area of strength for Sekisui House, the community development received recognition for its landscaping and marketing, as well as for eco-friendliness such as the installation of solar panels.

Following our pilot project in Las Vegas, Woodside Homes plans to develop its first mass-produced SHAWOOD community at Sommers Bend. Using our unique SHAWOOD construction method, we aim to improve comfort and quality from the perspective of residents, shorten the construction timeframe, stabilize procurement and reduce waste materials as we promote the creation of sustainable communities and houses.

* The SoCal MAME (Major Achievements in Merchandising Excellence) Awards: Presented by the Greater Sales & Marketing Council and Building Industry Association of Southern California. Held since 1974, these awards have a long history in Southern California.



Sommers Bend



Section

5

Management Foundation

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Message from the Chairperson of the Board of Directors

We intend to further evolve corporate governance to provide the value that modern society demands.

Guided by a global vision to make home the happiest place in the world, all Sekisui House Group companies have operated together seamlessly and proactively in a rapidly changing business environment. Customer support has increased further as a result, enabling record results for the Group in FY2021.

During FY2021, Sekisui House's Board of Directors consisted of 10 members, four of whom were outside directors. The Board proactively discussed an array of management issues so that Sekisui House could provide safe, secure and comfortable housing for beautiful townscapes.

The ongoing COVID-19 pandemic has increased customer requirements for comfortable living because most people are spending more time at home. We need to respond to changes in the business environment swiftly to generate sound, sustainable growth. We therefore require broadly based human resource development to support our businesses, and investment to develop innovative technologies is also key.

Committed to ongoing, sincere dialogue with stakeholders, the Board of Directors will further enhance governance with an emphasis on operating soundness and transparency and even more effective resource allocation and deployment to deliver the value that modern society demands.



Toshifumi Kitazawa
Independent Outside Director of the Board
(Chairperson of the Board of Directors)

Has held positions including President & Chief Executive Officer, and Vice Chairman & Director at Tokio Marine & Nichido Fire Insurance Co., Ltd. Appointed Independent Outside Director of the Company in April 2020.

Corporate Governance

Basic Concept

In accordance with our corporate philosophy of love of humanity, under which we pursue truth & trust, deliver the highest quality and technology and create enriching homes and environments, the Group considers corporate governance to be one of its major management challenges. The Sekisui House Group has improved the effectiveness of its corporate governance to increase corporate value while sustainably earning the trust of shareholders, investors and other all stakeholders, and has put in place a system that enables speedy management marked by integrity. The Company discloses to its stakeholders the Sekisui House, Ltd. Basic Policy on Corporate Governance, in which the fundamental concept and the framework of the Company's corporate governance is established. The Sekisui House Group positioned 2018 as the first year of governance reforms. We are steadily implementing each initiative to build a resilient management base for long-term, sustained growth in corporate value.

Integrity—sincerity and high moral values—is central to our governance reforms. This concept resonates with our philosophy of love of humanity, and with our stance of truth and trust. We prioritize integrity in all corporate activities, from the actions of the Board of Directors to personnel evaluation, sales, production and construction, while implementing reforms as a leading company in ESG management.

* Details regarding the Basic Policy on Corporate Governance are available on our website.

Basic Policy on Corporate Governance

Key Initiatives since 2019

Revised term of office for directors	• We shortened the term of office for directors from two years to one year to clarify the management responsibilities of directors, increase opportunities for shareholders to take a vote of confidence, and build a management team that can respond quickly to changes in the business environment.
Abolished the executive advisor/advisor system	• We abolished the executive advisor/advisor system to add transparency to our management team and clarify accountability, which in turn further strengthens corporate governance.
Fundamentally revised the remuneration system for officers	• The General Meeting of Shareholders held in April 2019 introduced a restricted stock remuneration system and abolished the bonus system for outside directors. • The General Meeting of Shareholders held in April 2020 clarified basic remuneration policy, revised the basis for proportional allocation of remuneration and determined appropriate remuneration levels. • We introduced performance-related bonuses and a performance-related stock remuneration plan, revised the payment limits under the restricted stock remuneration plan, and clarified the key performance indicators (KPIs) for performance-related remuneration and the calculation method.
Introduced shareholding guidelines	• To ensure that directors share value with shareholders in a long-term and sustainable manner, while in office directors (excluding outside directors) are encouraged to increase their holdings of the Company's shares up to the equivalent of a predetermined value (based on the market value of the shares), and after reaching the baseline, they are obligated to maintain ownership of at least the baseline monetary value of the Company's shares. • The baseline monetary value is two times annual basic remuneration for representative directors and equal to annual basic remuneration for other eligible directors.
Established provisions for recovering stock remuneration (malus and clawback)	• In order to minimize excessive risk taking by directors (excluding outside directors) and to ensure sound management, we formulated malus and clawback provisions that require officers to return their stock remuneration in full or in part before vesting if certain events occur.
Formulated criteria and procedures for appointing and dismissing senior management	• The Personnel Affairs and Remuneration Committee regularly deliberates on basic policies and procedures for appointing internal directors and succession plans for representative directors and other officers.
Improved independence of the Board of Directors	• We have increased the number of outside directors on the Board of Directors from four in FY2021 to five in FY2022 to further strengthen the management supervision function of the Board of Directors and the corporate governance system.

Key Initiatives in 2021

Outside director appointed Chairperson of the Board of Directors	• We selected the Chairperson of the Board of Directors from among outside directors to strengthen the effectiveness of the management supervision function of the Board of Directors.
Clarification of the Board of Directors skills matrix	• We clarified the knowledge, experience and abilities expected of each candidate for director, and the reasons for choosing each skill category based on management strategies and plans.
Reform of the executive officer system	• We strengthened development of management personnel in each division and construction of a sustainable leader pipeline through clarification of roles, personnel requirements, and the process of appointment and dismissal.
Strengthened disclosure of the officers' remuneration system	• We disclosed of the items and targets of the ESG management indicators which are the KPIs of the Performance Share Units (PSU). • We disclosed of individual remuneration of all internal directors.

Corporate Governance

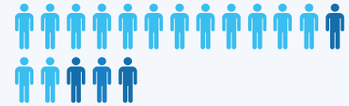
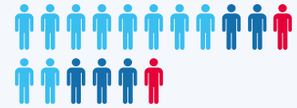
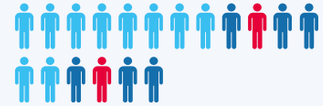
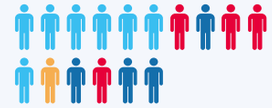
Changes in Governance

2002 Executive officer system introduced
2003 Sekisui House Group Corporate Code of Conduct formulated
2005 CSR Committee established
2006 Retirement bonus system for directors abolished and stock remuneration-type stock option system introduced
2008 One outside director appointed
2009 Outside Audit and Supervisory Board members increased from two to three
2012 Outside directors of the Board increased to two
2016 Basic Policy on Corporate Governance formulated
Personnel Affairs and Remuneration Committee and Risk Management Committee established as consultative bodies to the Board of Directors

2018 First year of corporate governance reforms
Increased the number of outside directors of the Board from two to three and the number of outside Audit and Supervisory Board members from three to four

1. Introduction of a mandatory retirement age of 70 for representative directors of the Board
2. Appointment of women as outside officers
3. Increase the transparency of and enliven meetings of the Board of Directors
4. Establishment of Management Meetings
5. Clarification of departments under the control of directors of the Board
6. Evaluation of the effectiveness of the Board of Directors
7. Ensuring the independence and strengthening the check-and-balance functions of the heads of general affairs of sales administration headquarters and branches
8. Increasing the integrity of heads of branches
9. Introduction of a restricted stock remuneration system (2019)
10. Abolition of the bonus system for outside directors of the Board (2019)

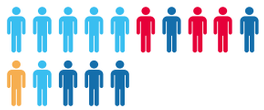
2020 Revised the basis for proportional allocation of remuneration and determined appropriate remuneration levels
Increased the number of outside directors of the Board from three to four
Established the ESG Promotion Committee (reorganization of the CSR Committee)
2021 Reform of the executive officer system
Outside director of the Board appointed as Chairperson of the Board of Directors
Disclosed individual remuneration of internal directors of the Board
2022 Increased the number of outside directors of the Board from four to five

	Composition of the Board of Directors and Audit and Supervisory Board (Upper row) Directors of the Board (Lower row) Audit and Supervisory Board members	Ratio of outside directors of the Board	Ratio of outside officers (Directors of the Board and Audit and Supervisory Board members)
2009		7.7%	22.2%
2012		18.2%	31.3%
2018		27.3%	41.2%
2020		33.3%	44.4%
2021		40.0%	50.0%

Male internal officer / Female internal officer / Male outside officer / Female outside officer

Corporate Governance Highlights (As of April 27, 2022)

Composition of the Board of Directors and Audit and Supervisory Board



Ratio of outside directors of the Board
50.0% (5 of 10)

Ratio of outside Audit and Supervisory Board members
60.0% (3 of 5)

Ratio of outside officers
53.3% (8 of 15)*
* 5 of 10 directors of the Board and 3 of 5 Audit and Supervisory Board members

Ratio of female officers
26.7% (4 of 15)*
* 3 of 10 directors of the Board and 1 of 5 Audit and Supervisory Board members

Corporate Governance

Direction of Governance Reforms under the Fifth Mid-Term Management Plan

Direction of Reforms and Evaluation of Governance to Date

The Sekisui House Group is conducting governance reforms that balance enhancing the effectiveness of governance with sustainable corporate growth. Achieving this balance requires active communication and the participation of every employee. Innovation and communication are therefore the watchwords of our initiatives.

We have steadily implemented 27 specific initiatives over the four years since the beginning of 2018, which we positioned as the first year of governance reforms. These initiatives include the introduction of a mandatory retirement age of 70 for representative directors of the Board, establishment of Management Meetings, and clarification of departments under the control of directors of the Board.

To further enhance the effectiveness of corporate governance, we will promote more governance reforms for both senior management and business-level management.

1 Reforms at the Senior Management Level

1) Systemic corporate governance reforms and enhanced effectiveness

Aim for management innovation through collaborative creation with outside officers and by engendering fair and healthy tension.

(1) Review the overall design of the governance system.
- A. Review the Personnel Affairs and Remuneration Committee system (chairperson and composition) to strengthen its effectiveness.
- B. Review the role of Management Meetings in the business execution system.
- C. Reform the executive officer system and develop candidates for the senior management team.

(2) Implement a PDCA cycle that uses third-party reviews and draws on outside expertise.
- A. Have an external third-party evaluate the effectiveness of the Board of Directors on a regular basis.
- B. Improve adherence to the Corporate Governance Code and shareholder relations activities based on third-party and other reviews.

2) Enhance information disclosure and promote dialogue with stakeholders

Gain the trust of stakeholders through honest and fair information disclosure.
- A. Produce an *Integrated Report* to tell our corporate story.
- B. Further enhance opportunities for dialogue with institutional investors and individual shareholders.

Under the Fifth Mid-Term Management Plan, we are conducting systemic corporate governance reforms aimed at management innovation through collaborative creation and fair and healthy tension with outside directors of the Board.

We have been working to enhance effectiveness through a review of the structure of the Personnel Affairs and Remuneration Committee, which is the consultative body with regard to personnel and remuneration for directors of the Board and executive officers. We also worked to facilitate a moderate separation of the management supervisory and business execution functions through measures including enhancing the supervisory function by increasing the independence of the Board of Directors and promoting the delegation of authority through reforms to Management Meetings and the executive officer system.

In particular, we improved the transparency of the Personnel Affairs and Remuneration Committee by not only making the chairperson of the committee an outside director of the Board, but also by making the majority of committee members outside directors of the Board. Committee members not belonging to the Company participated in the nomination of director of the Board candidates from the stage of selecting skill matrix categories and were actively involved in the process of nominating the CEO, which stimulated discussions. These measures markedly improved the committee's effectiveness.

2 Reforms at the Business Management Level

1) Increase integrity among business managers

Achieve governance based on mutual trust through managers with a high level of integrity.

(1) Clarify requirements of business managers and establish and strengthen systems for their development.

(2) Broaden the scope of those subject to integrity management training (including head office employees in positions of responsibility and officers of Group companies).

2) Strengthen Group governance systems

Foster mutual trust among Group companies based on the corporate philosophy.

(1) Establish a governance system that will maximize management synergies for the entire Group.
- A. Clarify the authority and responsibilities of the parent company and subsidiaries and reflect these in the design of the organization.
- B. Build a network linking the administrative headquarters of the parent company and subsidiaries, and establish lines of reporting.

(2) Strengthen the development of human resources and allocate them appropriately.
- A. Strengthen development of governance-related human resources. (Recruitment from outside the Group, exchange of human resources among Group companies) (Integrity + Experience and Knowledge + Ability to Act)
- B. Allocate such human resources appropriately, including to overseas subsidiaries.

(3) Promote cooperation among auditors at the parent company and at subsidiaries.

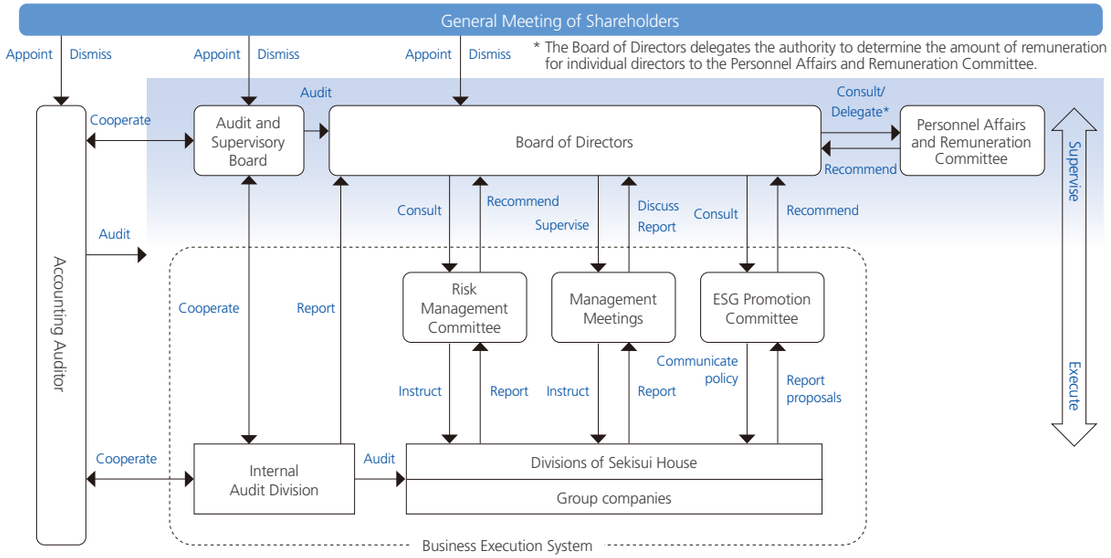
The Sekisui House Group's strengths are a function of the ability of its front-line organization, including the various sales administration headquarters, branches, factories, and Group companies in Japan and overseas. This is because our front-line organization is most aware of operational issues from the perspective of customers. Accordingly, we will implement governance reforms at the business management level to further enhance our front-line capabilities.

We have expanded the scope of integrity management training to include employees in positions of responsibility at the head office and factories and senior management in the Group companies in addition to executives at the various sales administration headquarters. We also worked for substantive improvement in integrity by enhancing management diagnostics (multi-rater assessment) and interviews with the directors in charge. Additional initiatives include establishing lines of reporting in a governance network for the heads of general affairs at offices with a focus on management departments such as the Auditing Department, Human Resources and General Affairs Department, and Legal Department. Concurrently, we will optimize the Group-wide allocation of governance-related human resources, including at overseas subsidiaries.

Corporate Governance

Corporate Governance System

Corporate Governance System (As of April 27, 2022)



Clarification of the Functions and Structure of the Board of Directors

- Formulation of medium-to-long-term management strategies and plans and management supervision are functions of the Board of Directors. Our objective is moderate separation of management supervisory and business execution functions through the delegation of authority for short-term and segment-level business execution.
- We have increased the ratio of outside directors of the Board to 50% to enhance transparency and independence to further strengthen their management supervisory function of the Board of Directors.
- Our goal in structuring the Board with a 1-to-1 ratio of internal to outside directors of the Board is fair and healthy tension among members that results in innovative management.
- We reviewed the role of Management Meetings, which were formerly for deliberation of matters by internal directors of the Board prior to their approval at Board of Directors meetings. We have promoted the delegation of authority for business execution by expanding the functions of Management Meetings to allow entrusted executive officers (managing officers and above) to make resolutions regarding business execution.

Internal Control System

Based on the Companies Act and the Regulation for Enforcement of the Companies Act, the Company developed and manages an internal control system, with basic polices deliberated by the Board of Directors. The Auditing Department, a specialized internal audit division, conducts on-site audits to confirm whether internal controls and internal management are being conducted appropriately and properly based on laws and regulations and internal rules to ensure effective management, and when necessary suggests corrective actions. Results of these audits are reported to directors of the Board and Audit and Supervisory Board members as well as related departments, in addition to regular reports at meetings of the Board of Directors. Moreover, the Auditing Department and the accounting auditor cooperate to execute effective internal audits.

We dispatch directors of the Board and others to conduct internal control of Group companies, including those overseas, and receive reports on their management status and important work execution. In addition, the Company's internal audit division periodically audit important subsidiaries and have strengthened the audit system for overseas Group companies by setting up an International Auditing Office within the Auditing Department.

Accounting Auditor

Our policy for deciding on the appointment and reappointment of the accounting auditor is to have the Audit and Supervisory Board set the selection criteria and comprehensively evaluate items including the quality control system, independence, expertise, audit plan, audit system and estimated audit remuneration of the accounting auditor.

Corporate Governance

Major Organizations/Committees and Their Roles

Board of Directors

The Board of Directors consists of ten directors of the Board (seven male and three female) including five outside directors of the Board and meets once per month in principle. To improve corporate value over the medium-to-long-term, the Board of Directors shall be responsible mainly for establishing management policies, strategies and plans, and making decisions on the execution of important operations, as well as for supervising and evaluating the execution of duties by directors of the Board and executive officers and for establishing systems, such as internal control and risk management, to ensure the soundness of management. In addition, to promote the constructive exchange of opinions, we decided not to combine the positions of Chairperson of the Board of Directors and the convener. Therefore, an outside director of the Board, Toshifumi Kitazawa, currently serves as the Chairperson of the Board of Directors, while Representative Director of the Board, President, Executive Officer (Yoshihiro Nakai) currently serves as the convener.

The Board of Directors shall have the number of members that is considered appropriate for substantive deliberations, and independent outside directors of the Board shall be selected so that the ratio of independent outside directors on the Board of Directors is one-third or more. Moreover, based on business strategies and management plans, the Board of Directors shall have a well-balanced composition of members selected using a skill matrix with full awareness of the skills required for the Board of Directors. Members shall include experts in finance, accounting, laws, compliance and other relevant areas, with consideration for knowledge, experiences, and ability, the number of years in office, and gender, ensuring both suitable diversity and proper headcount. In addition, we have established the Office of Directors of the Board as an organization for assisting outside directors of the Board in their duties, and assigned several employees to it, including full-time staff.

Board of Directors Composition (As of April 27, 2022)

Directors	Outside directors	Chairperson	Age		
			Under 50	50-59	60 and above
10 (7 men, 3 women)	5 (2 men, 3 women)	Toshifumi Kitazawa (Outside Director)	0	3	7

Audit and Supervisory Board

The Audit and Supervisory Board has five members (four male and one female), of whom three are outside members. It formulates audit plans and based on those plans it conducts hearings regarding risks and other issues pertaining to the assigned duties of directors, executive officers, key office heads, the directors of subsidiaries and others. In addition, Audit and Supervisory Board members exchange opinions and work closely with the internal audit division, hold regular meetings with the accounting auditor and engage in mutual cooperation to ensure that all audit activities are carried out efficiently and effectively.

Furthermore, we established the Office of Audit and Supervisory Board Members as a dedicated organization to which several employees including full-time staff are assigned to assist in Audit and Supervisory Board operations. If said employees are concurrently assigned other duties, they must not be influenced by guidance or commands from the other division to which they are concurrently assigned and, with regard to human resource matters pertaining to these employees, the opinions of Audit and Supervisory Board members must be considered to ensure the independence of such employees with regard to Audit and Supervisory Board operations.

Audit and Supervisory Board Composition (As of April 27, 2022)

Audit and Supervisory Board members	Outside Audit and Supervisory Board members	Chairperson	Age		
			Under 50	50-59	60 and above
5 (4 men, 1 woman)	3 (3 men)	Ryuichi Tsuruta (Full-Time Outside Audit and Supervisory Board Member)	0	0	5

Personnel Affairs and Remuneration Committee, Management Meetings, ESG Promotion Committee and Risk Management Committee

	Personnel Affairs and Remuneration Committee	Management Meetings	ESG Promotion Committee	Risk Management Committee
Role	As a consultative body to the Board of Directors, the Personnel Affairs and Remuneration Committee provides opinions on matters relating to personnel affairs and remuneration of the directors and entrusted executive officers to ensure fairness and transparency. In addition, the committee, based on the delegation from the Board of Directors, determines the amount of remuneration for individual directors and entrusted executive officers.	The Company shares information among entrusted executive officers for the purposes of holding prior deliberations on important matters to be submitted to the Board of Directors, making decisions on the execution of certain operation matters based on management policies and strategies, and sharing information on business execution policies and issues. Entrusted executive officers are attendees at Management Meetings, and outside directors and Audit and Supervisory Board members may voluntarily attend the meetings as observers. In addition, depending on the topics of discussion, employed executive officers and operating officers may be requested to attend to engage in an active exchange of opinions.	The committee enhances the effectiveness of ESG efforts through means such as exchanging opinions on the progress of ESG management initiatives and issues. In addition, we have established the ESG Management Promotion Headquarters, which further promotes ESG management in cooperation with Group companies in Japan and overseas based on discussions at the ESG Promotion Committee.	As a consultative body to the Board of Directors, the Risk Management Committee gains an understanding of the risk management status of the entire Group by monitoring important topics and other measures and provides opinions to the Board of Directors as required with the aim of appropriately constructing a risk management system.
Chairperson	Yukiko Yoshimaru (Outside Director of the Board)	Yoshihiro Nakai (Representative Director of the Board, President, Executive Officer)	Yosuke Horiuchi (Representative Director of the Board, Vice Chairman, Executive Officer)	Satoshi Tanaka (Representative Director of the Board, Executive Vice President, Executive Officer)
Members	**Internal directors of the Board:** Yoshihiro Nakai, Satoshi Tanaka **Outside directors of the Board:** Yukiko Yoshimaru, Toshifumi Kitazawa, Keiko Takegawa	**Entrusted executive officers:** Yoshihiro Nakai, Yosuke Horiuchi, Satoshi Tanaka, Toshiharu Miura, Toru Ishii, Kohei Hirota, Osamu Minagawa, Haruhiko Toyoda, Kohei Joki, Keizo Yoshimoto, Hiroshi Shinozaki, Masaru Noma, Takehisa Yanagi Note: Outside directors of the Board and Audit and Supervisory Board members may attend voluntarily as observers.	**Outside members:** Katsuhiko Kokubu (Dean and Professor, Graduate School of Business Administration, Kobe University), Hidemi Tomita (Representative Director, LRQA Sustainability K.K.) **Members:** Yosuke Horiuchi, Haruhiko Toyoda, Toshiya Chikada, Miwa Yamada, Atsushi Yoshida, Kazu Nakayama, Naoki Kawamura, Ken Kishimoto	**Vice Chairperson:** Toshiharu Miura **Members:** Satoshi Tanaka, Toshiharu Miura, Kohei Hirota, Osamu Minagawa, Keizo Yoshimoto, Kazu Nakayama, Naoki Kawamura, Hiroyuki Kitamura, Takahiro Kishi, Nobuaki Okawa

The details of each meeting are reported to the Board of Directors.

Corporate Governance

Initiatives of the Personnel Affairs and Remuneration Committee

Nomination Issues

A More Sophisticated CEO Selection Process

The Personnel Affairs and Remuneration Committee held a CEO evaluation meeting to clarify the focal points that are the criteria for evaluating the CEO in order to make the CEO evaluation and selection process more transparent.

February 2022: CEO evaluation meeting held

- Three outside directors of the Board held an evaluation meeting with the CEO based on the focal points for evaluation.
- The participants also exchanged opinions about the succession plan, identified issues for FY2023, the CEO's self-evaluation of his work, and discussed management vision and other current issues.

Focal Points for Evaluation at the CEO Evaluation Meeting

Personnel requirements	Focal points for evaluation
Qualification requirements	Implementing specific, broadly based initiatives to achieve the Group's vision based on its corporate philosophy
Competence requirements	Has an accurate understanding of social issues, a vision, and is incorporating them in the business model
	Properly delegating authority and encouraging a creative corporate culture that can address new markets
	Building and strengthening relationships with customers, employees, business partners, investors and other stakeholders
	Providing Group leadership for organizational evolution and development, including outside Japan
Motivation and health	Committed to caring for own health and fulfilling responsibilities as the Group's top manager

Process for Selecting New Outside Director of the Board Candidates

To further improve the objectivity and transparency of the selection of new candidates for outside directors of the Board, the Personnel Affairs and Remuneration Committee has nominated the candidates through the following process:

(i) Based on our global vision, review and reset the reasons for selecting skill items (skill matrix)

(ii) Determine targets for selecting new candidates for outside director based on the skill matrix

(iii) Scrutinize the candidate profiles based on the selection targets and deliberate to narrow down the number of candidates

(iv) Have each member of the committee interview new candidates for outside director, and share the results among the committee members, and determine the candidate.

Remuneration Issues

Delegation by the Board of Directors of the Authority to Determine Amounts of Remuneration Paid to Individual Directors and Entrusted Executive Officers to the Personnel Affairs and Remuneration Committee

The revised Companies Act requires expanded disclosure of the policies for determining remuneration. To enhance the objectivity and transparency of the compensation decision-making process, the Board of Directors therefore resolved to delegate the authority to determine remuneration for individual directors of the Board and entrusted executive officers to the Personnel Affairs and Remuneration Committee to enhance the objectivity and transparency of the remuneration decision-making process.

Additional Remuneration System Upgrades and Discussion of Direction

We have identified issues with the current remuneration system and upgraded remuneration policies to improve the remuneration system in preparation for the Sixth Mid-Term Management Plan.

These deliberations will be the basis for discussions of the Personnel Affairs and Remuneration Committee during FY2022 with the objective of restructuring the remuneration system from FY2023 onward.

Deliberation on Evaluation, Determination and Use of ESG Management Indicators (KPI) for Performance-Related Stock Remuneration (Performance Share Units, or PSU)

We introduced PSU in 2020. Each year the committee reviews and evaluates progress of KPIs, which forms the basis of deliberation to decide KPIs for PSU starting in the following fiscal year. When KPIs overlap across evaluation periods, the committee earnestly discusses the setting of those KPIs and the appropriateness of evaluation ranges.

Corporate Governance

Skill Matrix and Reasons for Selection of Each Skill Category

Name	Male / Female	Number of years in office as director of the Board (at the close of the Ordinary General Meeting of Shareholders held on April 26, 2022)	Particular knowledge, experience and abilities expected					
			Corporate management Business strategy	Overseas business International knowledge	Financial strategy and accounting	Technology and quality Environment	Human resource development Diversity Improvement of social value	Governance Risk management Compliance
Yoshihiro Nakai	Male	6	●		●		●	●
Yosuke Horiuchi	Male	6	●		●	●	●	
Satoshi Tanaka	Male	2	●	●		●	●	●
Toshiharu Miura	Male	4	●			●		●
Toru Ishii	Male	2	●	●			●	
Yukiko Yoshimaru	Female	4	●	●			●	●
Toshifumi Kitazawa	Male	2	●	●	●			●
Yoshimi Nakajima	Female	1	●	●	●		●	
Keiko Takegawa	Female	1				●	●	●
Shinichi Abe	Male	—	●	●		●	●	

Note: The above table lists the particular knowledge, experience and abilities expected of each candidate, and is not an exhaustive list of the candidates' expertise.

Skill category	Reason for selection
Corporate management Business strategy	We are a leading company in the housing industry and have constructed a cumulative total of exceeding 2.5 million dwellings. In order to formulate sustainable growth strategies in a drastically changing business environment, we need directors with management experience and a proven track record in housing, construction and urban redevelopment. In addition, **in order to realize and promote proposals for happiness through the integration of technologies, lifestyle design and services, the Company needs directors of the Board with experience in different industries, especially management experience and a proven track record in the field of consumer services for health, connectedness and learning as well as knowledge and experience that contribute to the transformation of business models through the use of digital technology.**
Overseas business International knowledge	In order to formulate growth strategies and provide management supervision for our overseas business, which is a growth segment, we need **directors of the Board with extensive knowledge of and experience in overseas business management, living, culture and business environments.**
Financial strategy and accounting	In order to formulate financial strategies that will not only ensure accurate financial reporting, but also build a strong financial foundation, **promote growth investments including M&A to sustainably enhance corporate value, and strengthen shareholder returns, we need directors of the Board with solid knowledge and experience in finance and accounting.**
Technology and quality Environment	In order to realize the supply of high-quality housing that combines safety, security and comfort with advanced technology, and to further advance and develop our advanced environmental technology and solid construction capabilities, the Company needs **directors of the Board who have a track record of various innovations along with the knowledge and experience to enable proactive efforts to address global environmental issues from a corporate management perspective.**
Human resource development Diversity Improvement of social value	In order to provide houses where customers can feel happier, we need to formulate **human resource** strategies that enable all employees to fully display their skills. To achieve this, we need **directors of the Board with solid knowledge and experience in human resource development, including the promotion of diversity.**
Governance Risk management Compliance	Establishing an appropriate governance system is fundamental for sustainably enhancing corporate value. In order to improve the effectiveness of management supervision by the Board of Directors, we **need directors of the Board with solid knowledge and experience in corporate governance, risk management and compliance.**

* The portions in bold blue lettering indicate revisions pursuant to re-examination of the rationale for skillset selection by the Personnel Affairs and Remuneration Committee.

Office of Directors of the Board

In light of the increase in the number of outside directors, the Company established the Office of Directors of the Board in August 2020 as an organization for assisting outside directors in their duties, and assigned several employees to it. The office enhances the provision of information to outside directors, including advance explanations of the agenda of Board of Directors meetings, business inspection tours and monthly issuance of the Sekisui House Report and other materials, which provides an overview of Company and industry trends. The office's other initiatives include creating opportunities for outside directors to communicate with the representative directors and Audit and Supervisory Board members. Outside officers have acknowledged that these initiatives contribute to lively discussions at Board of Directors meetings. The Company will enhance its efforts to further deploy the functions of its outside directors.

Training for Directors of the Board and Audit and Supervisory Members

We regularly provide training for directors of the Board and Audit and Supervisory Board members to deepen knowledge of compliance and other issues that are necessary or useful for management. In addition, we schedule sufficient time to provide explanation to newly appointed outside directors of the Board and outside Audit and Supervisory Board members about the Sekisui House Group's businesses, management strategy, business strategy and financial status.

Corporate Governance

Stance on and Procedures for Selection of Prospective Directors of the Board

The Company shall select prospective directors from among individuals with high integrity (individuals who are sincere, earnest and possessing high-minded morality), high management capabilities, a nature suited to practicing the Group's corporate philosophy, interest in the Group's business, deep insight, and a keen sense of contribution to creating corporate value and improving company performance.

The stance on the selection of prospective directors of the Board shall be discussed at the Personnel Affairs and Remuneration Committee, a consultative body to the Board of Directors chaired by an independent outside director of the Board and comprising a majority of independent outside directors of the Board, and determined by the Board of Directors based on the recommendations of the committee. Proposals on specific prospective directors of the Board shall be discussed at the Personnel Affairs and Remuneration Committee and determined by the Board of Directors based on the recommendations of the committee.

The selection of prospective internal directors of the Board shall be performed with consideration for the specified qualification requirements (i.e., individuals embodying the corporate philosophy and possessing broad perspective) and competence requirements (i.e., having the ability to conceive solutions to external problems, innovativeness for creating new markets, the ability to cooperate with various stakeholders, and the ability to develop organizations that enhance the Group's comprehensive power), and shall be discussed at the Personnel Affairs and Remuneration Committee based on requirements for human resources and a performance evaluation.

Reasons for Appointing Directors of the Board

Name	Reasons for Selection
Yoshihiro Nakai	Mr. Nakai exercised his outstanding conceptual ability in corporate management planning and has realized many innovative sales strategies and management policies involving sales offices nationwide in the housing and non-housing sectors alike. He plays a central role in formulating and implementing the Group's management strategies and plans. In particular, since assuming the post of President in the second year of the Fourth Mid-Term Management Plan, he has been focusing on aligning the Group's vectors with the corporate philosophy as a compass, strengthening the corporate governance system and aggressively promoting ESG management. Sekisui House reappointed him as a director to help complete the Fifth Mid-Term Management Plan and formulate the Sixth Mid-Term Management Plan to help achieve sustainable growth and increase the corporate value of the Sekisui House Group under his strong leadership.
Yosuke Horiuchi	Mr. Horiuchi was responsible for the business centered on Sha Maison rental housing in eastern Japan, and has contributed to the development of the three- and four-story rental housing market by leading the area-specific market strategy that is dedicated to responding to the local tenant market. He has promoted the expansion of the customer base through means such as strengthening the corporate real estate and public real estate businesses. He has been in charge of the Division of Finance and ESG and is working to enhance the Group's social value as the chairperson of the ESG Promotion Committee, which includes members from outside the Company. Sekisui House reappointed him as a director of the Board to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on strongly promoting ESG management.

Name	Reasons for Selection
Satoshi Tanaka	Mr. Tanaka has held key positions in a major general trading company. He has domestic and international management experience, and knowledge and experience in the energy and consumer service sectors. He served as the executive vice president of a trading company from 2017 to 2019, and has experience as the officer responsible for the corporate staff divisions in positions including CAO, CIO, and CPO. He was also appointed as an outside director of the Board of the Company in 2020 and serves as a member of the Personnel Affairs and Remuneration Committee. Since assuming the position of Representative Director of the Board, Executive Vice President, Executive Officer in 2021, he has been promoting initiatives to ensure the effectiveness of the risk management system as the chairperson of the Risk Management Committee. Sekisui House reappointed him as a director of the Board to help achieve sustainable growth and increase the corporate value of the Sekisui House Group based on his extensive knowledge as a manager, with particular emphasis on strengthening the effectiveness of corporate governance and the risk management system and enhancing the Division of Administration and Human Resources.
Toshiharu Miura	Mr. Miura held technical positions at our sales offices for approximately 10 years after joining Sekisui House. He subsequently worked as a core member of the technical team in the Planning & Design Division and the Product Design & Development Division at the head office, where he has been instrumental in developing new products and establishing new technologies that meet market needs. Since 2016, he has been in charge of the Technology Division, where he has strengthened collaborative capabilities. In 2018, he was appointed as a director of the Board, and since 2020 he has been in charge of technology, production and procurement, promoting innovation in the technology area. Sekisui House reappointed him as a director of the Board to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on the areas of technology, quality and the environment, and on strengthening the Company's supply chain management.

Corporate Governance

Reasons for Appointing Directors of the Board

Name	Reasons for Selection
Toru Ishii	After joining Sekisui House, Mr. Ishii gained sales planning experience in the urban development business and was involved in developing new markets such as the hotel development business and the office development business. Since 2012, he has been in charge of the development business, and has focused on human resource development and exercising the comprehensive capabilities of the Group. He has overseen the overseas business since 2019 with an emphasis on balancing investment and return, while actively taking on the challenges such as M&A to develop new markets and providing strong leadership for the entire organization. Sekisui House reappointed him as a director of the Board to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on strengthening our development business and overseas business, and on enhancing the diversity and strengthening the governance system of our overseas subsidiaries.
Yukiko Yoshimaru	Ms. Yoshimaru has greatly contributed to constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by providing her opinions based on a wealth of knowledge and experience in human resources management and diversity, as well as management experience as a director of domestic and overseas companies. Since becoming the chairperson of the Personnel Affairs and Remuneration Committee in May 2020, she has been taking the lead in clarifying the process of selecting and dismissing directors of the Board, facilitating succession planning, and strengthening remuneration governance. Sekisui House reappointed her as an outside director of the Board to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on the formulation of growth strategies from the perspectives of global business and diversity promotion, and on strengthening management supervision in areas including personnel affairs and remuneration.

Name	Reasons for Selection
Toshifumi Kitazawa	Mr. Kitazawa has held key positions at a major insurance company. He is an accomplished and experienced manager who has extensive knowledge and experience in areas including global business, M&A, risk management and compliance. Since becoming Chairperson of the Board of Directors in May 2021, he has been appropriately steering and leading constructive discussions to strengthen the effectiveness of the Board of Directors meetings. He has also been contributing to the enhancement of deliberations as a member of the Personnel Affairs and Remuneration Committee. Sekisui House reappointed him as an outside director of the Board to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on formulating growth strategies from the perspective of global business, and on strengthening management supervision in areas including M&A and other financial strategies, risk management, and compliance.
Yoshimi Nakajima	Having held key positions in domestic and overseas companies, Ms. Nakajima has extensive experience in financial strategy, M&A, and other areas from serving as the head of Asian and Japanese subsidiaries of global financial institutions. In addition, she has gained experience on the front lines of corporate management in an environment where diversity in senior management is the norm, and she embodies diversity in corporate management. Since April 2021, she has been serving as outside director of the Board of the Company and has been contributing greatly to constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by actively expressing frank opinions. Sekisui House appointed her as an outside director of the Board with the expectation that she will help the Company achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on formulating growth strategies from the perspectives of global business and diversity promotion, and on strengthening management supervision in areas including M&A and other financial strategies.

Name	Reasons for Selection
Keiko Takegawa	Ms. Takegawa has held key positions in the Cabinet Office, where she was committed to implementing policies related to gender equality. She has extensive knowledge and experience in the fields of diversity and compliance. During her tenure at the Ministry of Land, Infrastructure, Transport and Tourism, she worked tirelessly across ministries and agencies to develop safe and secure infrastructure for the elderly and disabled. Since April 2021, she has been serving as outside director of the Board of the Company and has greatly contributed to constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by providing useful advice from the perspective of ordinary citizens, while also contributing to enhancing deliberations as a member of the Personnel Affairs and Remuneration Committee since May 2021. Sekisui House appointed her as an outside director of the Board with the expectation that she will help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on formulating growth strategies from the perspective of diversity promotion, and on strengthening management supervision in areas including quality control, compliance, personnel affairs and remuneration.
Shinichi Abe	Having worked for an overseas consulting firm and software vendors, Mr. Abe was involved in the launch of Google's cloud business, during which he supervised its Asia-Pacific operations. As such, he has extensive experience in the global business environment in the IT and digital fields. In particular, when Google launched its cloud services business for Japanese companies, he gained the deep trust of many client companies, promoted digital innovation together, and consistently demonstrated strong leadership as an innovator in the organization he led. Currently, he serves as Representative Director, President and CEO of a venture company providing teleradiology (remote medical image diagnosis) services, a firm that he has had contact with since its foundation. Sekisui House newly appointed him as an outside director of the Board to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on the formulation of growth strategies from the perspectives of global operations and digitally-driven business model transformation, and in strengthening the management supervision function, including supervision of the areas of innovation promotion and human resources development.

Corporate Governance

A More Sophisticated Executive Officer Selection Process

Selection of Entrusted Executive Officers: Launch of Senior Management Assessment

Senior Management Assessment

- Newly appointed candidates undergo performance evaluation, multi-rater evaluation, as well as Senior Management Assessment conducted by an external organization.
- A variety of information from sources including extended interviews and multiple psychological tests is used to comprehensively evaluate current and future potential.
- The Personnel Affairs and Remuneration Committee deliberates on appointments based on the external organization's report on assessment results.
- Assessment results are shared with candidates and used in formulating future training plans.

Selection of Employed Executive Officers: Succession Plan Council Meetings and Human Resource Promotion Council Meetings

Succession Plan Council

- We initiated meetings in 2021 to visualize successors for employed executive officers and operating officers, and to share succession information among officers (operating officers and higher).
- We enhance the management candidate pipeline with discussions about sharing successor information and training plans.

Human Resource Promotion Council

- Entrusted executive officers (managing officer and higher) recommend candidates for employed executive officer and operating officer.
- Directors of the Board who also serve as entrusted executive officers (senior managing officers and above) participate in Human Resource Promotion Council meetings, where each director of the Board discusses the selection of candidates, upon which the President, Executive Officer determines the appointment plan and submits it to the Board of Directors for approval.

Personnel Affairs and Remuneration Committee supervises the selection and dismissal process.

Human Resource Promotion Council (largely composed of internal directors) deliberates on selection and dismissal, personnel allocation, and training.

Division	Directors of the Board who also serve as entrusted executive officers (Senior managing officers and above)	Entrusted executive officers (Managing officers)	Employed executive officers	Operating officers
	Ensuring moderate separation of supervision and execution, supervise the divisions for which they are responsible to achieve the goals of the Mid-Term Management Plan while taking responsibility for those divisions' execution of operations.	As director of the Board candidates, responsible for key areas of their divisions and for those areas' execution of operations to achieve the goals of the Mid-Term Management Plan.	As entrusted executive officer candidates, responsible for business units and for those business units' execution of operations to achieve the Mid-Term Management Plan.	As employed executive officer candidates, responsible for business units and for those business units' execution of operations to achieve the goals of the Mid-Term Management Plan.
Division of Built-to-Order Business	Yoshihiro Nakai	Hiroshi Shinozaki	8	10
Division of Development Business	Toru Ishii	Takehisa Yanagi	3	1
Business Strategy Division	Yoshihiro Nakai	Kohei Hirota	3	3
Division of Finance and ESG	Yosuke Horiuchi	Haruhiko Toyoda	5 (1)	0
Division of Administration and Human Resources	Satoshi Tanaka	Osamu Minagawa Keizo Yoshimoto	2	1
Division of Technology and Production	Toshiharu Miura	Kohei Joki Masaru Noma	4 (1)	5

Note: Figures in parentheses are the number of female officers as of June 1, 2022.

Corporate Governance

Officer Remuneration

Basic Remuneration Policies

(1) To be fair to shareholders, investors, customers, employees and all other stakeholders in accordance with our philosophy of love of humanity, a high degree of governance shall be applied in deciding remuneration to ensure objectivity, transparency and full accountability.

(2) In order to become a leading company in ESG management, we shall focus on social significance and make a clear commitment to consistently executing innovative growth strategies, and our remuneration system shall provide sound incentives for consistently increasing corporate value over the long term.

(3) We shall emphasize the link between remuneration and the development and evaluation of the senior management team, motivate the next generation of managers to grow, and increase the organizational vitality of the Sekisui House Group over the long term.

Remuneration Governance

- To improve the objectivity and transparency of the remuneration determination process, the Board of Directors, by its resolution, delegates the authority to determine the amount of remuneration for individual directors of the Board to the Personnel Affairs and Remuneration Committee.

Introduction of Shareholding Guidelines

We have established shareholding guidelines for eligible directors to ensure they consistently share value with our shareholders. As a rule, during their terms of office, of the Board are obligated to maintain ownership of Sekisui House shares equivalent to baseline monetary values derived from market price and according to their positions. The baseline monetary value is twice annual basic remuneration for representative directors of the Board and equal to annual basic remuneration for other eligible directors of the Board.

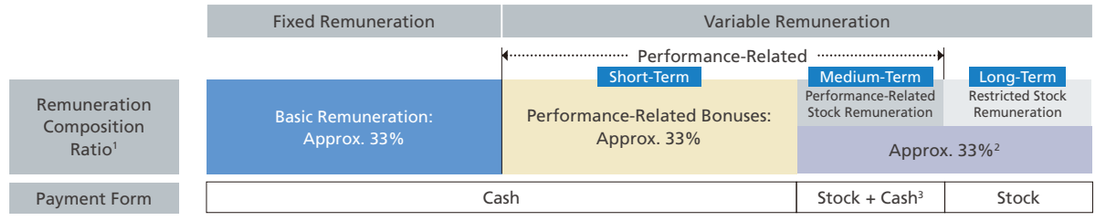
Prescription of Stock Remuneration Return (so-called Malus and Clawback Provisions)

In order to control excessive risk-taking by directors (excluding outside directors of the Board) and to ensure sound management, we established so-called malus and clawback provisions that require officers to return their stock remuneration in full or in part before vesting if certain events occur.

Remuneration and Incentive Remuneration Framework for Directors of the Board (Excluding Outside directors of the Board)

Type of remuneration			KPI	Outline and reasons for selection of indicators for performance-related remuneration
Fixed	Basic remuneration		—	The amount shall be determined according to criteria including representation rights and position, and shall be paid on a monthly basis.
Variable	Short-term	Performance-related bonuses	Consolidated ordinary income	The amount to be paid shall be calculated by multiplying consolidated ordinary income, which is a key management indicator, by a predetermined bonus coefficient for the position of each director (excluding outside directors of the Board). The bonuses shall not be paid if profit attributable to owners of parent is less than ¥100 billion.
	Medium-term	Performance-related stock remuneration (PSU)	ROE and ESG management indicators	ROE, a key financial indicator for the medium term, and ESG management indicator, a non-financial indicator, are used as performance indicators. The Reference Number of Share Units corresponding to predetermined standards for each executive director position shall be granted. The number of units to be granted shall depend on the degree of achievement of ROE and ESG management indicators during a three fiscal-year evaluation period. At the end of the evaluation period, the number of units to be granted shall be determined within the range of 0% to 150%. Half of the units granted shall be issued as shares and half in cash for tax payment. ROE and ESG management indicators shall have an 80:20 weighting in the evaluation, and ESG management indicators will be rigorously reviewed by the Personnel Affairs and Remuneration Committee to enhance the objectivity and transparency of the process of goal setting and evaluation.
	Long-term	Restricted stock remuneration (RS)	—	Shares of Sekisui House, Ltd. common stock (with transfer restrictions) shall be granted corresponding to the predetermined basic amount set by position for each director (excluding outside directors). The transfer restrictions shall be lifted in the event that a director of the Board or executive officer stops serving in his or her position.

Image of Remuneration Composition Ratio for Representative Directors of the Board at Base Performance



1. The remuneration composition ratio will vary depending on position, the Company's performance and the achievement of KPIs. The remuneration composition ratio for representative directors at base performance is presented.
2. The composition ratio of performance-related stock remuneration to restricted stock remuneration is approximately 1:1 (at base performance).
3. 50% of the performance-related stock remuneration will be paid in cash for the purpose of appropriation to funds for tax payments.

Corporate Governance

ESG Management KPI and Target Value for Performance-Related Stock Remuneration for the Fiscal Years Ending January 31, 2021 through January 31, 2023 (PSU1)

ESG Management Indicators		Numerical Target (January 31, 2023)	Weighting
Environment	Ratio of detached ZEH homes	90%	40%
	Number of Sha Maison ZEH units	2,500 per year	
Social	Number of female managers	260	30%
	Take-up rate for eligible male employee childcare leave	98%	
	Annual paid leave take-up rate	60%	
Governance	Reviewing the overall design of the governance system	Strengthen the effectiveness of the Personnel Affairs and Remuneration Committee, review the role of Management Meetings, reform the executive officer system	30%
	Enhancing response to the Corporate Governance Code	Improve disclosure through third-party reviews (comparison with TOPIX 100 companies)	
	Increasing integrity at business management level	Create an integrity management training system for all employees in positions of responsibility	

ESG Management KPI and Target Value for Performance-Related Stock Remuneration for the Fiscal Years Ending January 31, 2022 through January 31, 2024 (PSU2)

ESG Management Indicators		Numerical Target (January 31, 2024)	Weighting
Environment	Ratio of detached ZEH homes	90%	40%
	Number of Sha Maison ZEH units	4,000 per year	
Social	Number of female managers	280	30%
	Take-up rate for eligible male employee childcare leave	98%	
	Monthly average working hours	175 per month	
Governance	Enhancing response to the Corporate Governance Code	Improve disclosure through third-party reviews (comparison of TOPIX100 companies)	30%
	Strengthening Group governance	Group company administrative regulations and effectiveness of governance-related human resource measures	

Officer Remuneration for FY2021

Total Remuneration for Parent Company Officers by Category, Type of Remuneration, and Number of Eligible Officers

Officer Category	Total Remuneration (Millions of yen)	Total Remuneration by Type (Millions of yen)				Number of Eligible Officers
		Basic Remuneration	Performance-Related Bonuses	Performance Share Units (PSU)	Restricted Stock Remuneration	
Directors of the Board (Excluding Outside Directors of the Board)	1,009	327	302	235	143	9
Audit and Supervisory Board Members (Excluding Outside Audit and Supervisory Board Members)	75	75	—	—	—	3
Outside Officers	171	171	—	—	—	9

Note: In addition to the above remuneration, etc., the Company has paid ¥33 million of officers' retirement benefits to three retiring directors as the final payment of the severance payment associated with the abolishment of the officers' retirement benefit plan as resolved at the 55th Ordinary General Meeting of Shareholders held on April 27, 2006.

Total Consolidated Remuneration for Directors of the Board (Excluding Outside Directors of the Board)

(Millions of yen)

Name	Remuneration by Type				Total Remuneration
	Basic Remuneration	Performance-Related Bonuses	Performance Share Units (PSU)	Restricted Stock Remuneration	
Yoshihiro Nakai	66	70	52	33	222
Yosuke Horiuchi	50	58	32	23	164
Kunpei Nishida	45	51	30	21	148
Satoshi Tanaka	41	51	22	18	132
Toshiharu Miura	39	34	18	11	104
Toru Ishii	39	34	18	11	104

Note: Individuals receiving total consolidated remuneration of ¥100 million or more and officers who were directors of the Board (excluding outside directors of the Board) of Sekisui House as of January 31, 2022

Corporate Governance

Cross-Shareholdings

Basic Stance for Cross-Shareholdings

The Company shall not enter into cross-shareholdings with business partners unless the Company determines that it will be helpful to medium-to-long-term increases in the corporate value through the stable maintenance and strengthening of relationships with those business partners. In addition, the Company shall comprehensively verify the economic rationality of transactions with parties of cross-shareholdings, to determine if it will continue these transactions. The Company shall analyze the appropriateness of cross-shareholdings at the meeting of the Board of Directors based on the minimum holdings required from a perspective of increasing capital and asset efficiency each year.

At the meeting of the Board of Directors, members shall comprehensively analyze the medium-to-long-term economic rationality of each individual stock based on holding purposes, risk and return. As a result, the Company shall sell any stock which is no longer meaningful to continue holding after considering the market environment.

Overview of the Verification with Regard to Cross-Shareholdings

At the meeting of the Board of Directors held in September 2021, the Company analyzed all listed stocks it holds as cross-shareholding (for 24 different companies, excluding Sekisui House Reit, Inc. and companies to which equity method of accounting is applied) in terms of overall significance of owning them based on the status of shareholding, risk and return (stock price divergence, dividend yields, ROE, credit rating, etc.) and importance of transactions. Furthermore, from the perspective of increasing capital efficiency, the Company has adopted a policy to reduce cross-shareholdings in phases and set specific targets, namely, to reduce the ratio* of cross-shareholdings to consolidated net assets to 5% or less during the period of the Fifth Mid-Term Management Plan (by January 31, 2023).

The Company intends to further reduce cross-shareholdings during the period of the Sixth Mid-Term Management Plan and beyond, considering the market environment and other factors.

* Refers to the ratio of the balance sheet amount of stocks for investment held for purposes other than pure investment (including unlisted stocks), stated in the annual securities report, to consolidated net assets.

(Stocks sold during FY2021)
Of the 24 companies examined, the Company sold all shares of three companies and a portion of shares of two companies.
(Ratio of cross-shareholdings to consolidated net assets for FY2021)
The ratio on January 31, 2022 was 5.0%.

Group Governance System

Enhanced Group Company Administrative Systems

The Group employs a two-tier administrative system. A department in each business segment has responsibility for supervising management administration for the business activities of Group companies. Concurrently, specialized departments at the head office of Sekisui House provide functional assistance and management leadership for particularly specialized operations.

Establishment of Sekisui House Real Estate Holdings, an Intermediate Holding Company

Sekisui House Real Estate Holdings Co., Ltd., a holding company for Sekisui House Real Estate companies, initiated operations in February 2022.

The head office of Sekisui House delegated authority to this intermediate holding company to maximize the value of the Sekisui House Real Estate Group and enhance the management of each operating company.

1. Formulate a growth strategy for the Sekisui House Group's real estate business
2. Control the direction of each operating company
3. Identify real estate and growth investments with a broad view of the real estate business
4. Improve services for Sha Maison tenants

Established Sekiwa Construction Business Headquarters

The Sekiwa Construction Business Headquarters was newly established in February 2021. This specialized organization provides comprehensive oversight for planning, business promotion and enhanced governance of Sekiwa Construction companies.

Enhanced Governance for Overseas Businesses

We have regularly held Global Governance Meetings since September 2021 to strengthen cooperation between the governance managers of each overseas subsidiary and each department of the head office.

Corporate Governance

Evaluation of Effectiveness of the Board of Directors

Initiatives to Enhance the Effectiveness of the Board of Directors

Every year, we evaluate the effectiveness of the entire Board of Directors, including the status of the creation of support systems for directors of the Board and Audit and Supervisory Board members. In addition to confirming matters including the strengths and issues of the Board of Directors, the status of improvements to issues identified in the previous fiscal year's evaluation, and the direction to be taken going forward, we work to strengthen corporate governance by implementing specific measures to enhance the effectiveness of the Board of Directors based on the evaluation results.

Overview of Evaluation Results for FY2021

(1) Evaluation Method

As in FY2020, we used an independent third-party evaluation company to prepare the FY2021 questionnaire, which we administered to all directors of the Board and Audit and Supervisory Board members. Based on the results of the questionnaire, the 10 directors of the Board and 6 Audit and Supervisory Board members were interviewed.

The results were evaluated and examined by the third-party organization and summarized in a report. At the Board of Directors meeting held in March 2022, the evaluation company explained the details and the Board deliberated on the results.

Main Questionnaire Items

- Composition and structure of the Board of Directors
- Operation and duties of the Board of Directors
- Agenda items of the Board of Directors
- Supervisory functions of the Board of Directors
- Nomination and remuneration of directors of the Board
- Progress on issues identified in the FY2021

(2) Summary of Evaluation Results

The Board of Directors evaluated and confirmed that it had achieved high effectiveness by, for example, implementing various measures to address and make improvements regarding the issues identified in FY2021.

	Issues for FY2021	Initiatives and Issues Confirmed through the Board of Directors Evaluation of FY2021	Progress
1	**Enhance discussions of medium-to-long-term management at Board of Directors meetings**	Initiatives confirmed • Agendas for board meetings have been proposed based on repeated pre-discussions and the monitoring function has been strengthened more than ever before, through an outside director of the Board serving as the Chairperson of the Board of Directors. • Selection and concentration of discussions has been implemented by certain group of items being collectively deliberated, reported, and voted on.	Improved
2	**Work to further deploy the functions of outside directors of the Board**	Initiatives confirmed • The Office of Directors of the Board provides a forum for discussions with internal directors of the Board, which serves as an opportunity to promote more understanding of the corporate direction and its business. • Outside directors of the Board actively engage in dialogue with institutional shareholders (shareholder relations activities), and the strengths and issues from an institutional investor's perspective are reported to the Board of Directors. • Regularly providing information and updates on the Company and related industry trends is promoting understanding of the Company among outside directors of the Board and Audit and Supervisory Board members.	Notably Improved
3	**Strengthen Group governance**	Initiatives confirmed • To promote its business and strengthen the governance of Sekisui House Real Estate Group, organizational restructuring has been carried out and an intermediate holding company Sekisui House Real Estate Holdings, Ltd. was formed, which plays a central part in such structure. • Similarly, the subsidiaries in the United States have employed an organizational structure with the intermediate holding company Sekisui House US Holdings, LLC, at its center, to facilitate transparency and risk assessment in the Group's governance after each M&A in the future. • Successful deployment of general affairs personnel (governance-related human resources) to each company has led to accelerated dissemination of the Company's governance awareness and corporate philosophy.	Improved

(3) Issues to Address

Issues for FY2022	Initiatives Subject to Implementation Consideration
1. Enhancement of discussions from a long-term and medium-term perspective	• To enhance discussions from a long- and medium-term perspective in line with our business model. • To enhance discussions of financial strategies.
2. Strengthening risk management and Group governance	• To ensure the independence of governance-related human resources at Group Companies from business execution departments. • To ensure the independence of the internal audit division at Group Companies. • To ensure regular reporting by the internal audit division to the Board of Directors.

Two Outside Directors of the Board Share Their Views



Yoshimi Nakajima

Independent Outside Director of the Board

Positions held include Outside Director of AEON Financial Service Co., Ltd. and Specially-appointed Professor of The Graduate School of Project Design. She was appointed independent outside director of the Board of the Company in April 2021.



Keiko Takegawa

Independent Outside Director of the Board

Positions held include Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION and Specially Appointed Professor of Faculty of Global Business of Showa Women's University. She was appointed independent outside director of the Board of the Company in April 2021.

Q. What are your impressions of Sekisui House's Board of Directors and corporate culture from your perspective as outside directors of the Board?

Takegawa: More than 20 years ago, I learned that Sekisui House had a female lead designer, which gave me the impression that it was a company where women play an active role. In 2017, the Company received an Award for Leading Companies Where Women Shine from the Cabinet Office Special Minister in Charge of Women's Empowerment, Minister of State for Gender Equality. At the time, I was a bit disappointed that Sekisui House had no female officers, although various contemporary data show that the Company was making progress. After that, the number of female officers increased with governance reforms, and when I became an outside director of the Board in 2021, that brought the total to three female directors of the Board and two female Audit and Supervisory Board members. Yet, even though the number of female managers is increasing, more needs to be done.

Sekisui House is speedily conducting management reforms and is increasing the ratio of outside officers to improve corporate governance. Outside officers are able to attend meetings including Management Meetings and meetings of the ESG Promotion Committee, as observers, so we can witness internal discussions, decision-making processes and other responses to issues before we attend Board of Directors meetings. Because the Company allows us to see things as the really are, I sense its strong determination to have us participate in decision-making.

Nakajima: I feel that preparations for Board of Directors meetings at Sekisui House are thorough, making those meetings a forum for holding very substantial discussions in a short time. In addition to gaining an understanding of circumstances by participating in Management Meetings and other meetings, we receive detailed explanations in advance so we can participate in Board of Directors meetings with a clear picture of the points at issue. While matters that arise in executing business are the main topics at Management Meetings, the Board of Directors holds discussions of new matters from different angles and with various insights, based on a long-term perspective on governance. I think the ability of both inside and outside directors of the Board to speak up without hesitation at board meetings is due to the leadership of the chairperson and the thorough preparation by the Office of Directors of the Board, which is the board's secretariat. The office does a good job of coordination, not just with officers but also with the departments that make proposals and reports, and with Group companies, therefore everyone involved fully understands the significance of board and other meetings. As a result, if we request data or other materials at a briefing in advance of a board meeting, those materials are prepared for us. This improves efficiency at the meeting. Even when we use a web conferencing system to hold meetings remotely in Tokyo and Osaka due to COVID-19, there is no feeling of distance.

Takegawa: I get the impression from my visits to various construction and sales sites that the Company's philosophy and direction are being properly communicated to and adopted by junior employees. The other day, I attended the presentations of various innovations at the SHIP Collective Communication and Innovation Awards Program. Participants were energized and happy. Employees do not want to simply do as they are told by their supervisors; they want to deliver value to customers, for the good of the Company and society.

At the same time, I sense a strong determination to change the corporate culture. I think that management is thoroughly aware of the issues, imparts expertise to young employees, and is taking a data-based approach to improving the overall organizational strength through each group and team. Another candid view I have heard is that Sekisui House is striving to transform itself to address various issues in its past.

Two Outside Directors of the Board Share Their Views

Nakajima: Each employee has adopted the Company's global vision as their own: to make home the happiest place in the world. I think this corporate culture, which other companies lack, makes Sekisui House capable of even stronger growth. Until a few years ago, there seemed to be a strong hierarchy among Group companies, but now a culture of keeping in close touch with customers and an awareness of fulfilling social responsibilities as a unified entity have been cultivated throughout the Sekisui House Group.

In addition, employees at the front lines have a strong customer orientation. Various reforms are ongoing, but employees understand the reasons for them and are fully motivated, so I think it is time for these reforms to be put into practice. In addition to pursuing the value of happiness in Japan and overseas, I expect the Company to interweave various threads of reform to deepen communication and make governance effective.

Q. What is expected of you as an outside director of the Board and what are you focusing on to meet those expectations?

Nakajima: Outside directors of the Board are expected to maintain an external viewpoint. I think our most important role is to point it out when "common sense" inside the Company is viewed as nonsense outside the Company. Asking "why?" from an external viewpoint reveals where in-Company understanding is insufficient and explanations are insufficient. We must continue probing until we receive answers we believe are acceptable. Recently, when I toured one of the Company's SUMUFUMU TERRACE locations, I asked sales representatives to clarify some points and offered my opinions. It is important for directors of the Board to do more than simply make remarks at board meetings.





Takegawa: I think I am expected to provide the perspective of a customer as well as that of a government official, because not only do I live in a Sekisui House home and use the Customer Service Center, as a civil servant I was involved in promoting the implementation of the Act on the Promotion of Female Participation and Career Advancement in the Workplace and the Act on the Promotion of Easy Mobility and Accessibility for the Elderly and Persons with Disabilities. I think what is most required of me is the sound common sense of someone outside the Company who does not fall into the groupthink that occurs in homogeneous groups. Groupthink gives rise to major business risks. A housing manufacturer must consistently provide society with high-quality products over many years, so I consider it my key role to contain the risk of groupthink.

One of the revised material issues the Sekisui House Group came up with this year is "diversity and inclusion." Diversity and inclusion contributes to social value and is also important for the sustainable development of the Company. In terms of corporate development, having human resources from diverse backgrounds is thought to spur innovation. A homogenous group of people is unlikely to generate new ideas, so it is crucial to add diverse human resources, both employees and management. In terms of social value, as a forward-thinking ESG company Sekisui House must aim for a society in which each person is considered irreplaceable.

Two Outside Directors of the Board Share Their Views



Nakajima: During Japan's period of high economic growth, it was acceptable to follow a single strong leader, but in the great uncertainty of today's society we must consider what each occasion requires and act promptly. Even now, many Japanese companies are still waiting for some strong leader to emerge. However, Sekisui House has realized that a company cannot survive without innovation generated by going through a repeated cycle of discussion among diverse individuals with different personalities, ideas and characteristics to discover what each of them finds meaningful. I was told that Sekisui House's diversity began with promoting more active roles for women. Going forward, the Company must further broaden inclusivity to encompass differences in areas such as nationality, mindset and religion. Diversity and inclusion means accepting others as they are and letting people lead lifestyles compatible with their life stages, regardless of gender and other characteristics.

In that sense, Sekisui House has made considerable progress in diversity and inclusion, but a few unconscious biases remain. For example, when I was appointed as an outside director of the Board in 2021, I noticed an unconscious bias in having female employees in general administrative positions wear uniforms. Bringing this up at a Board of Directors meeting led to making uniforms optional.

Takegawa: Making uniforms optional has changed the way things look inside the Company, and employee perceptions. Even if it is just a matter of choosing the clothing you wear, being able to decide for yourself is very important. Inherent in the concept of gender equality is the idea of including women in deciding the kind of society we live in. Studies around the world have shown that women tend to hesitate when offered management or executive positions, but accepting does not affect just those specific women. I think that as female outside directors of the Board we have a responsibility to take the next step forward for those who come after us, just as our predecessors have progressed bit by bit to make Japan a more livable society.

Q. What are your hopes for Sekisui House in the future?

Takegawa: Sekisui House's ongoing mission is to build homes that will last for generations while contributing to more beautiful townscapes, as well as to supply rental housing, condominiums and office buildings that will be used with pleasure for years to come. Japanese society has traditionally emphasized business over family life, and this is reflected in the appearance of this country's towns and cities. With magnificent office buildings juxtaposing poor-quality housing, Japan cannot yet claim to be a truly prosperous society. I expect the Company to focus on creating communities that will be resilient in the event of a disaster caused by an earthquake directly below the Tokyo metropolitan area. Housing that is resilient to earthquakes is a matter of great significance to Japanese society. I would also like to see Sekisui House pursue businesses with the admirable aim of resolving social issues while benefiting the Company, such as its project to revitalize local communities by opening hotels integrated with *Michi-no-Eki* stations.

Sekisui House is integrating its technologies, lifestyle design and services, so it ought to be able to look more closely at people's lifestyles to identify their needs and provide services that make their lives easier. Take people with relatives or family members who require nursing care, for example. It would reduce their burden by allowing them to continue



Two Outside Directors of the Board Share Their Views



working if they could receive notifications of a sudden change in the condition of a relative living elsewhere, or if they could remotely unlock their own front door when a caregiver visits a family member at home. I would like to see what can be achieved with a little more ingenuity.

Nakajima: Sekisui House must continue to provide houses with longer useful lives—houses that can be lived in for 50, or even 100 years. It may sound hyperbolic, but as the external environment changes in the future, so will the housing people live in, their lifestyles and their lifespans. Sekisui House has already conducted research on various topics and has commercialized products that are generating results. I would like the Company to look further into the future to promptly identify potential social needs, develop them into businesses and services, and communicate them to society so they are easy to understand. Through such activities, I hope that Sekisui House establishes a position where customers see it as an unrivaled manufacturer from the perspective of society.

In addition, the functions expected from housing and hotels will be different in the future. Employees will need to be reskilled—that is, trained in skills different from their current ones. For Sekisui House not simply to survive but to stay ahead of the curve, upfront investments are essential, especially in human resources. I would like Sekisui House to upgrade its in-house programs for training, talent discovery, and mid-career hiring. At present, the Company is facing a shortage of both IT staff and human resources who can handle overseas expansion so in addition to hiring external personnel it must be proactive in reskilling current employees. By IT, I do not mean staff with the skills to develop software; rather, there is an urgent need to develop human resources with a mindset for digital transformation (DX). As an outside director of the Board, I will continue to make recommendations on investing in, securing and developing human resources for the Company's future, and will help to see that they are put into action.

Q. In closing, do you have a message for shareholders and investors?

Nakajima: Sekisui House is now in a period of great change as it takes on new challenges on a global scale. It has already started most of the initiatives it has been able to devise on its own. I believe that it will grow into an even better company by seeking feedback from and engaging in dialogue with a greater variety of stakeholders outside the Company, including communities and investors. Shareholders and investors can look forward to substantial growth and development from Sekisui House.

Takegawa: Sekisui House is making thoroughgoing efforts to seriously pursue social value inside the Company. In the area of the environment, for example, it recycles the waste materials it generates during construction. Even in the short term, its performance has improved, but the Company is also a suitable investment from the perspective of the recognition it earns for its growing ESG and social value. I hope that shareholders and investors will take a long-term perspective in their support for Sekisui House.



Measures Based on Receipt of Comprehensive Evaluation Report on Problems with the Purchase of Land for Condominiums

Disclosed on December 7, 2020

On December 7, 2020, Sekisui House received a Comprehensive Evaluation Report (hereafter, the "Report") from its Comprehensive Evaluation Committee. At the request of the Board of Directors, this committee had conducted a comprehensive evaluation of the causes of an incident involving transactions for land for condominiums in Nishi Gotanda, Shinagawa-ku, Tokyo that occurred in 2017 (hereafter, the "Transaction Incident"), as well as measures to prevent recurrence and other matters. The Report was disclosed to the public on the same day.

In addition to details regarding the facts that had been determined, the Report verified and made recommendations regarding Sekisui House's response and approach to information disclosure after the discovery of the Transaction Incident. Topics included whether cases similar to the Transaction Incident have occurred, cause analysis (direct causes in the course of the transactions and cause analysis of internal environment and internal control system), recurrence prevention measures implemented and their dissemination and awareness promotion among employees and their effectiveness, the investigation by the 2017 committee and the content of the 2018 report.

Based on the content of the Report, we are implementing various measures to strengthen governance as per resolutions of the Board of Directors.

Comprehensive Evaluation Report on Problems with the Purchase of Land for Condominiums

Background of Preparation of the Report

By June 2020, first-instance convictions were handed down on all the criminal groups indicted in the Transaction Incident. In view of this fact, the Board of Directors decided in September 2020 to conduct a comprehensive evaluation of the Transaction Incident and other matters for the purpose of fulfilling its accountability to stakeholders, including its shareholders, customers, suppliers, officers and employees, by accurately disclosing the background of facts and other matters regarding the Transaction Incident. The Board of Directors then established the Comprehensive Evaluation Committee (hereinafter, the "Committee") (Head of Committee: Shin Kikuchi of Gaien Partners), which was entrusted to external experts to ensure independence.

From September to November 2020, the Committee examined materials related to transactions, materials related to the 2017 survey and other related materials such as the minutes of Board of Directors meetings. During that time, it also held interviews with related parties and conducted a digital forensic study of e-mails of related parties, among other activities, and prepared the Report that incorporates expert opinions.

Evaluation and Recommendations of the Report

The Report acknowledged Sekisui House's response to the cause analysis in the measures to prevent recurrence it had implemented, and positively evaluated those measures to a certain extent, but suggested that because Sekisui House did not formulate comprehensive measures to prevent recurrence, it was desirable to conduct a serious re-examination of whether effective countermeasures to the problems indicated had been taken. The Report also suggested that in order to prevent similar negative impact, in-house training and education based on the Transaction Incident was necessary due to the extreme importance of raising the awareness of each individual who operates systems, and that comprehensive reforms were needed to improve the corporate culture, including personnel rotation throughout the organization and personnel evaluations that emphasize integrity.

Initiatives in Response to Report Recommendations

In response to the recommendations of the Report, the Board of Directors resolved to have the Risk Management Committee re-examine the effectiveness of the recurrence prevention measures implemented by Sekisui House from the perspective of their correspondence to the cause analysis indicated in the Report; to implement personnel rotation to help improve the corporate culture; and to conduct education and training using the Transaction Incident as a lesson in point.

Since 2019 we have been rotating personnel among the Condominium Headquarters, the Development Department, and the International Business Department, and have also rotated general managers and branch managers to new locations in connection with the reorganization of our sales administration headquarters.

The Report indicated an entrenched silo mentality within individual headquarters, weak check functions, and poor awareness of risk as training themes associated with the Transaction Incident for Sekisui House branch executives. We therefore specified the branch management issues we will address and conducted group discussions and studies. We also conducted training on these subjects for Sekisui House Group employees to raise their risk awareness. The status of training was reported at the Board of Directors meeting in March 2022.

We take the recommendations of the Report seriously and will maintain initiatives to improve the effectiveness of our governance, strengthen internal controls and raise awareness of risks.

Themes and KPIs of Core Initiatives for Material Issues

Basis of Material Issues: Love of Humanity, Corporate Governance

Material Issue Category: Governance

KPI Categories
- Ratio of independent outside directors of the Board
- Corporate governance
- Group governance
- Integrity
- Enhancement of governance-related human resources training
- Compliance

Material issue	Category	No.	Indicator	Officer remuneration indicators PSU1	Officer remuneration indicators PSU2	Fifth Mid-Term Management Plan	President commendation ESG indicators	Unit	FY2020 Target	FY2020 Result	FY2021 Target	FY2021 Result	FY2022 Target	Remarks
Love of Humanity **Corporate Governance**	Governance	42.	Ratio of independent outside directors of the Board					%	—	33%	40%	40%	40% or higher	
		43.	Responding to Corporate Governance Code according to reviews by evaluation organizations and others	○	○	○		Points → Ranking	4.1 or higher	4.04 (12th place)	15th place or better	7th place	9th place or better	New standard from FY2021
		44.	Clearer separation between management supervision and business execution (Personnel Affairs and Remuneration Committee, Management Meetings, executive officer system reform)	○		○		—	Regulatory revisions	○	Stabilized implementation	○	Improvement	
		45.	Strengthening the Group governance system (Group administrative regulations; development and appropriate assignment of governance-related human resources)		○			—	—	—	Regulatory regime	Achieved	Regulatory implementation	
		46.	Increasing integrity at business management level (percentage of managers attending management integrity training)	○		○		—	Head office leads: Over 50% attendance	97.3%	Group officers and leads: Over 50% attendance	79.8%	Group officers and leads: 100% attendance	
		47.	Governance Strategy Sheet initiatives					People → %		Involvement of general affairs leads of Sekisui House (134)	Involvement of general affairs acting leads of Group companies (228)	Involvement of general affairs managers of Group companies (228)	Percentage of Governance Strategy Sheet initiatives adopted: 90%	
		48.	Number of serious violations of laws and voluntary norms					Cases	—	0	0	0	0	

Directors of the Board and Audit and Supervisory Board Members (As of April 27, 2022)

Outside Outside Director of the Board or Outside Audit and Supervisory Board Member
Independent Officer Independent officer based on the rules of Tokyo Stock Exchange, Inc.

Directors of the Board

Representative Director of the Board
President, Executive Officer, CEO
In charge of Business Strategy Division and Division of Built-to-Order Business

Yoshihiro Nakai



Significant concurrent posts at other companies
None

Number of years in office as director of the Board
6

Attendance at meetings (FY2021)
Board of Directors: 12/12 (100%)

Apr. 1988: Joined the Company
Apr. 2014: Executive Officer, assigned to the post of Chief Manager of Corporate Management Planning Department
Apr. 2016: Managing Officer
In charge of Corporate Management Planning and Accounting & Finance
Apr. 2016: Director
Feb. 2018: President & Representative Director
Apr. 2021: Representative Director of the Board, President, Executive Officer, CEO
In charge of Business Strategy Division and Division of Built-to-Order Business (current position)

Representative Director of the Board
Vice Chairman, Executive Officer
In charge of Division of Finance and ESG and TKC Project, Head of ESG Management Promotion Headquarters

Yosuke Horiuchi



Significant concurrent posts at other companies
President & Representative Director of Sekisui House Financial Services Co., Ltd.

Number of years in office as director of the Board
6

Attendance at meetings (FY2021)
Board of Directors: 12/12 (100%)

Apr. 1980: Joined the Company
Apr. 2012: Executive Officer, assigned to the post of General Manager of Tokyo Sha Maison Sales Administration Headquarters
Apr. 2014: Managing Officer
In charge of Sha Maison Sales (East Japan)
Apr. 2016: Director
Dec. 2017: Assigned to the post of General Manager of Tokyo Sha Maison Sales Administration Headquarters and General Manager of Condominium Headquarters
Apr. 2018: Senior Managing Officer
In charge of Transaction Promotion Division, assigned to the post of General Manager of East Japan Building Sales Administration Headquarters
Aug. 2018: In charge of Transaction Promotion Division and East Japan Building Sales Administration
Feb. 2020: In charge of Investor Relations Division and Transaction Promotion Division
Jun. 2020: In charge of ESG Management Promotion Division, Accounting & Finance Division and Transaction Promotion Division
Feb. 2021: In charge of Division of Finance and ESG and TKC Project (current position)
Apr. 2021: Representative Director of the Board, Vice Chairman, Executive Officer (current position)
Feb. 2022: Acting Head of ESG Management Promotion Headquarters (current position)

Representative Director of the Board
Executive Vice President, Executive Officer
In charge of Division of Administration and Human Resources

Satoshi Tanaka



Significant concurrent posts at other companies
Outside Director of Kuraray Co., Ltd.
Independent Director of IHH Healthcare Berhad

Number of years in office as director of the Board
2

Attendance at meetings (FY2021)
Board of Directors: 12/12 (100%)

Apr. 1981: Joined MITSUI & CO., LTD.
Apr. 2004: General Manager of Investor Relations Division of MITSUI & CO., LTD.
Apr. 2007: General Manager of Corporate Planning & Strategy Division of MITSUI & CO., LTD.
Jul. 2010: Deputy General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.
Apr. 2011: Executive Officer; General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.
Apr. 2013: Executive Managing Officer; General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.
Apr. 2015: Senior Executive Managing Officer; COO of Asia Pacific Business Unit of MITSUI & Co., LTD, and CEO of MITSUI & CO. (ASIA PACIFIC) PTE. LTD.
Apr. 2017: Executive Vice President; CAO (Chief Administrative Officer); CIO (Chief Information Officer); CPO (Chief Privacy Officer) of MITSUI & CO., LTD.
Jun. 2017: Representative Director and Executive Vice President of MITSUI & CO., LTD.
Jun. 2019: Counselor of MITSUI & CO., LTD.
Mar. 2020: Outside Director of Kuraray Co., Ltd. (current position)
Apr. 2020: Outside Director of the Company
Jan. 2021: Independent Director of IHH Healthcare Berhad (current position)
Apr. 2021: Representative Director of the Board, Executive Vice President, Executive Officer
In charge of Division of Administration and Human Resources (current position)

Director of the Board
Senior Managing Officer
In charge of Division of Technology and Production

Toshiharu Miura



Significant concurrent posts at other companies
None

Number of years in office as director of the Board
4

Attendance at meetings (FY2021)
Board of Directors: 12/12 (100%)

Apr. 1979: Joined the Company
Apr. 2014: Executive Officer, assigned to the post of Chief Manager of Product Design & Development Department
Apr. 2016: Managing Officer
Apr. 2016: Assigned to the post of General Manager of Technology Headquarters and Chief Manager of Product Design & Development Department
Feb. 2018: Assigned to the post of General Manager of Technology Headquarters
Apr. 2018: In charge of Technology Division
Apr. 2018: Director of the Board (current position)
Feb. 2020: In charge of Technology Division and Production & Procurement Division
Apr. 2020: Senior Managing Officer (current position)
Feb. 2021: In charge of Division of Technology and Production (current position)

Director of the Board
Senior Managing Officer
In charge of Division of Development Business

Toru Ishii



Significant concurrent posts at other companies
None

Number of years in office as director of the Board
2

Attendance at meetings (FY2021)
Board of Directors: 12/12 (100%)

Apr. 1990: Joined the Company
Apr. 2014: Executive Officer, assigned to the post of Chief Manager of Development Department
Apr. 2016: Managing Officer
Feb. 2019: In charge of Development Business and assigned to the post of Chief Manager of International Business Department
Feb. 2020: In charge of Development and Condominiums Business and assigned to the post of Chief Manager of International Business Department
Apr. 2020: Senior Managing Officer (current position)
In charge of Development Business, Condominiums Business and International Business
Apr. 2020: Director of the Board (current position)
Feb. 2021: In charge of Division of Development Business (current position)

Outside Director of the Board

Yukiko Yoshimaru

Outside
Independent Officer



Significant concurrent posts at other companies
Outside Director of Mitsui Chemicals, Inc.
Outside Director of Daiwabo Holdings Co., Ltd.

Number of years in office as director of the Board
4

Attendance at meetings (FY2021)
Board of Directors: 12/12 (100%)

Apr. 1982: Joined Oki Electric Industry Co., Ltd.
Apr. 1998: Director of Oki America Inc. Head of New York Office of Oki Electric Industry Co., Ltd.
Oct. 2004: Chief Manager of Diversity Development Office of NISSAN MOTOR CO., LTD.
Apr. 2008: Joined Nifco Inc.
Jun. 2011: Executive Officer of Nifco Inc.
Apr. 2018: Outside Director of the Board of the Company (current position)
Jun. 2019: Outside Director of Mitsui Chemicals, Inc. (current position)
Jun. 2021: Outside Director of Daiwabo Holdings Co., Ltd. (current position)

Directors of the Board and Audit and Supervisory Board Members

Directors of the Board

Outside Director of the Board

Toshifumi Kitazawa

Outside **Independent Officer**



Significant concurrent posts at other companies
Counsellor of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Member of the Board of Directors (Outside) (Member of the Audit & Supervisory Committee) of MUFG Bank, Ltd.
Outside Director of Mitsubishi Logistics Corporation

Number of years in office as director of the Board
2

Attendance at meetings (FY2021)
Board of Directors: 12/12 (100%)

Apr. 1977: Joined Tokio Marine & Fire Insurance Co., Ltd.
Jun. 2008: Managing Director of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
Jun. 2009: Senior Managing Director of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
Jun. 2010: President & CEO of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
Jun. 2010: Director of Tokio Marine Holdings, Inc.
Apr. 2014: Vice President & Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Jun. 2014: Vice President Executive Officer of Tokio Marine Holdings, Inc.
Apr. 2016: President & Chief Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Jun. 2016: Director of Tokio Marine Holdings, Inc.
Apr. 2019: Vice Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Jun. 2019: Member of the Board of Directors (Outside) (Member of the Audit & Supervisory Committee) of MUFG Bank, Ltd. (current position)
Jun. 2019: Outside Director of Mitsubishi Logistics Corporation (current position)
Apr. 2020: Outside Director of the Board of the Company (current position)
Apr. 2022: Counsellor of Tokio Marine & Nichido Fire Insurance Co., Ltd. (current position)

Outside Director of the Board

Yoshimi Nakajima

Outside **Independent Officer**



Significant concurrent posts at other companies
Outside Director of AEON Financial Service Co., Ltd.
Outside Director of Japan Freight Railway Company
External Director of ULVAC, Inc.
Specially-appointed Professor, The Graduate School of Project Design

Number of years in office as director of the Board
1

Attendance at meetings (FY2021)
Board of Directors: 9/9 (100%)

Apr. 1980: Joined The Yasuda Trust & Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)
Feb. 1982: Joined AVON Product Co., LTD. (currently FMG & MISSION CO., LTD.)
May 1997: Vice President of Citibank, N.A.
Jun. 2000: Senior General Manager of Societe Generale Securities Ltd.
Apr. 2002: Vice President of American Express International, Inc. (Japan)
Aug. 2011: Country Manager (President) of American Express International, Inc. (Singapore)
Feb. 2014: Senior Vice President of American Express International, Inc. (Japan)
Apr. 2014: President and Representative Director of American Express Japan Co., Ltd.
Jun. 2017: Outside Director of Yamaha Corporation
Jun. 2017: Outside Director of AEON Financial Service Co., Ltd. (current position)
Jun. 2018: Outside Director of Japan Freight Railway Company (current position)
Sep. 2018: External Director of ULVAC, Inc. (current position)
Apr. 2021: Specially-appointed Professor, The Graduate School of Project Design (current position)
Apr. 2021: Outside Director of the Board of the Company (current position)

Outside Director of the Board

Keiko Takegawa

Outside **Independent Officer**



Significant concurrent posts at other companies
Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION
Outside Director of MITSUI MINING & SMELTING CO., LTD.
Specially Appointed Professor of Faculty of Global Business of Showa Women's University

Number of years in office as director of the Board
1

Attendance at meetings (FY2021)
Board of Directors: 9/9 (100%)

Apr. 1981: Joined the Prime Minister's Office (currently Cabinet Office)
Jul. 2006: Director of Policy Division for Universal Design, Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism
Jul. 2008: Director-General for Policies on Cohesive Society and Minister's Secretariat of Cabinet Office
Jul. 2009: Director-General for Gender Equality Bureau of Cabinet Office
Dec. 2012: Director-General of the Public Relations Office of Cabinet Office
Jul. 2014: Director of the Gender Equality Bureau of Cabinet Office
Apr. 2019: Professor of Showa Women's University
Jun. 2019: Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (current position)
Jun. 2019: Outside Auditor of MITSUI MINING & SMELTING CO., LTD.
Apr. 2020: Dean of Faculty of Global Business of Showa Women's University
Apr. 2021: Specially Appointed Professor of Faculty of Global Business of Showa Women's University (current position)
Apr. 2021: Outside Director of the Board of the Company (current position)
Jun. 2021: Outside Director of MITSUI MINING & SMELTING CO., LTD. (current position)

Outside Director of the Board

Shinichi Abe

Outside **Independent Officer**



Significant concurrent posts at other companies
Representative Director, President and CEO of MNES Inc.

Number of years in office as director of the Board
Newly appointed

Attendance at meetings (FY2021)
Board of Directors: —

May 1993: Joined Axiomatics Corporation
Nov. 1995: Joined Asahi Audit Corporation
Jan. 1998: Joined J.D. Edwards Japan K.K.
Nov. 2003: Joined PeopleSoft Japan K.K.
Apr. 2005: Director, International Business, Availvs Corporation
Dec. 2005: Director, Applications Business Group, Oracle Information Systems Japan K.K.
Aug. 2006: Vice President in charge of Applications Business Headquarters and General Manager of Global Strategic Accounts of Oracle Corporation Japan
Feb. 2011: Managing Director, Enterprise Business, Google Japan, G.K.
Jan. 2017: Managing Director of Google Cloud Japan, G.K.
Apr. 2020: Representative Director, President and CEO of MNES Inc. (current position)
Apr. 2022: Outside Director of the Board of the Company (current position)

Directors of the Board and Audit and Supervisory Board Members

Audit and Supervisory Board Members

Standing Audit and Supervisory Board Member

Midori Ito



Significant concurrent posts at other companies
None

Number of years in office as Audit and Supervisory Board member
1

Attendance at meetings (FY2021)
Board of Directors: 9/9 (100%)
Audit and Supervisory Board: 10/10 (100%)

Apr. 1974: Joined the Company
Feb. 2014: Manager of Diversity and Inclusion Promotion Office of Corporate Management Planning Department
Apr. 2018: Executive Officer Assigned to the post of Chief Manager of Diversity and Inclusion Promotion Department
Feb. 2020: In charge of Diversity and Inclusion Promotion
Apr. 2021: Standing Audit and Supervisory Board Member (current position)

Standing Audit and Supervisory Board Member

Takashi Ogino



Significant concurrent posts at other companies
None

Number of years in office as Audit and Supervisory Board member
Newly appointed

Attendance at meetings (FY2021)
Board of Directors: —
Audit and Supervisory Board: —

Apr. 1982: Joined the Company
Feb. 2021: General Manager of Auditing Department
Apr. 2021: Operating Officer
Apr. 2022: Standing Audit and Supervisory Board Member (current position)

Full-Time Outside Audit and Supervisory Board Member

Ryuichi Tsuruta

Outside
Independent Officer



Significant concurrent posts at other companies
Representative of CG Consulting
Special Instructor of The Graduate School of Project Design

Number of years in office as Audit and Supervisory Board member
4

Attendance at meetings (FY2021)
Board of Directors: 12/12 (100%)
Audit and Supervisory Board: 15/15 (100%)

Apr. 1978: Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
Oct. 2000: Manager of IR Office of Corporate Finance & IR Group of Matsushita Electric Industrial Co., Ltd.
Apr. 2007: General Manager of Corporate International Affairs Group of Matsushita Electric Industrial Co., Ltd.
Jan. 2011: Chief Manager of Office of Audit and Supervisory Board Member of Panasonic Corporation
Nov. 2014: Corporate Advisor of Panasonic Corporation
May 2015: Outside Audit & Supervisory Board Member of ZUIKO CORPORATION
Apr. 2018: Outside Audit and Supervisory Board Member of the Company (current position)
Apr. 2018: Representative of CG Consulting (current position)
Jan. 2019: Special Instructor of The Graduate School of Project Design (current position)
Apr. 2022: Standing Audit and Supervisory Board Member of the Company (current position)

Outside Audit and Supervisory Board Member

Takashi Kobayashi

Outside
Independent Officer



Significant concurrent posts at other companies
Lawyer of Ono-Kobayashi Law Office
Outside Director of Sanyo Special Steel Co., Ltd.

Number of years in office as Audit and Supervisory Board member
5

Attendance at meetings (FY2021)
Board of Directors: 12/12 (100%)
Audit and Supervisory Board: 15/15 (100%)

Apr. 1976: Appointed as a public prosecutor
Jan. 2004: Chief Public Prosecutor of the Nara District Public Prosecutor's Office
Dec. 2004: Public Prosecutor of the Supreme Public Prosecutor's Office
Sep. 2005: Chief Public Prosecutor of the Maebashi District Public Prosecutor's Office
Jun. 2007: Deputy Chief Public Prosecutor of the Osaka High Public Prosecutor's Office
Jul. 2008: Public Safety Director of the Supreme Public Prosecutor's Office
Jan. 2010: Chief Public Prosecutor of the Osaka District Public Prosecutor's Office
Feb. 2011: Registered as lawyer (current position)
Apr. 2017: Outside Audit and Supervisory Board Member of the Company (current position)
Jun. 2017: Outside Director of Sanyo Special Steel Co., Ltd. (current position)

Outside Audit and Supervisory Board Member

Yoritomo Wada

Outside
Independent Officer



Significant concurrent posts at other companies
Certified Public Accountant, Wada CPA Accounting Firm
External Statutory Corporate Auditor of NIPPON SHOKUBAI CO., LTD.

Number of years in office as Audit and Supervisory Board member
2

Attendance at meetings (FY2021)
Board of Directors: 12/12 (100%)
Audit and Supervisory Board: 15/15 (100%)

Apr. 1978: Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
Jun. 1996: Partner of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
Jun. 2019: External Statutory Corporate Auditor of NIPPON SHOKUBAI CO., LTD. (current position)
Apr. 2020: Outside Audit and Supervisory Board Member of the Company (current position)

Main External Evaluations and Awards

Note: Includes some awards received in FY2022.

Environmental

Fiscal 2021 Energy Conservation Grand Prize Energy Conservation Best Practices at Workplaces Category Prize of the Chairman of ECCJ

December 2021 Sponsor: The Energy Conservation Center, Japan

News release (Japanese only)

Selected for the CDP's Climate Change A-List, the highest assessment

December 2021 Sponsor: CDP

News release (Japanese only)

Gold Award, Third ESG Finance Awards Japan (Minister of the Environment's Award)

February 2022 Sponsor: Ministry of the Environment

News release (Japanese only)

Received Grand Prize in the 30th Global Environment Awards

March 2022 Sponsor: Fujisankei Communications Group

News release (Japanese only)

Social

FY2020 Nadeshiko Brand

March 2021 Sponsors: Ministry of Economy, Trade and Industry and Tokyo Stock Exchange, Inc.

News release (Japanese only)

Presented with the PRIDE Index 2021 Gold Award for the fourth consecutive year

November 2021 Sponsor: work with Pride volunteer organization

News release (Japanese only)

D&I Award 2021, D&I Grand Prize, Large Company Category

December 2021 Sponsor: JobRainbow Co., Ltd.

News release (Japanese only)

Selected for the 2022 Bloomberg Gender-Equality Index (second consecutive year)

January 2022 Sponsor: Bloomberg L.P.

News release (Japanese only)

Main External Evaluations and Awards

Consumer Affairs Agency Commissioner's Commendation Award for Good Practices of Consumer-Oriented Management (FY2021)

January 2022 Sponsor: Consumer Affairs Agency

News release (Japanese only)

Certified Health and Productivity Management Outstanding Organization 2022, Large Enterprise Category (White 500) for the third consecutive year

March 2022 Sponsor: Ministry of Economy, Trade and Industry

Sekisui House Happiness Health Management (Japanese only)

General ESG

2021 Award for Excellence in Corporate Disclosure, First Place in the Construction, Housing and Real Estate Category

October 2021 Sponsor: The Securities Analysis Association of Japan

News release (Japanese only)

Institutional Investor magazine: Sekisui House Wins First Place in 2022 All-Japan Executive Team Ranking

April 2022

News release

Five-star rating in the Third Nikkei SDGs Management Survey

November 2021 Sponsors: Nikkei Inc., Nikkei Research Inc.

Award for Excellence, Nikkei Integrated Report Awards 2021

March 2022 Sponsor: Nikkei Inc.

News release (Japanese only)

Sekisui House has also been included in all five ESG indices selected by Japan's Government Pension Investment Fund (GPIF) since their inception. GPIF holds one of the world's largest pools of pension assets.

	MSCI Japan ESG Select Leaders Index	MSCI Japan Empowering Women Index (WIN)	FTSE Blossom Japan Index	S&P/JPX Carbon Efficient Index	FTSE Blossom Japan Sector Relative Index
ESG indices selected by GPIF	2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX	2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	FTSE Blossom Japan	S&P/JPX Carbon Efficient Index	FTSE Blossom Japan Sector Relative Index
Index category	ESG (overall)	Social	ESG (overall)	Environmental	ESG (overall)
Sekisui House selection	Since July 2017			Since September 2018	Since March 2022

Section 6

ESG Management

—Sekisui House's Initiatives for Sustainability

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Roundtable Discussion on ESG

Working to Improve Corporate Value and Business Value as a Leading Company in ESG Management

The Sekisui House Group established the ESG Management Promotion Headquarters in June 2020. For the Group, ESG management is simply a way of putting its corporate philosophy into practice. By promoting it at all Group companies, we will make clearer, both inside and outside the Group, our aim of becoming a leading company in ESG management. In this roundtable discussion, the chairpersons of the three subcommittees responsible for promoting ESG management (Environmental Subcommittee, Social Improvement Subcommittee and Governance Subcommittee) exchanged opinions on the roles of each subcommittee, their initiatives and progress to date, and medium-to-long-term issues for ESG management.



Toshiya Chikada
Chairperson of the Environmental Subcommittee
(Executive Officer, Head of Environment Improving Department, Global Warming Prevention Promotion Office Lead)

Miwa Yamada
Chairperson of the Social Improvement Subcommittee
(Executive Officer, Head of Diversity and Inclusion Promotion Department)

Atsushi Yoshida
Chairperson of the Governance Subcommittee
(Executive Officer, Head of Investor Relations Department)

Q: What is Sekisui House's approach to ESG management?

——ESG management is not merely one facet of what Sekisui House does; rather, what Sekisui House does is one facet of ESG management.

Yoshida: In 2020, Sekisui House set forth its global vision to make home the happiest place in the world. Considering ESG management to be key to realizing this vision, we established the ESG Management Promotion Headquarters. We are aware of the importance of instilling ESG management all the way down to the employee level, as one aspect of re-examining the fundamentals of ESG. This is why in promoting ESG management, our respective subcommittees consider initiatives that have been broken down into three categories: senior management, office-level management, and employee-level management.

Yamada: One line in Sekisui House's code of conduct states, "We will wish for the happiness of others, and make their joy our own." To me, ESG management is just a matter of putting the corporate philosophy into practice. In other words, the things that Sekisui House has been doing as a matter of course in its business operations already lead to ESG management. The Company has long stated that the happiness of its employees is the foundation of its management. Employee happiness sets in motion a cycle that leads to the happiness of customers and society, and ultimately to the happiness of all stakeholders.

Chikada: To realize our global vision, we set the goal of being a leading company in ESG management, but it is too easy to simply believe that putting our corporate philosophy into practice will result in achieving that goal. I therefore think it will be useful to concurrently align the entire Group under the stance that what Sekisui House does is one facet of ESG management. Structuring the idea in that way makes it simpler and more understandable, and it can also be used as a basis for judgment in various situations, so I think it will help employees understand ESG management. In promoting ESG management, it is very important to explain it in a way that is easily understandable, rather than simply disseminating our beliefs.

Q: What are some initiatives of the ESG Management Promotion Headquarters, and what are their features?

——Initiatives of the ESG Management Promotion Headquarters encompass three interconnected themes: participation by all employees; forward-thinking initiatives; and improvement of our external evaluation.

Yoshida: For participation by all employees, the ESG Management Promotion Headquarters' first step was to conduct dialogue on ESG among employees. The Group conducts business by setting target items to be addressed, coming up with creative ideas for achieving those targets, and getting all employees to work together toward them. To give greater impetus to these efforts, it is important for employees to act on their own volition and to make efforts to understand each other. These things can be achieved by increasing opportunities for communication—that is, through ESG dialogue. We conducted dialogue on how to make employees, customers and society happy. Everyone had opinions about what makes them happy and accepted what others had to say without taking a confrontational stance, which gave rise to reinvigorated communication. I strongly sense that this initiative has been a breath of fresh air in the Group.

Chikada: The establishment of the ESG Management Promotion Headquarters and the start of various new initiatives that encompass all employees, such as ESG dialogue, have undoubtedly engendered a Group-wide sense that things are changing. Until ESG dialogue, there certainly had never been an opportunity for all employees to discuss happiness during working hours. I have heard from people that they feel the change happening in the Group. In addition, our measures to spread ESG management have been successful, including moving the Group newsletter to the intranet to

Roundtable Discussion on ESG



share Company-wide efforts on a daily basis and encouraging employees to freely express their ideas in Sekisui House's unique SHIP Collective Communication and Innovation Awards Program. I believe that this has given rise to the feeling that everyone is involved in the ESG management of the Group.

Yamada: In terms of forward-thinking initiatives, Sekisui House has always generated results effectively based on consideration of the essence of what must be done. In 2005, the Company began to actively hire female sales representatives as a management strategy. At that time, a front-line workplace environment that made women feel comfortable had not yet been adequately established. However, management felt strongly that the Company would not grow without the active participation of women and has since led the improvement of support for work-life balance and the workplace environment, and continuing support tailored to the issues faced in each job type. As a result, we have fostered a corporate culture of respect for diversity, which has since led to more forward-thinking initiatives than at other companies. I regard 2005 as our first step toward diversity. The second step was in 2014 when not just women, but a greater range of diverse human resources started playing more active roles, and the third step was in 2018 when we started encouraging all eligible male employees to take childcare leave.

Chikada: The starting point of Sekisui House's initiatives for the environment was the Environmental Future Plan we announced in 1999. I think the plan's fundamental approach of considering the future of people, communities and the Earth in its environmental vision and working to get closer to realizing that vision through our business activities has led to our forward-thinking initiatives. Today, there are many difficult environmental problems, and I think we should emphasize this approach in addressing them.

Yamada: As for improving external evaluation, such evaluation is underpinned by social demands, and the parameters of social demands change with the times. Anticipating such change generates forward-thinking initiatives, and the participation of all employees is essential for their successful implementation. Because of this linkage, the three themes set by the ESG Management Promotion Department are always interrelated. To me, participation by all employees is the most important. I want each employee to view ESG management as their own issue, and to deal with, understand, and talk about it on their own terms. It is not easy to see how one's work is part of ESG management. That is why it is important to engage in ongoing dialogue.

Yoshida: In considering how employees address ESG personally, and how that will connect to the Company, I now think we should further deepen understanding and promote adoption, starting from their awareness and ultimately leading to actions based on their own ideas.

Chikada: Our global vision and management messaging about becoming a leading company in ESG management have taken root among employees. Lately, I sense that employees' understanding of ESG management has deepened considerably since we started. I think most people in the Group feel that ESG management is being conducted not just by the ESG Management Promotion Headquarters alone, but by the entire organization.

Q. What initiatives is each ESG subcommittee currently focusing on, and what are the features of these initiatives?

——We will further accelerate efforts to date, clearly indicate the priority themes of the three ESG subcommittees, and take new steps.

Chikada: The Environmental Subcommittee is conducting various initiatives with a long-term view to achieve carbon zero by 2050. We are particularly emphasizing reducing Sekisui House Group's CO_2 emissions at the stage of product use (during occupancy), which accounts for most of the Group's emissions. In other words, we are focused on promoting net zero energy houses (ZEH). ZEH contributes significantly not only to decarbonization but also to residents' comfort and the Company's business, making it a representative example of the ESG management many of our employees are already involved in. It is an easily understood example of ESG management, and it involves the entire Group. Since 2021, we have been focusing on decarbonization of suppliers. CO_2 emitted during the manufacturing of materials and components also accounts for a significant proportion of emissions. We have told our suppliers about this and have held study sessions to generate opportunities for them to work with us to decarbonize. As a result, the number of suppliers who have now obtained SBT* accreditation has increased. The initiative to decarbonize suppliers is also leading to other positive impacts. For example, since our suppliers do business with other builders, it is contributing to the decarbonization not just of Sekisui House, but the housing industry as a whole. Moreover, in 2021 we were able to quantitatively evaluate the contribution to urban biodiversity from our *Gohon no Ki* (five trees) Project. This project, which promotes the use of indigenous species in



* Science-Based Targets: Targets accredited by SBTi, the Science-Based Targets initiative

Roundtable Discussion on ESG



landscaping and greening, has been ongoing since 2001. The cooperation of our customers is vital in seeing this project to fruition. There are limits to what we can accomplish on our own in our environmental initiatives, so this approach of working with our stakeholders is extremely important to us.

Yamada: The initiatives of the Social Improvement Subcommittee are wide-ranging. We mainly deal with Company-wide issues that should be addressed cross-departmentally. To achieve health, connectedness and learning, which are factors for realizing the happiness targeted in our global vision, I want our initiatives to center on promoting employees' physical and mental health, establishing connections with people inside and outside the Company, building networks, and creating various opportunities for learning. We are focusing on "happiness health management. " However, rather than leaving it to the Company to decide on measures, we launched the Happiness Health Project, another unique Sekisui House initiative in which employees take the lead in promoting health management based on happiness. In addition, our initiatives for human rights due diligence are ongoing, and encompass the supply chain as well as the Company. Promoting initiatives that consider the human rights of all stakeholders is a key topic for Sekisui House because it leads to sustainable growth for the Group and contributes to society. From the perspective of diversity, we are focusing on initiatives such as encouraging all eligible male employees to take one month or more of childcare leave, a program we introduced in September 2018, and promoting understanding of LGBTQ and other sexual minorities. I am confident that understanding and experiencing various viewpoints will help internalize diversity and free Sekisui House employees from unconscious bias.

Yoshida: We positioned 2018 as our first year of governance reform, which we are conducting on three levels: senior management, office management and employees. I think our initiatives to date have elevated our senior management to Japan's top echelon in terms of governance. The Governance Subcommittee is now working to strengthen Group governance. Measures such as the establishment of Sekisui House Real Estate Holdings and Sekiwa Construction Business Headquarters have served to align approaches to governance. Going forward, we aim to achieve a global level of governance by strengthening Group governance and seeking the ideal form for the Board of Directors through reference to feedback collected in our shareholder relations activities. We are also promoting training programs that enhance integrity and a pool of talent to develop human resources for the coming era, with the understanding that they are crucial for corporate governance to function.

Q. What are some of your future tasks as the chairperson of your subcommittee?

——We will promote initiatives that lead to sustainable corporate growth, with the aim of the participation of all employees in ESG management.

Chikada: In the Environmental Subcommittee, we are promoting the three areas of decarbonization, biodiversity conservation and resource recycling, all of which are important issues that need to be addressed from a global perspective. The level of demand from society is rising at a tremendous speed and I honestly feel that these are difficult times. I believe it is important for all of us to keep thinking about what Sekisui House can and should do to make home the happiest place in the world.

Yamada: Sekisui House's task and its ultimate goal is to become a happier place for its employees to work. Our employees work hard to offer happiness to our customers and society, but there must be a win-win relationship for all three. I think it is important for the Social Improvement Subcommittee to provide support through system and workplace improvements and corporate culture reforms. Also, rather than providing the same opportunities to all, I think it is important for the Group to provide opportunities suited to each individual, so everyone has a chance to play an active role. A workplace where employees feel at ease will stimulate communication, leading to innovation and a Company that grows spontaneously.

Yoshida: ESG management makes the sustainability of corporate management and business growth clear to long-term investors. I am proud to say that our governance reforms so far have considerably enhanced effectiveness. However, contemporary demands are changing day by day, requiring further reform. To continue conducting reform, the Governance Subcommittee will work to foster an organizational culture of innovation and communication.

Editorial Policy

Editorial Policy

Section 6 describes the Sekisui House Group's approach to and initiatives for environment, social, and corporate governance (ESG). Information in each section is organized under the headings of Governance, Strategy, Risk Management, Indicators and Targets, and Initiatives and Other Related Information, keeping in mind the approach to ESG information disclosure presented by the International Sustainability Standards Board created by the IFRS Foundation in November 2021. In addition, in order to ensure the completeness of the information reported in this section, we refer to the disclosure requirements of the GRI Standards and the criteria for Home Builders, as defined in the Sustainable Industry Classification System (SICS) of the US Sustainability Accounting Standards Board (SASB). Furthermore, various information on climate change is disclosed based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The following publications were used as reference for identifying and compiling the information presented in this report.

- 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 complies with the GRI Core Standards, by including the general disclosures (those whose publication is required to ensure compliance with the Core Standards) as well as the material disclosures required under the standards.

GRI Content Index / SASB Index / Recommended disclosures from the TCFD

Report Content and Topic Boundaries

In principle, this report encompasses Sekisui House, Ltd. and its 335 consolidated subsidiaries. Any instances of departure from this scope are indicated as such in the text.

- Period covered: FY2021 (February 1, 2021 to January 31, 2022)
  Note: Some activities undertaken in FY2022 are also covered in this section.
- Date of publication: Published annually. (Previous report was issued in June 2021)

Third-Party Assurance

To enhance the credibility of the information in this report related to our environmental and social performance indicators, we received third-party sustainability report assurance from KPMG AZSA Sustainability Co., Ltd. that this information complies with ISAE 3000 and ISAE 3410, the International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board.

ESG Management Promotion Structure

ESG Promotion Committee

In June 2020, the Sekisui House Group established the ESG Management Promotion Division (the current Division of Finance and ESG), and established the ESG Management Promotion Headquarters to administer the planning, drafting, and implementation of the Group's basic ESG management policies. This organizational reform represents a statement of our determination to be recognized as a leading company in ESG management, in both name and reality. It will not only promote Group-wide initiatives related to ESG management, but also provide support and coordination, information collection and analysis, and unified information dissemination both inside and outside the Company.

The ESG Promotion Committee is a consultative body to the Board of Directors with two outside members who have specialized knowledge. The committee enhances its effectiveness by meeting once every three months to discuss ESG issues and relevant management initiatives. The details of discussions at the ESG Promotion Committee are reported to the Board of Directors for deliberation.

In addition, we further promote ESG management in cooperation with Group companies in Japan and overseas based on discussions at the ESG Promotion Committee.

- Chairperson: Officer in charge of ESG division
- Outside committee members: 2
  Katsuhiko Kokubu (Dean and Professor, Graduate School of Business Administration, Kobe University)
  Hidemi Tomita (Representative Director, LRQA Sustainability K.K.)
- Internal committee members:
  Head of the ESG Management Promotion Headquarters, and the respective chairpersons and vice chairpersons of the three ESG subcommittees (Environmental Subcommittee, Social Improvement Subcommittee and Governance Subcommittee)

Main Agenda of the ESG Promotion Committee for FY2021

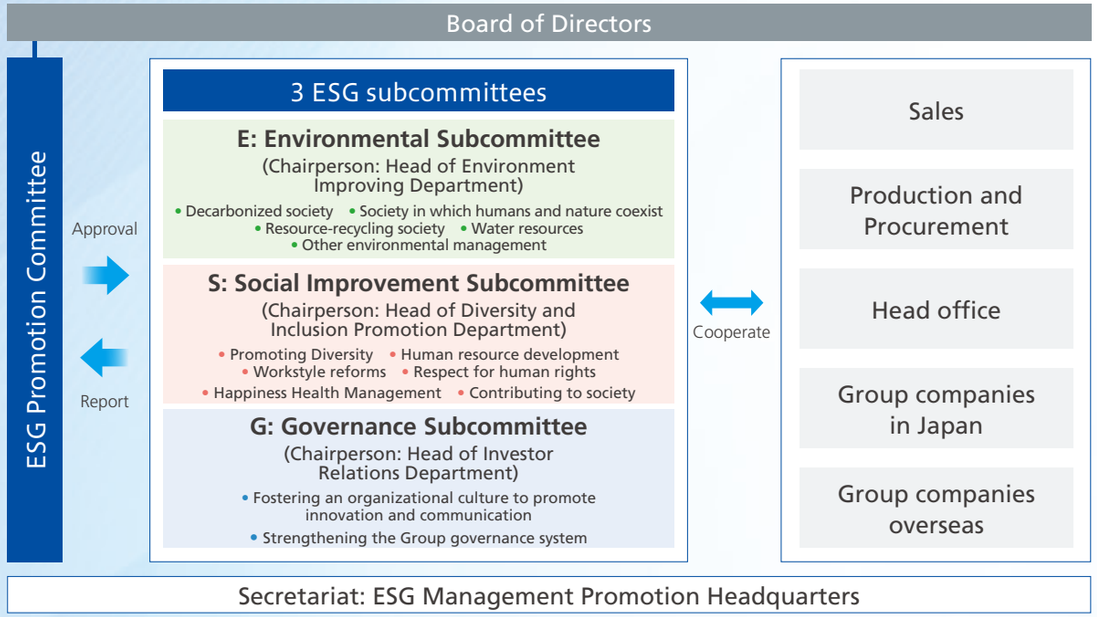
Schedule			Main agenda	
4th session	2021	May 26	• Report before the issuance of the *Integrated Report* and the *Sustainability Report 2021* • Initiatives for Governance Reform	• Initiatives to improve external evaluations • Reform of the Sekisui House Matching Program, a joint donation system • Health management initiatives
5th session		July 13	• Creating a framework for an emergent organization • Report on the implementation of a Well-Being Survey for employees	• Supply chain decarbonization initiatives
6th session		October 5	• Creating a platform for the participation of all employees • Report on the progress of the Happiness Health Project	• Policy for creating information disclosure report 2022 • How to incorporate sustainability into management strategies
7th session	2022	January 12	• Systematization of dialogue participated in by all employees • Report on verification of the biodiversity effectiveness of the *Gohon no ki* Project • Report on the progress of the Happiness Health Project	• Report on compliance with the revised Corporate Governance Code • Human rights due diligence initiatives and roadmap

ESG Management Promotion Structure

The ESG Promotion Committee has established three subcommittees, each of which respectively promotes one aspect of ESG: the Environmental Subcommittee, the Social Improvement Subcommittee, and the Governance Subcommittee. The chairpersons of these committees appoint individuals in charge, and set goals and key performance indicators. The subcommittees collaborate with each division and Group company inside and outside of Japan, and take the lead as flag-bearers of our ESG management principles, while implementing effective initiatives. In addition, they promote an understanding of and disseminate these initiatives among all employees through progress reports, provide feedback on issues, and propose improvements for dissemination.

The ESG Management Promotion Headquarters we established in 2020 will drive the implementation of our ESG management to raise awareness and foster understanding among all employees for the ongoing growth of our business under two themes: the happiness of everyone involved with the Sekisui House Group, and continued contribution to forward-thinking initiatives that will help build a better society through our businesses.

ESG Management Promotion Structure



Environmental Subcommittee

We promote the decarbonization of all Group business activities, as well as plan and implement environmental management systems for conserving biodiversity and recycling resources. We also collect environment-related information and disclose this in an annual report. We conduct measures to raise internal and external stakeholders' awareness of environmental management policy and environmental impacts. Environmental initiatives are central to our global vision to make home the happiest place in the world. We therefore implement sophisticated initiatives to reduce our environmental impact and risk exposure, while creating business opportunities.

Social Improvement Subcommittee

The Sekisui House Group grows when our employees grow. We therefore embrace and make the most of diversity, while instilling a corporate culture of innovation and communication throughout the Group. Our goal is to maximize the happiness of our customers, employees, and society. Diversity and inclusion are the practical aspects of our corporate culture, systems, and workplace environment for encouraging employee motivation and self-directed career development.

Governance Subcommittee

In our ongoing efforts to strengthen corporate governance, we consider it important to create an open workplace culture, and therefore we make every effort to ensure all employees understand our corporate philosophy and the essence of ESG management. To strengthen Group governance, we have established a system to activate communication among governance-related human resources, led by the heads of each organization in Japan and overseas, and are also working to strengthen the development and conduct appropriate allocation of governance-related human resources throughout the Group.

ESG Management at the Sekisui House Group

The Sekisui House Global Vision

Make home the happiest place in the world

Propose happiness through the integration of technologies, lifestyle design and services

Make Sekisui House technologies the global de facto standard



Become a leading company in ESG management

Participation of all employees | Forward-thinking initiatives | Better external evaluations

Three Elements of ESG Management Promotion

In order to be continually sought after by society as a leading company in ESG management, it is important to think and act on how we respond to all stakeholders and how we can make them happy.

We have therefore identified three key elements for promoting ESG management: participation of all employees, forward-thinking initiatives, and improvement of external evaluations. Forward-thinking initiatives are new challenges that the Group keeps taking on, such as Green First ZERO, the Well-Being Survey and childcare leave for male employees. By promoting these key elements, solving social issues, fostering employees who can relate to ESG concept themselves and taking actions with the Participation of All Employees, we will open a path to becoming a leading company in ESG management.

The participation of all employees is the most important of the three elements in ESG management, so we have structured a platform that encourages all employees to recognize, understand and embrace ESG.

A Platform That Links Recognition and Action

Find meaning in recognition	Find meaning in understanding	Embrace enthusiastically	Actions for self-directed change
ESG Basics Systematic dialogue and training	E-learning Classes and workshops	Online seminars Tsunagari Café Lunchtime meetings	Sekisui House Innovation & Performance (SHIP) Awards Program ESG indicators for a Presidential Award

ESG Management Basics: The Starting Point for ESG Implementation

ESG Basics draw on our corporate philosophy to provide all employees with a management platform for implementing fundamental actions for building an ESG management foundation. We have systematized our conventional dialogue, employee survey-based dialogues, training, and other elements into three categories of ESG dialogue, human relations training, and compliance training.

We have determined core future themes for each category, and will deploy them when implementing ESG dialogues and other elements of the ESG Basics that are the starting point on action for ESG.



All Employees to Participate in ESG Dialogue in Order to Make ESG a Personal Matter

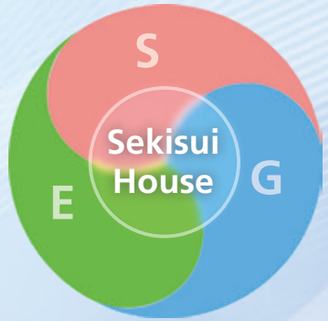
Implementing ESG dialogue, one of the ESG Basics, is an important initiative that creates opportunities for employees to recognize that what Sekisui House does as a company is but one facet of ESG management, and to internalize ESG as members of that company. We launched initiatives in October 2020 by job level with the theme of making employees, customers, and society happy through our businesses guided by the overall objective of encouraging employees to act and innovate on their own initiative.

Participants in ESG dialogue are deepening their understanding of ESG management by internalizing it, in ways such as paying attention to happiness in values other than their own.

Themes for 2022 initiatives are innovation, social contribution activities, individual and workplace happiness, and self-directed ESG. Facilitators who are Group employees will take the lead in selecting dialogue topics from these four themes. Small groups of four or five people will discuss their selected theme to encourage awareness. Ongoing ESG dialogue will instill a personal understanding of ESG management among all employees.

Vision of ESG in Which Employees Take Part

An enterprise exists within ESG concept



Our Participation in International Initiatives and Activities with Government and Industry Groups

We are actively participating in international initiatives to contribute to the resolution of social issues on a global scale. In Japan, the Sekisui House Group has a large role and responsibility in improving housing and living conditions. We thus participate in the initiatives of many industry groups.

Major Initiatives We Support

Name	Logo	Activities
United Nations Global Compact (UNGC)		An initiative advocated by the United Nations that requires companies to comply with and implement 10 principles addressing human rights, labor, the environment, and corruption. We joined in September 2018 and participate in a subcommittee of the Global Compact Network Japan (GCNJ).
RE100 Initiative	RE100 CLIMATE GROUP CDP	An international initiative of major companies around the world, pledging to use only 100% renewable energy in their business operations. We joined in October 2017, becoming the second Japanese company to do so.
TCFD Consortium	TCFD Consortium	The Task Force on Climate-related Financial Disclosures (TCFD) is a framework for disclosing financial information on corporate climate change initiatives and impacts. The TCFD Consortium was organized by companies supporting the TCFD. We joined in July 2018, with an expression of support for the TCFD.
SBT Initiative	SCIENCE BASED TARGETS	An evidence-based initiative requiring companies to adopt CO_2 emissions reduction targets. We acquired certification in April 2018.
Japan Climate Initiative (JCI)	JAPAN CLIMATE INITIATIVE	A network of non-governmental organizations encompassing enterprises, local governments, and organizations working actively on climate change countermeasures. We have participated in the network since its establishment in July 2018.
Japan Climate Leaders' Partnership (JCLP)	JCLP	A group of corporations aiming to achieve a carbon-free society committed to sustainability. We joined in August 2016.
Global Alliance for Buildings and Construction (GlobalABC)	Global Alliance for Buildings and Construction	An organization of numerous companies, local governments, organizations, NGOs, and others aiming for zero emissions, high efficiency, and resilience in the fields of architecture and construction. We have participated since May 2016.
Japan Business Initiative for Biodiversity (JBIB)	JBIB Japan Business Initiative for Biodiversity 企業と生物多様性イニシアティブ	An initiative of highly motivated companies committed to biodiversity conservation and sustainability. We have participated in this initiative since its beginning in April 2008.

Newly Joined Initiatives, etc.

Name	Activities
TNFD Forum	An organization that shares the vision and mission of the Task Force on Nature-related Financial Disclosures (TNFD), which is developing a framework for disclosing financial information on corporate efforts and impacts on natural ecosystems as a whole, and provides technical assistance for sharing information on the framework and its formulation. We have participated since February 2022.

Association with Government-led Initiatives

Name	Committees and others
Ministry of Land, Infrastructure, Transport and Tourism	The Panel on Infrastructure Development: Building Subcommittee, Building Environment Subcommittee, Study Group on the State of Energy Consumption in Housing and Other Buildings

Association with Industrial Group-led Initiatives

★ indicates a member of the Company serves as chair or representative director.

Group name	Committees and others
Japan Business Federation	Executive Committee, Standing Executive Committee, Urban Housing Policy Committee, Women's Advancement Promotion Committee
Kansai Economic Federation	Urban Tourism & Culture Committee, Urban Development Special Committee, Labor Policy Committee, D&I Expert Committee
The Osaka Chamber of Commerce and Industry	Construction and Building Materials Subcommittee, Human Resource Development Committee
Japan Federation of Housing Organizations	Board of Directors, Steering Committee, Housing Taxation and Finance Committee, Housing Performance Improvement Committee ★, Building Regulation Rationalization Committee, Environment Committee, Housing Stock Committee, Housing Information Committee, Construction and CS Committee, Skilled Trades Issues Review Committee, International Exchange Committee
Japan Prefabricated Construction Suppliers and Manufacturers Association ★	Board of Directors ★, Planning and Steering Committee ★, Financial Taxation System Study Group ★, Public Relations Committee, Board of Education, Education Implementation Committee, Defect Warranty Insurance Promotion Committee, Housing Subcommittee, and others
House Construction Promotion Foundation	Board of Directors, Business Steering Committee
The Provision of Quality Housing Stock Association ★	Board of Directors ★, Administrative Board, Planning & General Affairs Committee, Public Relations Website Committee, Technical Committee, Evaluation and Education Committee
NPO Kids Design Association	Board of Directors, Steering Committee, Research & Development Subcommittee, Standardization Review Subcommittee, Awards Subcommittee, and others
Eco-First Promotion Association	Executive Committee, Steering Committee, Information Exchange Conference
ESG Disclosure Study Group / EDSG	Founding member

E

Environment

103 Contributing to a Decarbonized Society
108 Disclosure in Line with TCFD (Task Force on Climate-related Financial Disclosure) Recommendations
112 Biodiversity Conservation
115 Resource Recycling
119 Water
122 Supply Chain Management
125 Other Environmental Management

E Contributing to a Decarbonized Society

The Sekisui House Group aims to be a leading company in ESG management that solves social issues and builds a sustainable society by promoting environmental strategies integrated with its business activities, to realize its global vision to make home the happiest place in the world. In particular, we have positioned the prevention of global warming as an important issue since the announcement of the Environmental Future Plan in 1999, and are leading the housing industry in a variety of effective initiatives.

Overview of Initiatives

1 Decarbonizing Housing and Other Facilities, and Strengthening Disaster Resilience
—Promoting low-carbon products—

Promote ZEH[1] through Green First ZERO detached houses

The largest proportion of the Sekisui House Group's CO_2 emissions, at 53%, is in the residential stage of supplied housing (Scope 3, Category 11). In order to reduce these emissions, we are working to promote ZEH, which is more effective in reducing CO_2 emissions. ZEH homes are also highly disaster resilient, with high thermal insulation performance for superior comfort, and solar power generation as standard equipment so that electricity is available even during power outages, allowing people to live with peace of mind amid an increasing number of natural disasters associated with climate change.

In FY2021, 92% of Sekisui House's detached houses were ZEH buildings.[2] This far exceeds Japan's overall ZEH ratio of 16.8%.[3] In addition, the cumulative number of ZEH buildings we have constructed since the launch of this product in FY2013 is 69,163 (as of March 31, 2022). The Japanese government's 6th Strategic Energy Plan, which was announced in 2021, sets the goals of having new houses built from 2030 meet the ZEH standard for energy efficiency and installing solar power generation equipment in 60% of new detached houses by 2030, both of which are targets that we have met.

For the popularization of ZEH, it is important to have benefits for residents that can be received by many people. For example, a home designed with an atrium or large living room windows offers a bright, open, and comfortable space, but these features can be disadvantageous in terms of energy efficiency. By adopting windows with high thermal insulation performance, we have achieved both an open indoor environment and energy efficiency.

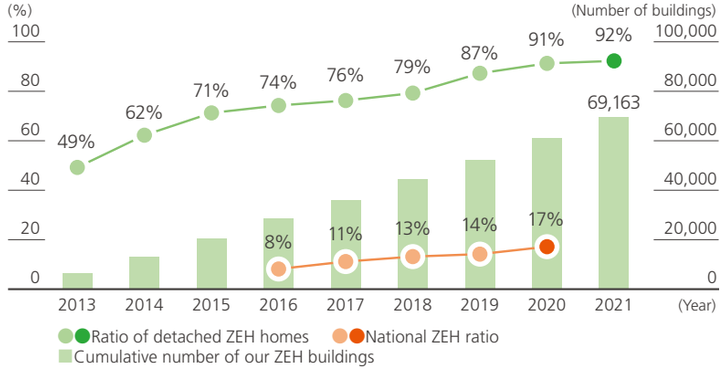
As for solar panels, our standard feature of proprietary tile-shaped solar panels allows us to install high-capacity panels, even on structures with complex roof shapes. Tile-based solar panels are inconspicuous when viewed from the outside, allowing for both ZEH and the beautiful appearance desired by customers.

We believe that ZEH can also respond to changes in lifestyle due to the spread of COVID-19. The energy efficiency and energy-generating performance of ZEH also help to offset the increased power consumption that can be a concern when the occupants are working from home. In addition, the bright and spacious interior designs we recommend make it possible to live comfortably with less of the stress that can arise from spending more time at home. Going forward, we will continue to respond to the new needs of the times, and aim to further evolve ZEH.

In FY2021, our efforts to date to promote the popularization of ZEH were well regarded, and we received the Energy Conservation Center Chairman's Award in the energy conservation case study category of the FY2021 Energy Conservation Grand Prize (organized by the Energy Conservation Center, Japan, and supported by the Ministry of Economy, Trade and Industry).

1. Net zero energy house, a house that aims for an annual primary energy balance of zero through energy efficiency and energy generation, while providing a comfortable indoor environment. Green First ZERO is the brand name of our detached ZEH homes with standard adoption of a solar power generation system.
2. The ratio of ZEH, Nearly ZEH, and ZEH Oriented (in areas with a minimum snowfall of 100 cm) dwellings constructed between April 2021 and March 2022 in all areas excluding Hokkaido. The ratio for Hokkaido was 65%.
3. Source: Net-Zero Energy House Demonstration Project Survey Results (2021 Edition); Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry; Environmental Co-creation Initiative

Growth in the Number of Detached ZEH Homes



* The ZEH ratio includes contracted and built-for-sale housing. Nationwide results are rounded to the nearest whole number, from publicly available figures in the Net-Zero Energy House Demonstration Project Survey Presentation 2021 (sponsored by the Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry).



The Family Suite, a spacious living area with large openings looking the garden of the *Gohon no ki* Project



Sekisui House proprietary tile-based solar power generation system

Contributing to a Decarbonized Society

• Disaster resilience of Green First ZERO

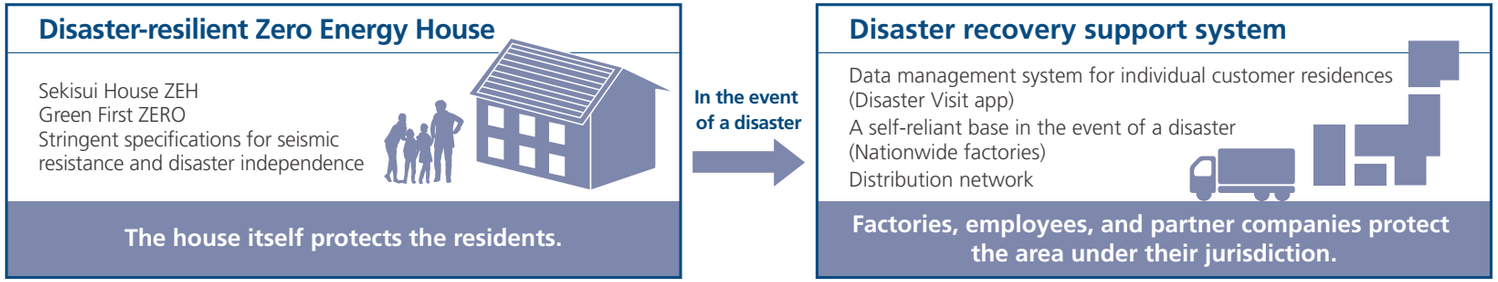
In preparation for earthquakes, typhoons, and various other natural disasters, a clear need exists for disaster-resilient zero energy houses in which the buildings themselves are robust, and which can support daily living while securing living spaces, food, water, and energy in the aftermath of a disaster. We are able to propose disaster-resistant zero energy houses that meet the standards of living demanded by customers in the event of a disaster, by combining three types of batteries: solar cells that can supply electricity on sunny days; fuel cells that can generate electricity at night and in rainy weather, when gas and water supplies are available; and storage batteries that can store surplus power generated by solar cells and fuel cells. Then, we can quickly determine the safety status of the residents as well as the damage situation. By utilizing the organizational strength of the Company, we can establish a system and provide support so that owners can resume their daily lives as soon as possible while making our nationwide factories available as a foundation to support regional restoration. In this way, Green First ZERO+R (Resilience), a disaster-resistant net zero energy house (ZEH), protects the lives of our customers through a support system that leverages our organizational capabilities, as well as the resilience of the building itself.

In 2004, Sekisui House Group became the first house builder in Japan to launch an energy-saving, disaster-resistant house that can provide a week's supply of energy, water, and food so that people can remain in their homes in the event of a disaster. Green First ZERO+R is an evolution of this concept, further enhancing both the mitigation and adaptation required in response to climate change.

Going forward, we will continue to lead the housing industry by evolving Green First ZERO, and developing and spreading the value of ZEH, which contributes to the happiness of residents and society at large.

• Expansion to Group companies

In order to expand our business domain in housing construction, our Group is working on conventional wooden housing in addition to our mainstay industrialized housing. While Group companies, Sekisui House noie and Sekiwa Construction are developing the noie brand and the *ki no ie* brand, respectively, the commitment to low carbon emissions through zero energy houses is common to all Group companies. In FY2021, 124 of the 490 buildings sold under the noie brand, and 16 of the 118 buildings sold under the *ki no ie* brand were ZEH. We are making efforts to match each of these brands, which propose simple and just-right home building, though means such as using third-party ownership schemes for solar power generation.



Promotion of ZEH in Sha Maison rental housing

Approximately 30% of the CO_2 emissions attributable to the residential sector in Japan come from multi-unit housing complexes. Out of this, rental housing accounts for a large fraction, at 23%. Therefore, the conversion of rental housing to ZEH is essential for decarbonization. We have designated ZEH in our rental housing brand Sha Maison as Sha Maison ZEH, and have been promoting its full-scale popularization since FY2020. In FY2021, we received orders for 8,501 ZEH dwelling units, which is more than twice the number in the previous fiscal year.

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.[1] In ZEH-M, although the entire building is zero-energy, the dwelling units are not necessarily ZEH. For this reason, from a resident-first perspective, we first work to promote ZEH in dwelling units where residents can enjoy the benefits of ZEH, including comfort and reduced utility costs. By making as many units as possible ZEH, we are working to popularize rental housing that also meets the ZEH-M standard as a result.

In order to promote ZEH in rental housing, which entails higher costs, it is also important to create business benefits for the owners. We believe that as we move toward a decarbonized society, the need for ZEH will eventually increase in rental housing, as well. ZEH in dwelling units, which present benefits for residents, will prevent occupancy rates and rents from declining, and should lead to long-term stable management. According to a survey we conducted in FY2021 among young people, who are the main users of rental housing, it was clear that they are familiar with the effects of climate change, and we were able to discern an ethical orientation among them, in terms of choosing to live in an environmentally friendly manner in order to stop it. Because this type of thinking is expected to increase in the near future, the conversion of rental housing to ZEH can be considered a good investment.

Contributing to a Decarbonized Society

In order to popularize Sha Maison ZEH, it is necessary to properly inform prospective tenants of the benefits of ZEH. For this reason, the role of an intermediary will be important. In FY2021, we established a ZEH Subcommittee consisting of members of each company of Sekisui House Real Estate, a Sekisui House Group company, to discuss how to recruit and manage tenants for Sha Maison ZEH, so that it can be properly operated as ZEH rental housing after construction. We are engaged in popularization efforts that utilize our Group's strengths, in which we appeal to owners, while Sekisui House Real Estate appeals to prospective tenants.

1. For a multi-unit housing complex, four types of ZEH standards are defined, depending on the difference in energy efficiency. ZEH is capable of reducing primary energy consumption by 100% or more on balance, while Nearly ZEH represents a reduction in CO_2 emissions of more than 75%, ZEH Ready represents a reduction of more than 50%, and ZEH Oriented represents a reduction of more than 20%. 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.

News release: Conducted a Survey on Residential Awareness of Global Warming Prevention Among People in their 20s and 30s (Japanese only)

Promotion of ZEH in GRANDE MAISON condominiums

Starting with GRANDE MAISON Kakuouzan Kikuzakacho (Nagoya City, Aichi Prefecture), which was built in February 2019 and was the first condominium in Japan with all ZEH units, we are also promoting the ZEH standard for the condominium market. In FY2021, we completed four buildings incorporating 160 ZEH dwelling units, bringing the cumulative total to 192 dwelling units[2] in seven buildings. In FY2022, we plan to complete 4 buildings with 399 ZEH dwelling units, including a high-rise condominium, and expect to achieve the target of a cumulative total of 540 dwelling units under the 5th Mid-Term Management Plan.

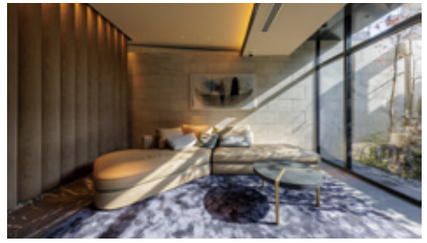
In our condominiums, we design ZEH with an emphasis on livability, which is a benefit for the tenants. For example, large openings, which are an attraction of high-rise condominiums, are generally disadvantageous in terms of energy conservation. However, we have achieved both ZEH and comfort through innovations such as the use of vacuum double-glazed glass with extremely high heat insulation performance.

The ratio of ZEH properties actually sold was 39.4% in FY2021. We plan to increase this ratio to 85% in FY2022, and 100% in FY2023.

2: ZEH Oriented dwelling units or higher

News release: All GRANDE MAISON Condominiums to Adopt ZEH-Specifications by FY2023 (Japanese only)





GRANDE MAISON Momochi 1-chome (Fukuoka City, Fukuoka Prefecture)

GRANDE MAISON Shimizudai Owner's House

Promotion of ZEB for non-residential construction

Following detached houses and multi-unit buildings, we are promoting ZEB[3] zero energy buildings in non-residential construction, as well. By clearly and concretely highlighting the benefits of ZEB at the time of proposal, the number of orders received and construction starts have been on an upward trend, especially for use as offices. In addition, the number of applications, such as for nursing care facilities and clinics, is also expanding, especially among businesses that are proactive in addressing environmental considerations and SDGs.

In FY2021, we released a proposal style called "Green First Office" for office buildings. We also completed construction of a nursing care facility with enhanced capabilities to address business continuity planning (BCP)[4] and infection control measures, in addition to ZEB specifications. We completed 36 buildings, primarily for use as offices, for a cumulative total of 68 buildings.

Meanwhile, as an initiative to reduce CO_2 emissions in our business activities, from FY2021 we will begin to use ZEB for newly constructed offices owned by the Group, as a general rule. Five ZEB have already been constructed.

This initiative has the goal of using ZEB accounting for the majority of building orders in FY2025.

3. Net zero energy building, a building that aims for an annual primary energy balance of zero through energy efficiency and energy generation while providing a comfortable indoor environment
4. An emergency corporate survival plan or business continuity plan that makes strategic preparations to avoid an interruption of critical operations in the event of the materialization of risks such as a disaster. Since the Great East Japan Earthquake in 2011, such plans have been attracting attention, and as major earthquakes and large typhoons have caused a substantial amount of damage in recent years, an increasing number of companies and local governments have been strengthening their efforts.



Building site: Togane, Chiba Prefecture
Scale: 304.05 m², one story
Facility use:
Small-scale multifunction residential nursing care
ZEB rank: Nearly ZEB (76% reduction in emissions)
Solar power: 20.04 kW
Business continuity features:
solar power, storage batteries, V2H, hybrid water heater
Infection control measures: total heat exchange ventilation

Promotion of environment-based remodeling of existing houses

Sekisui House Remodeling proposes *Idocoro Dan-netsu* insulation remodeling with the emphasis on the living room, dining room, and kitchen, or where people spend most of their time. We focus on ensuring comfort over the long term in houses over 20 years old because they are not as well insulated as modern newly built houses. In FY2021, remodeling was implemented in a total of 1,338 cases, promoting decarbonization by reducing the air conditioning energy load, while improving the comfort of existing houses. In terms of equipment, we proposed replacing existing equipment with energy-efficient

devices such as Ene-Farm. In addition to increasing the rate of self-consumption of surplus power by adding storage batteries to homes equipped with solar power generation systems that have reached the post-FIT period (end of the purchase period for the feed-in tariff system), thereby creating benefits in terms of utility costs, we are also promoting enhanced resilience by allowing people to use electricity for living activities, even during power outages associated with an increasing number of natural disasters due to climate change.

We are also focusing on SumStock, an initiative to promote the proper evaluation of the value of existing houses as well as their circulation, as part of our efforts to promote the decarbonized remodeling of existing housing. We believe that there will be more opportunities for investment in remodeling, if the value of existing housing is properly assessed.

The government's goal of reducing greenhouse gas emissions attributable to the residential sector by 66% by 2030 compared with the FY2013 baseline depends on decarbonizing existing housing, which requires a range of policy support in the future. Sekisui House has supplied more than 2.5 million housing units to date, and will promote the decarbonization of existing housing through remodeling proposals and the transfer of ownership for approximately 800,000 detached houses and 230,000 rental housing Sha Maison units that are more than 10 years old, while taking advantage of various types of support from the government.

» Page 130: Promotion of the SumStock quality housing stock system

Initiatives for housing in harmony with the environment

In addition to adopting the concept of "housing in harmony with the environment" in our product development, we remain focused on providing good housing and attractive cityscapes through the "Common's" cityscape evaluation system, reflecting these qualities in our development of custom detached houses, condominiums, and gardens.

Housing that combines global environmental conservation (low impact); affinity with the surrounding environment (high contact); and amenities and a healthy living environment, can be certified as "in harmony with the environment" by the Institute for Built Environment and Carbon Neutral for SDGs. "Housing in harmony with the environment" is an initiative aimed at creating better housing through compliance with certification standards under CASBEE for New Detached Houses, part of the Comprehensive Assessment System for Built Environment Efficiency promoted by the Ministry of Land, Infrastructure, Transport and Tourism.

The housing provided by Sekisui House, including Green First ZERO, has the characteristics of "housing in harmony with the environment" that reduce the burden on the global environment and allow homeowners to live comfortable lives in harmony with the planet. Through this housing, we aim to contribute to the emergence of a society committed to sustainability in housing and community development.

CASBEE, the Comprehensive Assessment System for Built Environment Efficiency, has been adopted mainly in Japan's ordinance-designated large cities. Our CASBEE-certified personnel play a central role in promoting this initiative.

Percentage of energy-efficient homes

Sekisui House has been a leader in energy conservation in the housing industry by adopting insulated, double-glazed windows, sashes, and insulated aluminum sashes in 2000, by using next-generation energy-efficiency standards in 2003 as well as high-efficiency water heaters as standard in all detached houses in 2005, and by launching ZEH products in 2013. We are now taking the same approach in our rental housing, as well. As a result, as of FY2021, 98% of detached houses and 97% of rental houses meet the government's certification standards for low-carbon buildings (standards related to external skin and primary energy consumption). Sales of this energy-efficient housing account for 97% of the Group's total sales in the custom detached houses and rental housing businesses.

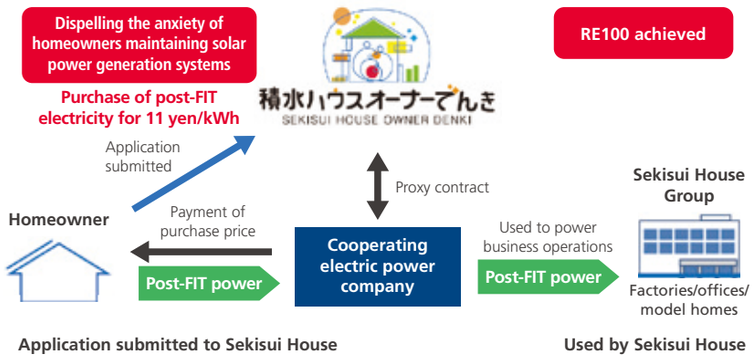
2 Decarbonization of Business Activities and Adaptation to Climate Change

Promote RE100 through Sekisui House Owner Denki

In 2017, the Sekisui House Group became the second Japanese company and the first company in the housing industry to join RE100, an international initiative aimed at decarbonizing business activities, and is working to replace power for use in our Group's business operations with power derived from renewable sources of energy (hereinafter, "renewable energy"). Generally, renewable energy is procured through the purchase of green power certificates and the installation of solar power generation systems. However, in addition to purchasing emission credits, we are also procuring surplus solar power from our customers under the post-FIT mechanism, through Sekisui House Owner Denki.

Because we were an early adopter of solar power generation systems in our houses, the annual amount of power generated by all of the solar power generation systems we had installed was estimated to be over 700 GWh at the start of the RE100 initiative, which was more than five times the 120 GWh annual power consumption of the entire Group at that time. Based on this, we estimated that we would be able to achieve RE100 in around 2040, if we could procure surplus power from 20–30% of our customers under the post-

Overview of Sekisui House Owner Denki



Contributing to a Decarbonized Society

FIT mechanism, and established it as a target. In actuality, we have been able to procure such power from roughly 50% of our customers, and expect to achieve RE100 in around 2030. The amount of renewable energy purchased in FY2021 through Sekisui House Owner Denki was approximately 36.5 GWh, accounting for roughly 33.5% of the Group's total power consumption.

In addition, Sekisui House Owner Denki also creates benefits for cooperating electric power companies by making large contracts for the Group's business-use power. This makes it possible to set the unit price for purchasing surplus power higher than the market price, leading to higher customer satisfaction. In addition, we expect to be able to achieve RE100 while controlling the cost of installing renewable energy.

Collaboration with suppliers to decarbonize the production stage

CO_2 emissions when purchasing finished and raw materials from the supply chain (Scope 3, Category 1) account for the second largest share of the Sekisui House Group's CO_2 emissions, at 35%. In FY2021, we began working with suppliers to reduce these emissions.

» Page 124: Reduction of CO_2 emissions at the components and raw materials procurement stages

Promoting 100% electrification of Company vehicles

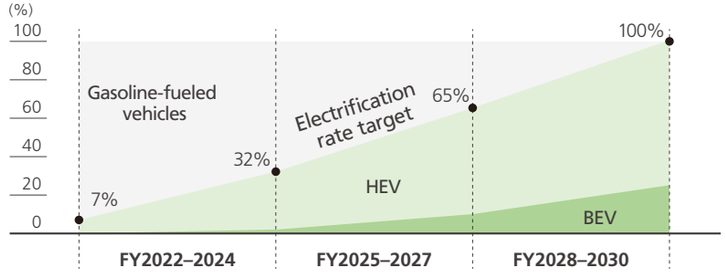
Company vehicles account for roughly 30% of the Sekisui House Group's CO_2 emissions. This reduction is a major theme for the realization of a decarbonized society.

Since FY2011, we have been working to reduce CO_2 emissions by sequentially installing "telematics*" in our commercial vehicles (approximately 11,000 vehicles), educating employees on safe driving and raising their awareness of eco-friendly driving, and replacing our vehicles. As a result, CO_2 emissions from business vehicles in FY2021 were reduced by 669 tonnes (2.4%) compared with the previous fiscal year. Compared to FY2011, we were able to achieve a significant reduction of 38.3%.

In addition, we are promoting the replacement and introduction of electric vehicles such as hybrid electric vehicles (HEVs) and battery electric vehicles (BEVs), and have set a target for the 100% electrification of Company vehicles by 2030, which currently stands at roughly 7%, and have begun initiatives to achieve this goal. As a start, the pilot introduction of BEVs was launched in February 2022. In addition to HEVs, which are being introduced at a rapid pace, we are actively working to introduce BEVs in-house, and by utilizing electricity derived from renewable energy through Sekisui House Owner Denki, we aim to further significantly reduce CO_2 emissions from Company vehicles, and contribute to the realization of a decarbonized society.

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

Roadmap for Electrification of Company Vehicles



Company vehicle electrification target (% of stock)

Office LED initiatives

The Sekisui House Group has been working to convert office lighting to LED since FY2018. In FY2021, at least 1,500 fluorescent lamps were replaced with LED (approx. 17,200 in total).

The annual amount of CO_2 emissions reduced as a result of this change is approximately 56 tonnes. The investment amount was 8.6 million yen, while the amount of cost reduction was 3.5 million yen, with an expected payback in 2.5 years.

3 Other Initiatives

Public policy collaboration on climate change in Japan

Through the Japan Federation of Housing Organizations, which supervises the housing industry, and the Japan Prefabricated Construction Suppliers and Manufacturers Association, we endorse practical policies such as tax incentives and the expansion of various subsidy programs to promote climate change mitigation in all aspects of buildings including housing, by the government, particularly the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment, and actively cooperate with or make recommendations to these entities.

Collaboration with international public organizations

In 2008, Sekisui House declared that it would aim for carbon-free operations by 2050; since then, we have been focused on promoting the adoption of net-zero energy houses. The United Nations Framework Convention on Climate Change (UNFCCC) has proposed that urgent action is needed to reduce carbon emissions from the building and construction sector, which accounts for about one-third of global energy consumption. An urgent need exists to achieve this objective with innovative buildings and construction methods.

Against this background, we joined the Global Alliance for Buildings and Construction (GlobalABC), which was established at the UN's COP21 conference held in Paris. We later participated in and submitted reports to the UN's COP22 conference held in Marrakech, Morocco, and at COP23 held in Bonn, Germany, we presented a paper at a ministerial meeting on SDG 11 advocating the development of sustainable cities. There, we introduced the rationale and background for the mass introduction of our net zero energy housing.

In conjunction with COP26, we participated in the international Race to Zero campaign for decarbonization organized by the UNFCCC, through our membership in the Business Ambition for 1.5°C organized by SBT (Science Based Targets). We will continue to work with experts from around the world to minimize CO_2 emissions from the building and construction sector.

Disclosure in Line with TCFD (Task Force on Climate-related Financial Disclosure) Recommendations

Governance

The Sekisui House Group has established the ESG Promotion Committee as a consultative body to the Board of Directors to determine and implement action policies while confirming that all ESG management initiatives are reasonable and in line with societal expectations. The committee meets once every three months. Climate change response is positioned as one of the important agenda items of this committee, which evaluates the appropriateness of action policies and progress, and reports important matters to the Board of Directors.

The Company-wide, cross-departmental Environmental Subcommittee reports to the ESG Promotion Committee. Mainly composed of head office department heads involved in environmental management and individuals in charge of environmental management in each business division, this subcommittee conducts more specific and detailed discussions. In addition, the Environmental Subcommittee broadly disseminates the decisions of the ESG Promotion Committee for adoption throughout the Group, including affiliated companies.

The ESG Promotion Committee ensures effective, timely management oversight by providing the director of the Board responsible for each business and other managers with routine reports and instructions on the implementation of ESG initiatives.

» Pages 98–99: ESG Management Promotion Structure

Corporate Governance System

Strategy

In order to make steady progress toward the overall decarbonization of business that the Sekisui House Group aims to achieve, to clarify the appropriateness of the Group's strategy and issues, various situations that may occur in the future are anticipated, and a scenario analysis is conducted while taking into consideration the specific circumstances of business activities and resources, as well as physical risks, including assumed business activities, duration, and the useful life of assets. We also evaluate transition risks based on potential scenarios for legislation, technology development, and market conditions, and identify and address climate-related risks (physical and transition risks) and opportunities for our business activities.

We have already completed risk assessments and adaptation plans for most of our businesses. However, since we have expanded our business into new areas, including M&As over the past few years, we are planning to address transition plans for all existing businesses based on their specific circumstances, by roughly 2025, in order to adapt to physical risks. In addition, we also intend to establish a system for early risk assessment and response for 100% of our new businesses in the future, and disclose the necessary information.

The scenario we are referring to is the 1.5°C scenario shown in Table 1. However, even if regulations are strengthened to achieve the 1.5°C scenario, it is possible that countries will not be aligned in their actions, resulting in a world as projected in the 4°C scenario, where climate change is even greater. For this reason, we must prepare for both scenarios simultaneously.

In FY2021, a new Japanese greenhouse gas emission reduction target of 46% compared to the 2013 levels by 2030 was set to achieve carbon neutrality, and based on this target, various medium-to-long-term approaches related to the housing industry were also set. For this reason, we have conducted a large-scale scenario analysis for all of our businesses and are reviewing our strategies. The potential financial impact of the major risks and opportunities identified through the scenario analysis, as well as our responses are shown on the next page.

The financial impact and assumed time period are defined as follows.

Financial impact / Large: 20 billion yen or more; medium: 10 billion yen or more; small: less than 10 billion yen

Assumed time period / Short term: up to 3 years from the present; medium term: up to 2030; long term: up to 2050

Table 1. Scenario Analysis Assumptions

Item	Assumptions
Reference scenario	Takes into consideration scenarios published by various international organizations, including IPCC SSP[1] 1-1.9 (countries adopt ambitious climate policies to achieve 1.5°C or lower and net zero CO_2 emissions by 2050), IPCC SSP 3-7.0 (CO_2 emissions will not begin to decline even in 2050, resulting in high temperatures, heavy rainfall, storms, and other impacts), IEA SDS (the Paris Agreement and other targets will be achieved through the development of energy policies and investments; many countries and companies will achieve 2050 net zero), and NGFS[2] (Delayed Transition: due to the slow introduction of new climate policies and different levels of action in each country, emissions will not begin to decline until 2030, and then move toward net zero), as well as announcements by the the Japanese government (NDC) and related councils, etc., such as "Reduce Japan's greenhouse gas emissions by 46% from the 2013 levels by 2030, with net zero emissions by 2050," "Reduce greenhouse gas emissions in the residential sector by 66% from the 2013 levels by 2030," "Ensure energy-efficiency at the level of the ZEH standard for new houses built in FY2030 and beyond," and "By 2050, popularize houses throughout the entire housing stock that can contribute to carbon neutrality." Our model for transition risk assumes that the IPCC SSP 1-1.9 and IEA SDS scenario of a 50% reduction in global CO_2 emissions by 2030 and a reduction to zero by around 2050 will require government policies including a high carbon tax and a market transition to decarbonization. In addition, as stated in the NGFS* Delayed Transition scenario, continuing public and corporate initiatives to reduce CO_2 emissions under existing governmental measures until 2030 is inconsistent with the 1.5°C scenario. Moreover, the best temperature increase estimate (°C), the IPCC SSP 3-7.0, states a 2.1 degree rise over the medium term (from 2041 to 2060). Along with other parameters, these figures have been used as assumptions for physical risk.
Subject companies and businesses	All existing businesses of the Sekisui House Group companies[2] (including the entire upstream and downstream value chain).
Quantitative/qualitative	Mainly a qualitative analysis of all existing businesses of the Sekisui House Group. Quantitative estimates of financial impact amounts for particularly important opportunities and risks.
Impact of Japanese market size	The Sekisui House Group generates most of its sales in the Japanese market (about 85% of actual sales from February 1, 2021 to January 31, 2022). The Japanese housing market is expected to contract gradually due to the shrinking population, declining birthrate and aging population. While this trend is by no means insignificant, it has not been considered in this analysis, as the focus is climate change-related impacts.

1. Intergovernmental Panel on Climate Change and Shared Socioeconomic Pathways
2. Sekisui House and 335 consolidated subsidiaries. (as of January 31, 2022)

Table 2. Major risks, potential financial impacts, and responses

[Transition risk] Introduction of carbon pricing			
Impact	Carbon pricing has been widely adopted around the world. In Japan, the introduction of a carbon tax is being considered by the government, and may be introduced relatively soon.	Financial impact: High	Assumed time: Medium-term
Response	The Group as a whole and its suppliers have a long way to go in order to decarbonize their business activities in the medium term, and if a carbon tax or emissions trading unit price of around 10,000 yen/t-CO_2 is imposed, the impact will be significant. We have already started a variety of initiatives throughout the value chain, including promotion of RE100, energy conservation in offices and production facilities, and reduction of CO_2 emissions in the building materials manufacturing stage through collaboration with suppliers, and we intend to reduce this impact as quickly as possible.		

[Transition risk] Rising housing prices and a shrinking market			
Impact	In the long term, the new construction market itself may shrink as housing prices soar to comply with stricter regulations required for carbon neutrality, and as the number of houses with poor energy efficiency and seismic resistance decreases, and more high-quality housing stock is being passed on.	Financial impact: High	Assumed time: Long-term
Response	Because our efforts are ahead of the curve, the impact on regulatory tightening in the short to medium term is expected to be small. However, in response to further regulatory tightening in the long term, we will need to work systematically on the development of cost-competitive decarbonized housing. In addition, we intend to strengthen our supplied housing business, in preparation for the contraction of the new construction market.		

[Transition risk] Decline in rental business revenues due to market changes			
Impact	Managed properties that do not have sufficient decarbonization performance will lose competitiveness, leading to lower occupancy rates and rents.	Financial impact: High	Assumed time: Long-term
Response	We will strive to increase the ratio of ZEH units in managed properties and promote decarbonization remodeling of non-ZEH units, in order to maintain and increase the value of rental housing that appeals to renters.		

[Transition risk] Decline in rental business revenues from managed properties at a high risk of disasters			
Impact	In the event of a significant rise in temperature, an increase in river flooding and storm surges is expected in Japan. This could lead to a decline in occupancy rates and rents of managed rental properties in certain areas, such as low-lying areas and areas near rivers.	Financial impact: Medium	Assumed time: Long-term
Response	We recognize this as an issue, and are continuing to study this issue by checking government hazard maps and understanding the hazards in areas where construction is planned.		

[Transition risk] Costs required to decarbonize business activities			
Impact	In order to decarbonize our business activities, various costs will be incurred, such as converting business locations to ZEB, electrifying Company vehicles, and making production facilities energy-efficient.	Financial impact: Low	Assumed time: Medium-term
Response	The Company is systematically promoting decarbonization in all of its business activities, and the risk of incurring major costs that would affect its business is low at this point.		

[Physical risk] Damage to Company-owned assets due to weather-related disasters			
Impact	Nationwide weather disasters could damage assets owned by the Group (factories, office buildings and other business locations, production facilities, vehicles, etc.), making it impossible to continue operations and incurring significant repair or replacement costs.	Financial impact: High	Assumed time: Medium-term
Response	The Sekisui House Group operates throughout Japan, with the exception of Okinawa Prefecture, and has already established a system that allows its business to continue through support from undamaged areas in the event of a disaster in some areas, including the head office functions. Such BCP measures for business continuity are properly managed by the Risk Management Committee, and are updated as necessary. The amount of damage to five factories in Japan was calculated based on the assumed inundation depths using river flooding hazard maps or internal flooding simulations, and it was found that for four of these factories, excluding the Hyogo Factory, there is the potential to suffer inundation damage. A more detailed analysis based on the IPCC RCP 8.5 scenario was conducted for the Kanto Factory, which is expected to suffer the most damage, and it has already been confirmed to be within the coverage of the insurance policy that is already in place. However, assuming an increase in the severity of natural disasters in the future and the simultaneous occurrence of large-scale disasters throughout Japan, our business is expected to suffer extensive damage, and we will continue to examine ways to strengthen our disaster resilience.		

[Physical risk] Extension of construction periods due to climate change			
Impact	The frequency of supply chain damage and difficulties in obtaining construction materials will increase due to the intensification of disasters associated with climate change, as well as the increase in extremely hot days and heavy snowfalls. In addition, construction sites may be affected for the same reasons, and administrative costs may increase due to longer construction periods.	Financial impact: Not calculated	Assumed time: Medium-term
Response	Although the Company already has measures in place to decentralize the supply chain in anticipation of damage to supplier companies' factories and transportation routes, and to prevent heat stroke at construction sites, continued consideration is needed, in anticipation of an increase in the scale and frequency of natural disasters.		

Other risks

Before purchasing land for resale, we use hazard maps to conduct an analysis of possible risks. When constructing buildings such as condominiums, we also refer to hazard maps during planning to minimize the risk of damage. However, the impact of climate change is growing year by year, and the scale and frequency of natural disasters may increase. Therefore, the Sekisui House Group will continue to study how to deal with it.

Table 3. Major opportunities, potential financial impacts, and responses

[Major opportunity] Increase in ZEH/ZEB orders			
		Financial impact	Assumed time
Impact	The Japanese government has set goals that include reducing greenhouse gas emissions in the residential sector by 66% compared with the FY2013 baseline by 2030, which positions ZEH and ZEB as key measures. In addition, demand for ZEH and ZEB is expected to increase in the future, as consumers become more ethical and businesses become more decarbonized.	High	Medium-term
Response	The ratio of our detached ZEH homes exceeds 90%, and ZEH is already a standard specification. Currently, we are also beginning to actively promote ZEH in rental housing and condominiums. We will expand ZEH and ZEB orders for the entire Group by leveraging our track record of receiving the largest number of ZEH orders in Japan.		

[Major opportunity] Increase in rental business revenues by converting managed rental properties to ZEH			
		Financial impact	Assumed time
Impact	The Japanese government intends to require ZEH-level energy efficiency in all new buildings constructed in and after 2030. In addition, ZEH conversion of rental housing will eventually become more common, so the need for ZEH rental housing could increase dramatically as consumers become more and more aware of ethical concerns.	High	Medium-term
Response	Since the completion of Japan's first rental housing that meets the ZEH standard for all units in 2018, we have been working to promote ZEH units that can appeal to residents. The Company has already received orders for more than 10,000 units, and is preparing for a future expansion of demand for rental ZEH units, especially among ethical consumers.		

[Major opportunity] Increase in orders for decarbonization remodeling			
		Financial impact	Assumed time
Impact	The government's goal of reducing greenhouse gas emissions in the residential sector by 66% compared with 2013 by 2030 requires energy-saving renovations to housing stock, suggesting a range of policy support measures. For this reason, orders for decarbonization remodeling are expected to increase.	High	Medium-term
Response	Orders for insulation retrofitting, power generation, and storage batteries are on the rise as a result of customer requests and remodeling proposals. In particular, *Idocoro Dan-netsu*, a partial insulation improvement concept centered on residential areas, has been well received because the cost and construction period are a small burden for the customer. These remodeling proposals also highlight the point of enhancing disaster resilience. We will continue to promote remodeling proposals that are realistically feasible for widespread use.		

[Major opportunity] Reduction of RE100 promotion costs			
		Financial impact	Assumed time
Impact	Achievement of RE100 is essential to the realization of a decarbonized society. However, procuring renewable energy usually entails significant costs.	Low	Medium-term
Response	Through the Sekisui House Owner Denki initiatives, renewable energy power is procured at almost no cost. Considering the possibility of the electrification of business energy in the future, such as a shift to EVs for Company vehicles, the cost of electricity may increase with conventional procurement methods. The cost reductions achieved through the Sekisui House Owner Denki initiative can be utilized for other purposes, and can therefore be regarded as an opportunity.		

[Major opportunity] Decarbonization of the production stage			
		Financial impact	Assumed time
Impact	In decarbonizing the entire value chain, efforts by suppliers to reduce emissions at the construction material manufacturing stage are fraught with difficulties.	Low	Medium-term
Response	Since a high percentage of construction materials, such as exterior walls and frameworks, is produced in-house, it is easier to reduce greenhouse gas emissions from material production through planned technological development and capital investment than when relying on external procurement, thus reducing the impact of carbon taxes. The cost reductions are considered as an opportunity, because they can be leveraged for other purposes.		

Confirmation of the resilience of the Sekisui House Group's existing strategies

As a result of the review, the Sekisui House Group's strategy has already begun to address decarbonization and extreme weather events in all of its business activities, and it has been determined that no fatal impacts are currently apparent, either in terms of transition risk to a decarbonized society or physical risk due to climate change.

Risk management

As part of the Group-wide risk management process, the Sekisui House Group conducts assessments to determine climate change-related risks and opportunities based on TCFD recommendations.

Risks and opportunities are identified for the entire Group, led by the principal department of each business, and the results are aggregated by the Environmental Subcommittee, which conducts a financial impact assessment. Major risks and opportunities that are identified based on this process are reviewed by the ESG Promotion Committee, a consultative body to the Board of Directors, before being reported to the Board of Directors, which considers risk mitigation, transfer, acceptance, and control, as required. Furthermore, the results are shared by the Risk Management Committee, and reviewed and managed within the Group's overall risk management system.

» Page 169: Our risk management system

Indicators and targets

In 2008, the Sekisui House Group declared its Vision 2050, which aims to achieve zero CO_2 emissions from housing by 2050, and has already begun various initiatives to achieve a zero CO_2 emission balance in all business activities, including the use of renewable energy.

As a milestone toward achieving this goal, we aim to reduce our own CO_2 emissions in Scope 1[1] (direct emissions: own factories, offices, vehicles, etc.) and Scope 2 (indirect emissions: energy consumed by the Company, such as electricity), and Scope 3 (Category 11: use stage of housing supplied) by 50% and 45%, respectively, from the FY2013 levels by 2030, and this has been certified by SBT.[2] In addition, we plan to revise Scope 1 and Scope 2 reductions upward to 75% in order to limit global warming to 1.5°C.

In addition, as an RE100[3] member company, we will convert to renewable sources of electricity for our business operations, adopting targets of 50% by 2030 and 100% by 2040. Various concrete measures have been initiated to achieve these targets, and progress is currently on track, with targets expected to be achieved roughly 10 years ahead of schedule.

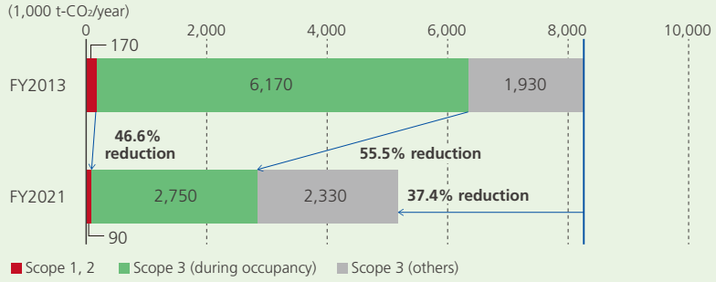
1. Classification of CO_2 emissions according to the categories of the Greenhouse Gas Protocol.
2 SBT
3 RE100

Future issues for the Sekisui House Group

As indicated thus far, the Sekisui House Group has already taken measures to address the anticipated risks from climate change, and does not expect any significant financial burden. However, in order to ensure that the Sekisui House Group continues to implement decarbonization management as it has in the past, we will continue to monitor the major risk factors with significant financial impact that have been identified in this analysis and strengthen the necessary initiatives, while further quantifying risks and improving the accuracy of the analysis. As for challenges going forward, we believe that the mission of the Sekisui House Group is to further quantify and improve the accuracy of risks related to newly consolidated Group companies, and to contribute to the transition to a sustainable society.

In addition, climate change involves many uncertainties, so we need to gather a broad range of intelligence from outside the Group. In order for the Sekisui House Group to demonstrate leadership in the international community, we will further focus on stakeholder engagement through participation in various domestic and international initiatives, including the United Nations Framework Convention on Climate Change (UNFCCC) and the Global Alliance for Buildings and Construction (GlobalABC), of which we are the only member in the Japanese private sector.

Figure 1. Sekisui House Group Value Chain CO_2 Emission Reduction Progress



For comparability of emissions over time, we have added the FY2013 CO_2 emissions of Konoike Construction Co., Ltd, which became a consolidated subsidiary in FY2019, to the CO_2 emissions of the Sekisui House Group for FY2013, the baseline year of our value chain emissions reduction plan.

E Biodiversity Conservation

1 Governance

Participating in conservation initiatives

We have been an early participant in the global movement for biodiversity conservation. At the 9th Conference of the Parties to the Convention on Biological Diversity (COP9) in 2008, we were one of the nine major Japanese companies to sign the Leadership Declaration of the Business and Biodiversity Initiative.[1]

As a founding member of this initiative, we agreed to the three objectives of the Convention on Biological Diversity (conservation of biodiversity, sustainable use of biodiversity components, and fair and equitable distribution of the benefits of genetic resources), and we continue to promote biodiversity conservation[2] under this policy as a priority focus of our business operations.

These initiatives are led and promoted by the Environmental Subcommittee, in cooperation with each department as well as domestic and overseas Group companies, based on the ESG management promotion system. We also ensure that all employees understand and are familiar with these initiatives through progress reports and feedback on issues and proposals for improvement.

» Pages 98–99: ESG Management Promotion Structure

1 Business and Biodiversity Initiative: Leadership Declaration

2 Sustainability Vision 2050

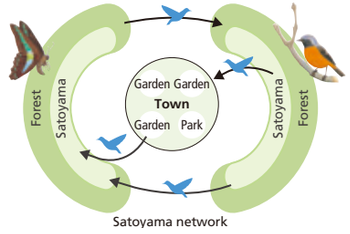
Biodiversity commitment

In our Sustainability Vision 2050 plan, we have set the goal, as a challenge for 2050, of maximizing ecosystem networks through business operations. We aim not only to achieve no net loss (to maintain the value of the ecosystem) but also become nature positive (to enhance the value of the ecosystem through our business operations). With this commitment, we remain focused on the *Gohon no Ki* Project, a landscaping and greening project that fully considers the ecosystem, as well as FairWood sustainable wood procurement.

» Page 122: FairWood procurement and Wood Procurement Guidelines

The *Gohon no Ki* Project, an eco-friendly landscaping and greening project

As Japan's largest landscaping company, planting one million trees nationwide annually, we are responsible as a house builder supplying many houses to conserve biodiversity through our housing products. Since 2001, we have been implementing the *Gohon no Ki* Project, a landscaping and greening project that takes the ecosystem into consideration.



The *Gohon no Ki* ("5 trees") Project is based on the approach that "three trees are for birds, two trees are for butterflies, and all are local native tree species." The *Gohon no Ki* Project proposes 288 local tree species beneficial to birds and butterflies for use as garden trees.

In addition to biodiversity conservation, we are making proposals that encompass benefits to living creatures that visit gardens and the effects of garden trees. One of the goals is to maintain and revive the ecosystem network (nature positive) by increasing the amount of high-quality green space in urban areas and by supporting the habitats and activities of fauna with residential gardens created under the *Gohon no Ki* Project. Ecosystem networks enrich the biodiversity of local regions in all countries, creating places where residents can enjoy wildlife and the richness of nature at the same time.

Due to the cooperation of many customers who have endorsed the philosophy of the *Gohon no Ki* Project, the number of plantings per year, including those that are part of the *Gohon no Ki* Project, was 1.01 million in FY2021, and the cumulative number of plantings since the start of the project in 2001 reached 18.10 million.

3 *Gohon no Ki* Project (Japanese only)

2 Strategy

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 FY2012 and FY2016, we updated our Eco-First Promise within the broad frameworks of the three promises while incorporating changes in the social environment and the progress in our initiatives. In 2020, we updated our commitments and are continuing to expand our efforts.

Eco-First Promise

Urban Development Charter

In 2005, we developed the Urban Development Charter to fulfill our responsibility as a housing manufacturer for the future. This charter summarizes once again the range of expertise we have cultivated as part of our urban development initiatives that adhere to the concept of sustainability. Based on our four types of value (environmental, economic, social, and value for residents), we have adopted four perspectives: environmental management, economic management, town management, and lifestyle management. We are continuing to promote urban development, while considering our Basic Urban Development Policy and 24 specific guidelines.

Urban Development Charter

Biodiversity Conservation

3 Risk Management

Exposure to biodiversity risks and biodiversity assessments

We get approximately 250,000 m³ of wood annually from building materials manufacturers. For this reason, we have positioned the impact on biodiversity in logging areas as an important risk for business continuity, and have declared the goal of zero deforestation to avoid this risk. Guided by this declaration, we conduct an annual survey of our major suppliers looking into the status of the wood supplied to us to determine if any risks exist. We use our own Wood Procurement Guidelines, which include biodiversity assessments. The survey results are disclosed in a report and managed as a KPI to minimize risks related to biodiversity through a PDCA cycle.

In addition, for buildings on land owned by us for business operations, such as prefabricated housing for sale, we acquire land—after confirming compliance with laws and regulations, including those related to biodiversity—from the land developers who are responsible for development. In addition, we avoid developing in areas in close proximity to critical biodiversity.

10 Wood Procurement Guidelines

» Page123: Biodiversity commitment

4 Indicators and Targets

▶Please see Section 7 for details.

» Page 173: Environmental Data ①

5 Initiatives and Other Related Information

Urban greening

Big data on biodiversity has revealed the effectiveness of the *Gohon no Ki* Project, and urban greening is becoming increasingly important, as we work to further promote being nature positive in the future. In urban areas, where green space is limited, it is important to create high-quality green space. We have been providing quality green spaces that are highly effective at conserving biodiversity through the *Gohon no Ki* Project, which focuses on local native tree species.

We will propose better quality green spaces by quantitatively assessing biodiversity using big data and through quantitative assessments for cohesive green spaces in urban areas.

Evaluating effectiveness quantitatively by using big data on biodiversity

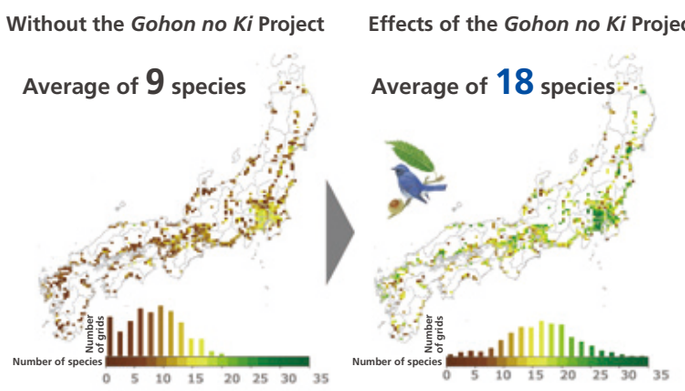
In 2019, to conduct a comprehensive evaluation of small green spaces scattered across Japan that could not previously be assessed, we started a joint verification—with the Kubota Laboratory in the Faculty of Science of Ryukyu University—to analyze the effectiveness of quantitative assessments of biodiversity conservation from a macro perspective. It became possible in 2021 to quantitatively express the effect of the *Gohon no Ki* Project on biodiversity after using the big data on biodiversity from Ryukyu University in addition to other data on the number, species, and location information of trees planted by the Company. Data on the effect included the number of bird and butterfly species that are being attracted to residential areas. We also quantitatively evaluated the effectiveness of restoring biodiversity in the three metropolitan cities (Kanto, Kinki, and Chukyo). We determined an integrated diversity index and conducted simulations up to 2070 for assessing the effect if the *Gohon no Ki* Project was continued.[1] The results showed that the *Gohon no Ki* Project can contribute to the restoration of biodiversity, and that the effect can be further amplified by intensifying the project in the future. We will widely disclose not only the results of these assessments, but also the expertise we have accumulated through our activities over the past 20 years, and will continue to work with many companies and individuals to promote being nature positive.[2]

1 News Release: Working with Customers for 20 Years to Conserve Urban Biodiversity with the *Gohon no Ki* Indigenous Landscaping Concept

2 The Nature Positive Methodology (Japanese only)

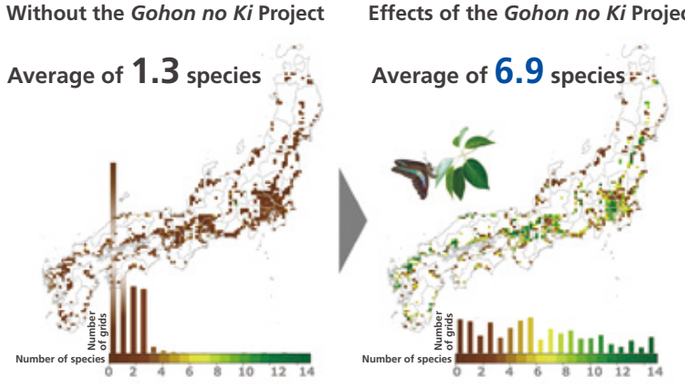
Results of big data analysis: Effect on birds

Gohon no Ki **has the effect of attracting nearly twice as many bird species to residential areas**



Results of big data analysis: Effect on butterflies

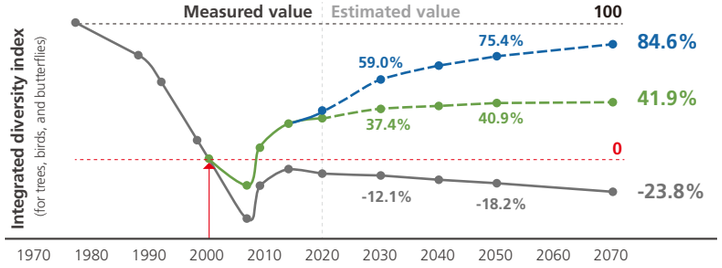
Gohon no Ki **has the effect of attracting nearly five times as many butterfly species to residential areas**



Biodiversity Conservation

Quantitative Evaluation of Being Nature Positive

Simulation of changes up to 2070 in three metropolitan areas (Kanto, Kinki, and Chukyo) where green space degradation is significant



* Based on the year 2000, just before the *Gohon no Ki* Project set as the zero level, with 1977, the year that national land use data became available set as 100

— When the Company and other companies implement initiatives similar to the *Gohon no Ki* Project
— When the Company implements the *Gohon no Ki* Project
— When the *Gohon no Ki* Project is not implemented

Urban biodiversity: Enrichment of lives achieved through the *Gohon no Ki* Project (Video from a forum held on November 26, 2021) (Japanese only)

Expectations for corporate green space and OECM that can contribute to biodiversity

On the north side of the Umeda Sky Building in Kita-ku, Osaka, where the Company is headquartered, we prepared the Shin-Satoyama Garden covering 8,000 m². This garden was renovated in 2006 with more than 500 trees based on the principles of the *Gohon no Ki* Project. We planted native Japanese tree species and more than 200 species of shrubs and flowers to create thickets. In the belief that a variety of spatial shapes supports the richness of an ecosystem, we provided terraced rice paddies and fields to reproduce a satoyama, the disappearing native landscape of Japan, in the city center.

The growth of a wide variety of plants has increased the amount of greenery, and many creatures such as more than 40 species of wild birds and more than 20 species of butterflies have settled and grown in the garden. The arrival of birds of prey, which is rarely seen in the city, has also been confirmed. Instead of employing the conventional consumption-type management approach of removing weeds and fallen leaves immediately, natural low-load circulation-type management has been adopted for the satoyama to enrich the soil organisms and broaden the food chain. So, we have essentially created a green space where many creatures can now thrive.


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

In 2013, we completed the "Wall of Hope," a huge greening monument on the east side of Shin-Satoyama measuring 9 meters high and 78 meters long that was completed at the initiative of the renowned architect Tadao Ando. In order to function as a model for vertical spatial greening that is expanding in the city, we covered the green wall with more than 20,000 colorful plants of about 100 species, focusing mainly on the tree species selected for the *Gohon no Ki* Project. By systematically arranging plants with different flowering times and colored leaves, we arranged it so that visitors could enjoy the varied appearance of the garden as it changes with the four seasons. The Shin-Satoyama project has become familiar to office workers as a place where one can experience the true value of this ecosystem.

Other effective area-based conservation measures (OECM) are the key to achieving the international pledge to protect 30% of the planet by 2030, now being considered a major objective of the post-2020 global biodiversity framework. Shin-Satoyama, which is based on the *Gohon no Ki* Project, is a good model for corporate green spaces with a high impact on biodiversity conservation.

Promoting greening and environmental conservation in condominiums for sale and urban development projects

In the condominium for sale segment, we are utilizing the principles of the *Gohon no Ki* Project for the exterior. Our GRANDE MAISON condominium brand is focused on greening; its business highlights the goal of increasing the target green coverage ratio, which represents the ratio of the planted area to the site area, to a minimum of 20%. The average green coverage of 15 condominiums completed in FY2021 was 24.9%, representing green coverage of 10,198.85 m².

The area surrounding multi-unit buildings such as condominiums for sale also functions as a place for residents to interact with each other. The abundance of greenery soothes the spirits of residents and enhances the value of the condominium.

In 2019, the *EGOTANOMORI* Project (Nakano-ku, Tokyo) received the MLIT Minister's Prize in the Category of Green Business Activities of the Green City Awards sponsored by the Organization for Landscape and Urban Infrastructure. The *EGOTANOMORI* Project has received numerous awards, as efforts to enhance the environment using greenery, improve the landscape, and revitalize local communities have received high praise.

» Page 135: *EGOTANOMORI* Project
Green City Awards

Urban development under the concept of *keinen bika*, or cityscapes that grow more attractive over time

Since 1977, we have been working on community developments under the names "Common Life" and "Common City." Designed with an awareness of the connections between neighbors and communities, and with lavish shared plazas and streets as symbols, they offer a richer life and a townscape that will grow more attractive over the years under the concept of *keinen bika*. This approach also leads to beautification and is highly appreciated by the local residents.

Since launching the *Gohon no Ki* Project in 2001, we have been promoting urban development that emphasizes the quality of greenery, keeping in mind the planting of native species in consideration of a healthy ecosystem. In 2005, we established the Urban Development Charter, which outlines our varied expertise such as the *Gohon no Ki* Project, which was cultivated as part of our urban development efforts with adherence to the concept of sustainability.

Urban Development Charter

Skyrail Town Midorizaka, Hiroshima City



Photo from 1997 Photo from 2009

E Resource Recycling

1 Governance

Under the ESG Promotion Committee, our Group set up a Resource Recycling Task Force within the ESG Management Promotion Headquarters to build and administer a system for resource recycling for the entire Group. To maintain advanced resource recycling procedures, we created the Sekisui House Zero Emissions system based on the Wide Area Certification System. We also set up our own facilities, called Resource Recycling Centers, to consolidate waste generated at construction sites and ensure reliable recycling. To support this system, we created a waste sorting guide for resource recycling as well as guidelines that set out the criteria for selecting recycling companies. We are distributing information on these measures to our employees and partner building contractors, and we have developed and operate our own waste collection and waste measurement systems. By doing this, we are centrally managing all processes from waste generation to recycling.

In addition to using recycling methods, we also coordinate related resource recycling activities that help develop a circular economy, including through our product development and manufacturing departments.

2 Strategy

Resource recycling guidelines

Our basic guideline is to sustain an advanced resource recycling system based on the Sekisui House Zero Emissions system.

Basic Policy for Zero Emissions

1. This system is designed to control waste generation throughout the entire supply of prefabricated housing by analyzing the state and nature of waste generation and continually providing information useful for reducing waste during design, production, and construction.
2. This system not only establishes standards for treatment consigned to others and ensures effective treatment contracting based on those standards, but the system must also be able to withstand future improvements in social standards.

[Priority items]

· Ensure effective recycling processes
· Ensure traceability
· Implement complete sorting of waste within the Company

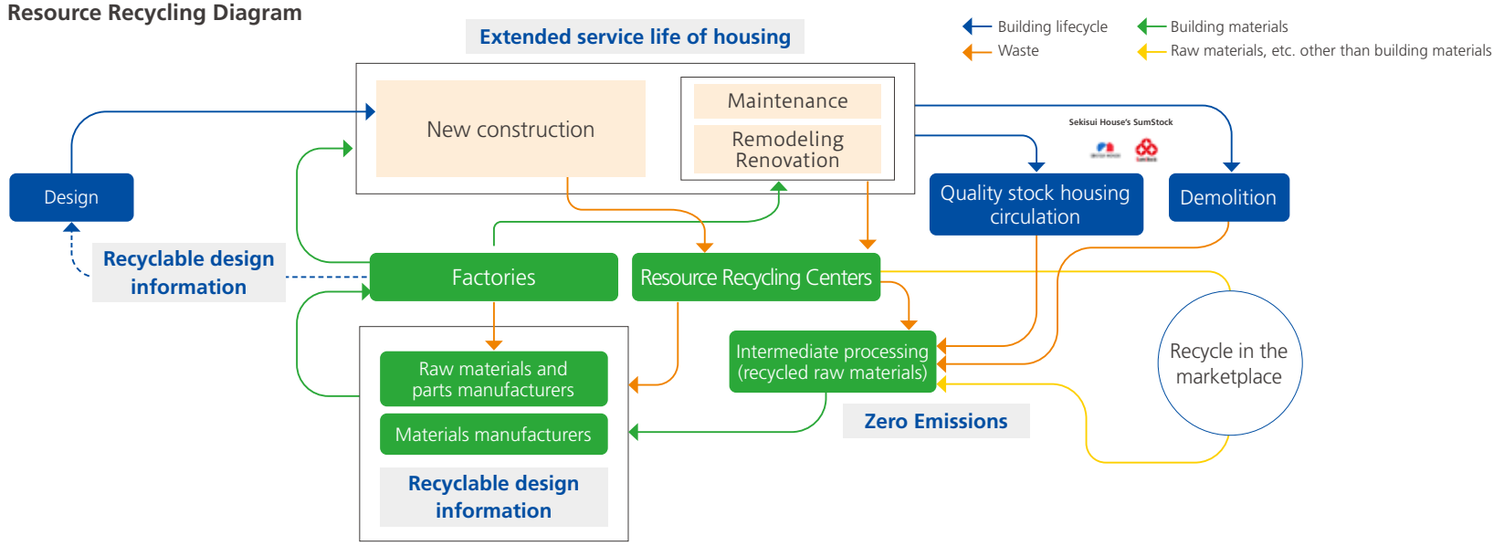
3. The principle of operation follows the Wide Area Certification System as a basis for fulfilling the above norms.

Measures and commitments for resource use

The Group implements measures for resource use according to purpose.

1. Zero Emissions from waste generated at construction sites
   We are working to make effective use of recycled resources, with a focus on material recycling.
2. Measures to extend the service life of housing
   We have established a multifaceted system for improving durability, provided after-sales service according to the lifecycle of housing, and developed a remodeling business in order to ensure that houses and other buildings, which represent societal assets, are used for the longest possible time. In this way, we are contributing to the use of resources in existing buildings.
3. Commitment to using recycled resources
   We intend to realize a circular economy through advanced research and development on new building materials made from recycled raw materials.

Resource Recycling Diagram



Resource Recycling

Measures and commitments for handling waste

• Controlling waste generation

We have focused on the development of systems intended to control waste generation. We analyze the amount of resources invested in product supply as well as the status and nature of waste generated during the manufacturing and construction processes. We also continuously improve the system that provides information useful in reducing waste in the processes of design, production, and construction.

• Utilizing waste

We will establish recycling standards for the waste we generate and ensure proper recycling in accordance with these standards. Moreover, we will continue to pursue recycling technologies that are economically feasible while further contributing to the emergence of a society committed to resource recycling. We will pursue these goals in collaboration with our partner companies including material manufacturers, production and construction companies, intermediate processing companies, and demolition companies.

3 Risk Management

Responding to resource recycling risks

When formulating the Sekisui House Zero Emissions system, the Group focused on building a system that takes into account certain risks in resource recycling, such as disguised recycling and illegal dumping. In addition to selecting recycling companies based on the guidelines from our selection criteria, we periodically inspect treatment centers, manage consignment contracts and waste management manifests every day through a centralized in-house management system, and we perform operational audits. Through these efforts, we are working to minimize (avoid) potential risks. A dedicated department at the head office is ready to take immediate action in the unlikely event that a potential violation of laws and regulations is detected.

4 Indicators and Targets

Zero Emissions in business units

• Boosting measures through the Wide Area Certification System

House construction requires a significant input of resources. We are involved in the entire lifecycle of a house from producing material in our factories to demolition work, and from 2002 to 2007 we succeeded in achieving Zero Emissions* in four of our divisions (material production, new construction sites, after-sales maintenance, and construction sites for remodeling our own properties). Since then, we have maintained this achievement as we continue to operate with consideration for the quality of our recycling efforts. One reason we were able to lead the industry by achieving Zero Emissions over successive years was our use of the Wide Area Certification System, which is a special feature of Japan's Wastes Disposal and Public Cleansing Act. In 2004, we were the first in the Japanese construction industry to gain this certification, and we have since managed to expand our Zero Emissions efforts through this system.

In 2019, a joint application including all 17 Sekiwa Construction companies at the time was approved, and we are currently preparing a joint application with Sekisui House noie. Through these efforts, we intend to further expand and strengthen the resource recycling system of the entire Group, envisioning the completion of our recycling-focused business.

In addition to targeting Zero Emissions backed by our long product service life, we are also working toward Zero Emissions in the real estate leasing business, with Sekisui House Real Estate Holdings, Ltd. playing a central role. Its current policy is to promote Zero Emissions of waste (mainly from interior materials such as fabrics and cushion floors) generated during repair work when tenants vacate dwellings of Sekisui House Real Estate companies, which are the rental housing management for Sha Maison rental housing constructed by the Company.

* Related to simple incineration of industrial waste and zero landfill disposal

History of Our Zero Emissions Initiatives

May 2002	Zero Emissions certification of factory production
September 2004	Wide Area Certification (an industry first)
April 2005	Sustainable Declaration
July 2005	Zero Emissions certification of new construction sites (an industry first)
March 2006	Zero Emissions certification of after-sales maintenance construction sites (an industry first)
October 2007	Zero Emissions certification of remodeling construction sites (an industry first)
October 2009	The Prime Minister's Prize for the 3Rs (Reduce, Reuse, and Recycle) Promotion Merit Awards for achieving Zero Emissions in four categories: factory, new construction, after-sales maintenance, and remodeling.
November 2010	The national launch of next-generation Zero Emissions system incorporating IC tags at new construction sites, the first in Japan
January 2017	We updated our unique Electronic Management System, developed simultaneously with Wide Area Certification, with systems incorporating cloud computing. The new system replaced IC tags with QR code labels, and began operations.
May 2017	Switch to a new system closely linked to the residence information database, Sekisui House's version of big data
February 2019	A joint application was accepted for Wide Area Certification by Sekisui House and all 17 Sekiwa Construction at the time, including for new houses built by Sekiwa Construction.

Resource Recycling

• Our Recycling Centers : The heart of our Zero Emissions initiative at new construction sites

One of the unique characteristics of our waste collection system in the Sekisui House Zero Emissions System, under the Wide Area Certification System, is our in-house facilities called Resource Recycling Centers. These facilities, which have been in operation at our production facilities across Japan since 2003, serve as the heart of our Zero Emissions efforts at new construction sites. These centers manage a number of processes, from allocating waste collection vehicles to supervising outsourced recycling companies.

All our waste generated during new construction is first sorted into 27 categories at the site, then re-sorted into 60 to 80 categories at our 21 Recycling Centers nationwide. All this waste is eventually recycled by our own hand. By disassembling components into materials of a single type and reducing their volume through compression and heating, we can put these materials into a recycling stream handled partly by external contractors.

Regarding plastic, which has become a particular problem in recent years, this material is collected and recycled at a 100% rate (of which about 95% involves material recycling) since the introduction of Zero Emissions at our new construction sites in 2005. In addition to sorting plastics by type, we subdivide sorting categories according to the requirements of recycling facilities, such as the degree of soiling, in an effort to maintain a high standard of recycling.

Results for Resource Recycling Centers and In-House Facilities

(FY)

2019	2020	2021
100% recycled	Same as left	Same as left

• Our waste measurement system

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

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. Since 2019, the utilization rate of the waste measurement system has been 100% on a business site basis.

Waste Measurement System Utilization Rate

(FY)

2019	2020	2021
100%	Same as left	Same as left

5 Activities and Other Related Information

Reducing the volume of waste and improving the quality of recycling

We continue to reduce the amount of waste generated at our production and construction sites. In FY2021, we reduced the amount of waste generated from factory production by 23.7%, compared with the previous fiscal year.

Although the amount of waste generated per newly built house decreased by nearly 60% compared with FY1999 levels as a result of our Zero Emissions initiative, in recent years the proportion of houses with high environmental performance and high input of materials has increased. This trend continues to show a slight increase.

However, with the recent global trend emphasizing a “circular economy,” greater importance is being placed not only on reducing the amounts of waste generated, but also on designing 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 structural building and construction techniques. We are doing so by utilizing the strengths of our in-house production facilities and by adopting direct construction, which 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 81.6% recycling rate in FY2021 with the aim of reaching 90% of our Zero Emissions goal during the production, construction, and maintenance phases.

Resource Recycling

Waste Generated by Factory Production

(FY)

2019	2020	2021
11,841 t	9,301 t	7,897 t

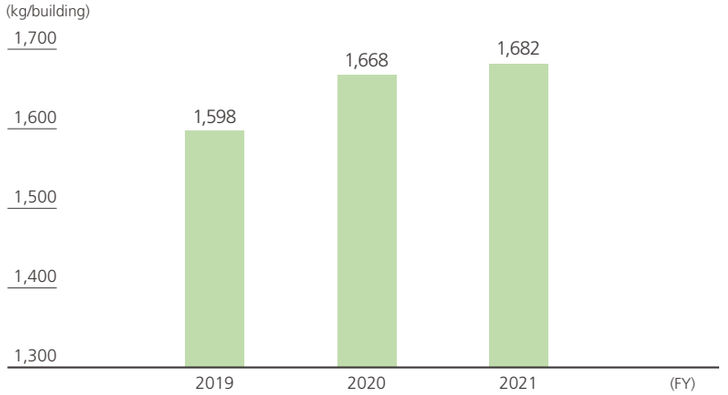
Note: We revised the scope of the survey in FY2021, and revised data for FY2019 and FY2020 in response. The weight of valuables is not included.

Weight/Cost of Manufacturing (kg/thousand yen)

(FY)

2019	2020	2021
0.449 kg	0.410 kg	0.313 kg

Waste Generated per Newly Built House



* Equivalent to 145 m² of floor area

Recycling initiatives

We continue to reuse waste generated in-house as a raw material as building materials in our buildings. For example, we manufacture house construction materials from plastics recovered from packaging materials and an acoustic insulation material from crushed scrap roof tiles as sound deadening materials for floors. In addition, at the manufacturing and processing facilities located at two recycling centers in Japan, scrap plasterboard collected from new house construction sites and eggshells from food processing factories are mixed and crushed into a powder. This produces Platama Powder, an athletic field marking chalk, which we have manufactured and sold since 2010. This initiative has enabled us to establish a new commercial distribution channel and a system for continual recycling by regularly purchasing eggshells for value, previously thrown away as food waste.



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



Eco Mark

E Water

1 Governance

The water consumption for the entire Group, including production facilities and offices, is monitored and used as base data for the effective use of water resources and for controlling and reducing water use. The total water withdrawal in FY2021, including clean water, decreased by 0.6% compared with the previous fiscal year.

In particular, we established a management system under ISO 14001, international standard for environmental management systems, at our factories and are promoting water-related initiatives through production facilities.

2 Strategy

Wastewater from all five factories in Japan is discharged into public sewers and rivers, after being purified at the effluent treatment plant in the factory, and then managed according to voluntary standards that are stricter than the Water Pollution Control Law and ordinances. In this way, we are striving to prevent water pollution and protect the environment for water quality in the areas surrounding our factories.

3 Risk Management

We share the results of wastewater quality assessments at all five factories in Japan. In the unlikely event that our voluntary standards are exceeded, we share the information on water pollution risk at a managers' meeting to help prevent any recurrence.

4 Indicators and Targets

Targets for reducing water consumption and water withdrawal in water-stressed areas

We will work to reduce water consumption and address water risks in the watersheds at our production facilities with relatively high water consumption. In our factories, we will determine water risks using water risk assessment tools and other equipment, then collaborate with local stakeholders to reduce water withdrawal according to regional characteristics.

Targets and Progress toward Reducing Water Consumption

(FY)

Targets	2019	2020	2021
Manage the water quality of factory effluent using voluntary standards that are stricter than the regulated values of laws and ordinances, and strive to prevent water pollution.	Satisfied voluntary standards for wastewater discharge that are stricter than laws and ordinances.	Same as left	Same as left

Targets and progress toward raw material (water) reduction or prevention

The Company does not use water as a raw material.

Water Withdrawal by Water Source (Millions of m³)

(FY)

	2019	2020	2021
Municipal water	0.634	0.597	0.598
Groundwater	0.446	0.462	0.457
Industrial-use water	0.032	0.024*	0.022
Total	1.112	1.083	1.076

* Data has been adjusted to reflect improved accuracy.

Water Use Per Sales (m³/million yen)

(FY)

	2019	2020	2021
Water use per sales	0.454	0.443	0.416

Emissions by Discharge Destination (Millions of m³)

(FY)

	2019	2020	2021
Sewers	0.455	0.443	0.472
Rivers	0.342	0.345	0.302
Total	0.797	0.788	0.774

Water Withdrawal by Water Source (Production Facilities in Japan) (Millions of m³)

(FY)

	2019	2020	2021
Municipal water	0.140	0.130	0.134
Groundwater	0.446	0.462	0.457
Industrial-use water	0.032	0.024*	0.022
Total	0.618	0.617	0.612

* Data has been adjusted to reflect improved accuracy.

Emissions by Discharge Destination (Production Facilities in Japan) (Millions of m³)

(FY)

	2019	2020	2021
Sewers	0.009	0.008	0.008
Rivers	0.342	0.345	0.302
Total	0.351	0.353	0.310

Water

Biochemical Oxygen Demand (BOD) (tonnes)

(FY)

	2019	2020	2021
Tohoku Factory	0.071	0.053	0.061
Kanto Factory	0.653	0.755	0.771
Shizuoka Factory	0.057	0.088	0.094
Hyogo Factory	0.170	0.043	0.056
Yamaguchi Factory	0.303	0.238	0.279
Total	1.255	1.178	1.261

Chemical Oxygen Demand (COD) (tonnes)

(FY)

	2019	2020	2021
Kanto Factory	2.482	2.187	1.918
Hyogo Factory	0.174	0.061	0.085
Yamaguchi Factory	0.920	0.753	0.835
Total	3.577	3.001	2.839

Number of Violations of Permits, Standards, and Regulations Related to Water Quality and Quantity

(FY)

	2019	2020	2021
Number of cases	There were no violations of permits, standards, or regulations related to water quantity.	Same as left	Same as left

Three-Year Wastewater Data

(FY)

	2019	2020	2021
Amount of wastewater	797,000 m^3	788,000 m^3	774,000 m^3

Voluntary Water Quality Standard Values at Domestic Production Facilities and Actual Measured Values in FY2021 (Typical)

Volume of emissions	Regulatory value under Water Pollution Control Law	Tohoku Factory			Kanto Factory			Shizuoka Factory			Hyogo Factory			Yamaguchi Factory		
		Ordinances & agreements	Voluntary standard value	Measured value	Ordinances & agreements	Voluntary standard value	Measured value	Ordinances & agreements	Voluntary standard value	Measured value	Ordinances & agreements	Voluntary standard value	Measured value	Ordinances & agreements	Voluntary standard value	Measured value
pH	5.8–8.6	5.8–8.6	5.9–8.5	7.3	5.8–8.6	6.0–8.4	8.1	5.8–8.6	6.0–8.0	7.8	—	6.2–8.2	7.5	5.8–8.6	6.0–8.0	7.0
Total chromium (mg/l)	2	—	1	Less than 0.1	1	0.5	0.1	2	—	Less than 0.1	—	—	—	2	Undetected	0.0
Copper (mg/l)	3	—	1.5	Less than 0.1	3	1.5	0.1	1	—	Less than 0.05	—	—	—	3	0.1	0.0
Phenol (mg/l)	5	—	2.5	Less than 0.1	1	0.5	0.1	5	—	Less than 0.05	—	—	—	5	2.5	0.0
n-Hex (mg/l)	5	5	3	Less than 0.5	5	2.5	0.5	3	2	Less than 0.1	—	2	Less than 1.0	5	2.5	0.0
Manganese (mg/l)	10	—	5	Less than 0.1	1	1	0.1	10	—	Less than 0.1	—	—	—	10	5	1.3
Iron (mg/l)	10	—	5	Less than 0.1	10	5	0.1	10	3	Less than 0.1	—	—	—	10	5	0.0

Note: Regulatory value under the Water Pollution Control Law (However, our Hyogo Factory is exempt from the law.)

Water

5 Initiatives and Other Related Information

Water resource conservation initiatives

The many offices, factories, and construction sites of our Group consume water resources. At these worksites, we are striving to use our water resources efficiently through water conservation measures. The total water withdrawal in 2021 was 1,076,000 m^3 (a reduction of 0.6% from the previous year). The amount of wastewater discharged was 774,000 m^3 (a reduction of 1.8% from the previous year).

Initiatives at domestic production facilities

Our domestic production facilities (Tohoku Factory, Kanto Factory, Shizuoka Factory, Hyogo Factory and Yamaguchi Factory) use groundwater in addition to the municipal water supply and industrial water in the painting process of steel frame members and the manufacturing and painting process for exterior walls used in residential construction. We continue to work on water quality management of wastewater and efficient use of water resources in these processes. Specifically, we are taking action to reduce water consumption by reusing wastewater after washing pallets for transportation and reusing treated water for cleaning.

In FY2021, the total amount of industrial water, groundwater, and clean water (intake water) used in the manufacturing processes at our production facilities in Japan was 612,000 m^3 (a reduction of 0.7% from the previous year). The amount of wastewater was 311,000 m^3 (a reduction of 12.1% from the previous year).

External initiative to reduce water use

In our newly built houses, we install the latest equipment for saving water (faucets, showers, flush toilets, etc.) supplied by housing equipment manufacturers as standard equipment in the majority of houses since before 2020. In this way, we are reducing water consumption in houses. In Japan, where we build most of our houses, water meters are essential for supplying water.

Collaboration with stakeholders in water-stressed areas

The Shizuoka Factory uses water from the Oi River system, and is using water for industrial use based on requests from the local business association, which has helped to reduce water consumption.

In addition, for homebuyers (residents), who are very important to us, we install as standard highly efficient water appliances such as water-saving toilets, faucets, and showers. We are also working to update and promote the use of water-saving appliances in existing houses through our remodeling business.

Waterway Point

Along a canal and featuring a beautifully landscaped promenade and large shopping mall, Waterway Point is a commercial center that we developed in Singapore with a joint venture partner. We upgraded the facade lighting and sanitation system to conserve energy and water. In addition, following our certification of registration with the ISO 14001 international standard for environmental management systems, in 2021 we also obtained certification of registration for ISO 50001, the standard for energy management systems. To meet these international standards, we are promoting the construction of environmental and energy management systems as we focus on targeting continual improvements.



The Waterway Point shopping mall and the Watertown condominiums that were offered for sale have earned a Gold Plus rating under Singapore's Green Mark* certification system.

* An environmental performance evaluation that defines building specifications and performance

E Supply Chain Management

1 Governance

We are committed to CSR-based procurement to fulfill our social responsibility under our basic purchasing policy for the best quality, robust delivery, and reasonable price, plus ESG.

CSR Procurement Guidelines

2 Strategy

FairWood procurement and Wood Procurement Guidelines

FairWood is defined as wood that is not only legal, but also contributes to sustainability and local development. We have declared FairWood procurement as a priority in our Wood Procurement Guidelines, and we are working to improve our level of procurement, while striving to engage with FoE Japan and other international environmental NGOs and industry organizations. For example, we are constantly working with environmental NGOs to obtain the latest information on high-risk areas and update our risk assessment methods.

The objective of FairWood procurement is to secure a stable supply of sustainable and renewable resources for the Company. Another objective is to achieve a positive impact through sustainable forestry management that goes beyond avoiding illegal logging by continually working on our supply chain, as one of Japan's leading wood consumers. This is also in line with our biodiversity conservation challenge goal of "maximizing ecosystem networks through our business."

10 Wood Procurement Guidelines

Evaluation based on wood procurement survey

We are always mindful of diversity, so when procuring wood, we consider the HCVF[1] designation and the IUCN[2] Red List of endangered tree species, and do not use any materials originating from regions that correspond to these species. We also consider the social issues in each country as required by the ISO 26000 international standard for social responsibility.

Specifically, detailed information on the origin, including the volume, species, and growing district of procured wood purchased from 64 major timber suppliers is evaluated using the Wood Procurement Guidelines, and ranked on a four-point scale: S, A, B, and C.

Based on these evaluations, we are encouraging suppliers to reduce the supply ratio of low-ranked wood and increase the supply of high-ranked wood.

The ratio of Rank S and Rank A wood, which represent our management targets, has been gradually increasing from 47% before the guidelines were implemented in FY2006. In FY2021, using wood ranked A and S reached 97.2%, which exceeded our target.

We view the forest certification system as an effective third-party certification. On the other hand, we do not see our ranking as absolute because we believe it is necessary to consider the producers working on community forestry and small farmers who cannot obtain certification for economic reasons. The utilization rate of certified materials is managed as a reference value, and 64% of all our wooden building materials, including interior equipment, and 93% of our structural materials alone are certified materials such as FSC/PEFC (including certified processed materials).

1. High Conservation Value Forests
2. International Union for Conservation of Nature and Natural Resources

Domestic wood initiatives at Sekisui House

Looking at the forest industry in Japan, while many forests are entering a period of full-scale use, they are not being replanted for the next generation for a number of reasons, and are not being fully utilized.

To revitalize the domestic forest industry, we believe it is necessary to achieve the seemingly contradictory goals of increasing demand to promote the renewal of forests for the next generation and branding to create added value. Therefore, we are developing the use of domestic timber, mainly for the structural materials used in our SHAWOOD wooden-frame houses.

We do not simply use domestic timber, but also develop it as a regional brand. By adopting materials from the regions where our customers live, we are contributing to local production for local consumption and the revitalization of the regional economy.

Currently, we are developing cedar, cypress, and larch products under 18 brands in 17 regions nationwide. These products have grown to a point where SHAWOOD—the cumulative number of these buildings has exceeded 6,500—has become a topic of conversation.

In response to the wood shock that hit the world in 2021, we took full advantage of the domestic timber supply network that we have cultivated to mass produce laminated beams made of cypress. The results of these efforts include using multiple procurement routes for key parts to fulfill our supply responsibilities and to put a system in place that prevents delays when executing our business operations. Another result is that we were able to demonstrate our approach to providing a solution to a social problem by viewing the wood shock not only as a supply problem for the Company, but as an opportunity to create demand for domestic timber.



SHAWOOD posts bearing the brand of the producing area

Supply Chain Management

Commitment to zero deforestation/no net deforestation

After adopting the New York Declaration on Forests in 2014, 86% of the world's forested countries and regions agreed to zero deforestation at COP26 in 2021, recognizing this as an urgent global issue.

The zero deforestation concept is in line with our FairWood procurement policy, and we have declared zero deforestation for all Group companies in our plan Sustainability Vision 2050. The Group's goal for the future is zero deforestation, including suppliers and secondary suppliers.

We are currently in the process of revising our Wood Procurement Guidelines and procurement policies to ensure full implementation and clear communication with suppliers, and to incorporate our commitments to suppliers.

Biodiversity commitment

The following commitments are included in our Wood Procurement Guidelines and shared with our suppliers and secondary suppliers.

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.
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.

3 Risk Management

Practicing due diligence in procurement

To us, due diligence* is the process of securing sustainable timber that supports the future of our business, and we implement sustainable wood procurement through strict due diligence practices.

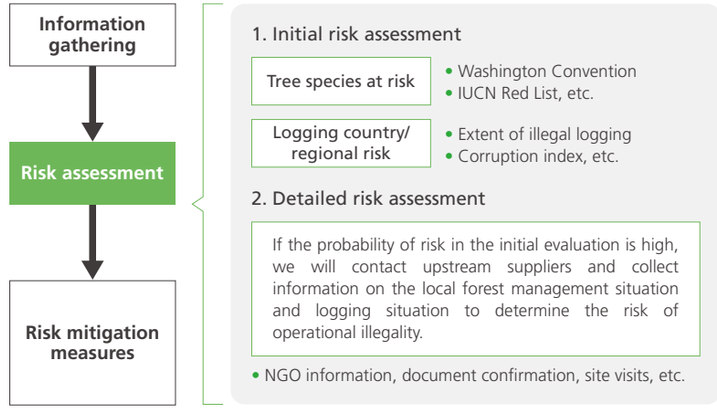
While many companies target only low-risk timber from primary suppliers for due diligence, we target suppliers upstream from the secondary level and visit logging areas to investigate and to confirm any timber that might be at high risk.

This is because we believe that an important role for manufacturers is to share the tracking process with suppliers and strive for improvement in order to achieve zero deforestation, now an international requirement.

From the perspective of traditional quality, cost and delivery issues, manufacturers and suppliers tend to be in conflict or in competitive relationships. However, by encouraging suppliers to provide sustainable timber, manufacturers will be able to work in concert with suppliers to address social issues, thus establishing a collaborative relationship instead of a competitive one.

In the future, we intend to practice due diligence covering all supply chains explicit in our procurement guidelines.

Due Diligence Practices



* Due diligence is the duty of care and effort that companies and others must apply as a matter of course. In Japan, the Act on Promotion of Use and Distribution of Legally-harvested Wood and Wood Products (commonly known as the Clean Wood Act) refers to due diligence, and was triggered by the tightening of regulations on the handling of illegally harvested timber in Western countries. This is represented by the process of 1. collecting information, 2. assessing risk, and 3. practicing risk mitigation by identifying risks of illegality. A growing number of companies are currently practicing due diligence in wood procurement while also addressing ESG-related risks.

Managing the environmental impact of suppliers

Since 2021, with the aim of responding promptly to serious risks, suppliers have been asked to report violations of any laws or regulations, in addition to answering the questions in their self-assessment of CSR evaluations. There were no reports in 2021.

Risk assessment of environmental issues

For existing suppliers whose CSR evaluation results reveal environmental risks, we conduct due diligence by monitoring them using onsite interviews, providing advice on evaluation standards and how to meet those standards, and confirming the current state of compliance.

In the unlikely event that a serious risk is discovered, we work with the people concerned to determine the proper remedial action and reinforce measures that could include cutting back on transactions with them, depending on the score in the supplier assessment.

Supply Chain Management

4 Indicators and Targets

Volume of Wood Procured

(FY)

	2019	2020	2021
Volume of wood procured	288,662 m³ 95.3% of which is S and A lumber[1]	250,529 m³ 97.0% of which is S and A lumber	285,722 m³ 97.2% of which is S and A lumber

1. Wood product procurement ranking
Depending on their total score, purchased wood products are classified into four levels, 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. We aggregate and disclose this index to indicate net positive impact and no net loss.

Total score (maximum 43 points)	Wood product procurement ranking
34 and above	S
26 to below 34	A
17 to below 26	B
Below 17	C

Percentage of Wood Products by Region

(FY)

	2019	2020	2021
Domestic wood	17.00%	18.80%	24.72%
East Asia[2]	8.00%	7.20%	5.08%
Europe	36.90%	33.20%	37.48%
North Pacific[3]	0.30%	0.90%	0.62%
South Pacific[4]	11.00%	12.70%	11.78%
North America	15.70%	16.50%	10.41%
South America	0.20%	0.10%	0.12%
Recycled wood	9.00%	7.90%	7.52%
Other[5]	1.90%	2.70%	2.27%

2. Excluding Japan
3. Russia, etc.
4. Indonesia, Malaysia, etc.
5. Africa, etc.

Current Environmental Certifications Acquired by Suppliers

In conjunction with SBT briefing sessions, we confirmed compliance with suppliers who are acquiring ISO 14001 (environmental management) and other external certifications.

(FY)

	2019	2020	2021
Status of acquisition	—	—	70%

Note: Percentage based on annual CO_2 emissions

5 Activities and Other Related Information

Adoption of fast-growing hardwoods

While Southeast Asia is facing serious problems with deforestation, sustainable forestry is spreading for the fast-growing hardwoods (Acacia falcata, etc.) that have been planted since the 1990s.

The Company believes that using wood from these trees will contribute to less deforestation and the sustainable management of fast-growing tree plantations, so we are promoting a change away from natural hardwoods. Beginning in 2019, we switched from lauan plywood to falcata plywood for foundations, and in 2021, we switched to acacia-derived material for part of medium-density fiberboard from mixed light hardwood.

To popularize this change in the future, we plan to raise awareness about sustainable wood procurement Company-wide, considering that it is necessary to have an understanding at the manufacturing site where processing and construction are actually performed and at the construction site.

Reduction of CO_2 emissions at the components and raw materials procurement stages

To reduce lifecycle CO_2 emissions from homes, the Company has been working on energy-efficient housing, including a shift to ZEH (net zero energy houses). However, because homebuilders cannot do this alone, we are promoting initiatives throughout the entire supply chain. CO_2 emissions from procurement of components and raw materials in our supply chain accounted for 35% of our total emissions in FY2021. This represented the second largest percentage after 53% for CO_2 emissions during the residential stage of supplied housing. For this reason, in October 2020 we surveyed our suppliers by questionnaire to determine the state of their initiatives to reduce CO_2 emissions. Based on the questionnaire results, 135 suppliers attended a seminar we held in February 2021. By doing this, we positioned 2021 as the kickoff year for reducing CO_2 emissions in our supply chain.

Further, in April and October 2021, we held seminars for 61, then 242 companies, to raise awareness of the need to acquire SBT certification.[6] As well as keynote speeches by SBT governing bodies, the major suppliers as well as small- and medium-sized suppliers presented case studies for acquiring SBT certification. Not only were good examples presented for how even small companies can obtain SBT certification, but a consultation service was also set up within the Company for small- and medium-sized suppliers. Through this service, we provide specific advice as well as answers to individual questions.

As of 2020, our major suppliers had an SBT target-setting rate of 18.6%, which increased to 22% in FY2021. We have set the goal of raising this target to 80% by 2030. By promoting effective CO_2 reduction across the supply chain in cooperation with our suppliers, we will contribute to the realization of a carbon-free future.

6. Certification of greenhouse gas reduction plans based on scientific data

E Other Environmental Management

1 Governance

Acquiring certification of ISO 14001 registration

As part of their production process management, five domestic factories that manufacture and ship industrialized housing materials have acquired ISO 14001 certification: the Tohoku, Kanto, Shizuoka, Hyogo, and Yamaguchi Factories, and one overseas factory, the Ingleburn Manufacturing and Quality Control Centre in Australia. ISO 14001 is the international standard for environmental management systems. We are continuing the operation of these systems. The ratio of certified production facilities is 100%.

Initiatives for effective processing of hazardous waste

Approximately 95% of the hazardous waste that we handle is asbestos (Levels 1 and 2) from existing structures, which is strictly treated as specially controlled industrial waste. The others are mainly residual substances left over from the use of chemicals from raw materials handled in domestic production facilities used to fulfill the need for long-term durability of housing at a high level.

For specially controlled industrial waste generated at domestic factories, we comply with the Waste Management Law, as well as all related laws and regulations (such as the Ordinance on Prevention of Hazards due to Specified Chemical Substances), and industry guidelines. Procedures are also in place to identify potential accidents and emergencies that could lead to significant environmental impact, to prevent any adverse environmental impact, or to mitigate any actions that minimize the escalation of impact. At the same time, possible responses are maintained for effectiveness through annual testing and internal audits of accident and emergency preparedness and response.

2 Strategy

Prevention of contamination by hazardous chemicals (Chemical Substance Guidelines)

Sekisui House aims to minimize the risk of using hazardous chemicals by applying EVABAT (economically viable application of the best available technology) throughout the lifecycle of a house. In 2007, we created our own Chemical Substance Guidelines, which employ a risk management perspective. We also reviewed and revised the guidelines in accordance with laws and regulations and new information regarding the use of chemical substances. At the same time, we comply with laws and regulations and promote appropriate responses to chemical substances based on guidelines established by the national government, local governments, industry associations, and others.

Chemical Substance Guidelines

Hazardous waste policy, etc.

We comply with all laws and regulations on hazardous waste and promote effective responses to hazardous waste based on guidelines from the national and local governments, as well as industry associations, and other organizations.

We will also indefinitely maintain the status of zero discharge of hazardous waste into the natural environment.

Commitment to reducing environmental impact

Under the leadership of the Environmental Subcommittee, we consider action policies for societal ideals, such as a decarbonized society, or a society where people and nature coexist, and a circular economy. We implement initiatives that keep reducing the environmental impact of our business activities. These actions are adopted by the whole Group after receiving approval from the ESG Promotion Committee. Action policy details are regularly reported to the Board of Directors.

In addition, we have set goals for reducing our environmental impact in response to new issues and are working to achieve them.

3 Risk Management

Responding to risks related to soil and groundwater pollution

We will continue to focus on minimizing risks, including prevention of secondary pollution, by conducting surveys and implementing countermeasures not only for our own lands but also for land for which we are engaged in transactions.

Prior to engaging in land purchase or sales contracts, we implement risk identification related to soil and groundwater contamination by employing a pre-screening system using our own soil contamination checklist (including a survey on history of land use transition; surveys of topography, geology and groundwater; a data survey on surrounding environmental measurements by local governments; a site inspection survey; legal compliance; and other investigations).

In the case of land that may contain contaminated soil, such as factory sites, sellers are increasingly conducting their own voluntary surveys. When purchasing land, a specialized department of the Company scrutinizes all survey reports. If a problem arises regarding the completeness of the information, we ask the seller to conduct additional surveys.

Properties that are determined to be at risk of contamination are analyzed by designated research institutions to evaluate the validity of the transaction. In addition, where soil contamination has been discovered as a result of the investigation, land with minor concentrations and distributions of contamination (land contaminated mainly with heavy metals that can be guaranteed as amenable to complete remediation) undergoes remediation by soil replacement before the sale. When this occurs, we explain the measures that have been taken as a material matter.

At domestic factories on our own sites where contamination could be a risk if no action is taken, we have set up measures for investigation, prevention, daily management, and emergency response (prevention and mitigation of contamination), and are implementing contamination risk management.

Other Environmental Management

4 Indicators and Targets

Goals, programs, and achievements to control hazardous chemical pollution

[At time of production]

Substances Subject to the PRTR Law[1]

(FY)

Targets	2019	2020	2021
• Continuation of appropriate protective measures • Maintain zero accidents caused by chemical substances	No accidents caused by chemicals used in factory production have occurred.	Same as left	Same as left

Atmospheric Emissions of Volatile Organic Compounds (VOCs)[2]

(FY)

Targets	2019	2020	2021[3]
60% decrease from FY2010 levels	76% decrease	71% decrease	78% decrease

Emissions of Volatile Organic Compounds (VOCs)[2] over the past Three Years

(FY)

	2019	2020	2021[3]
VOCs subject to PRTR	35.5 t/year	30.5 t/year	24.4 t/year
VOCs not subject to PRTR	118.4 t/year	110.5 t/year	82.2 t/year

1. Pollutant Release and Transfer Register: Law requiring monitoring of environmental emissions of specified chemical substances and promotion of improved management. Businesses meeting certain conditions specified by Cabinet Order are obliged to report the amount of specified chemical substances released and disposed of annually.
2. 80 VOC target substances whose atmospheric emissions require monitoring were confirmed and monitored in the Eco Action 2020 management survey of the Japan Prefabricated Construction Suppliers and Manufacturers Association.
3. Aggregated figures for the period from April 2020 to March 2021 (shown) differ from the period covered by this report (starting on February 1) because these figures apply to an administrative fiscal year starting on April 1.

[During construction]

(FY)

Targets	2019	2020	2021
• Continuation of appropriate protective measures • Maintain zero accidents caused by chemical substances	No accidents caused by use of chemical substances have occurred.	Same as left	Same as left

[Natural environment (soil)]

(FY)

Targets	2019	2020	2021
Maintenance of zero serious risk when purchasing land[4]	No purchases (sales) occurred involving contaminated land exceeding legal standards or unremediated land.[4]	Same as left	Same as left

4. Serious risk includes redevelopment of brownfield sites (land that is idle due to real or potential contamination caused by industrial activities, etc.).

[During residential use]

(FY)

Targets	2019	2020[6]
Minimum 80% installation rate of Airkis[5] high-quality indoor air systems	90% installation rate of Airkis systems in steel-framed custom detached houses	85% installation rate of Airkis systems in steel-framed custom detached houses

Targets	FY2021 results
Minimum 70% adoption rate of the next-generation indoor environment control system SMART-ECS[7]	79% adoption rate

5. Airkis (Japanese only)
6. The sales promotion program was completed in November 2020, but product is still being sold.
7. SMART-ECS (Japanese only)

[Construction waste]

In 2004, we acquired the first Wide Area Certification in the construction industry. We have achieved and maintained Zero Emissions by collecting 27 categories of waste sorted at our construction sites, re-sorting them into up to 80 categories at our Recycling Centers, and recycling the waste at a 100% rate.

(FY)

Targets	2019	2020	2021
• System maintained • Maintain zero release of hazardous waste into the environment during new construction	No release accidents have occurred.	Same as left	Same as left

[During product disposal]

(FY)

Targets	2019	2020	2021
• System maintained • Maintain Zero Emissions of hazardous waste into the environment during demolition work	No environmental release accidents have occurred.	Same as left	Same as left

Initiatives to reduce hazardous waste

We are constantly considering how to use the best economically feasible technologies. One example of reducing waste: electrodeposition coating materials used for antirust treatment on steel frames contained a very small amount of lead, but since January 2003, we have switched to lead-free paints, resulting in zero residual materials from lead-based paints.

Release of hazardous waste

With regard to the release of hazardous wastes, we monitor the amount of "specially controlled industrial waste" we release under the Waste Management Law. In addition to the hazardous waste regulated by the Basel Convention, such as waste PCBs and products containing PCB pollutants, which we are disposing of sequentially toward the statutory disposal deadline, we properly handle and dispose of all other specially controlled industrial wastes (including flammable waste oil, waste acids, and scatterable asbestos) that we generate.

(FY)

Targets	2019	2020	2021
Maintain zero release of hazardous waste into the natural environment	No improper processing or scattering accidents	Same as left	Same as left

Other Environmental Management

Assessment of compliance with environmental laws and regulations

We have a system to ensure that a report is submitted to the head office if any violations of environmental laws and regulations occur, including potential soil, groundwater, and air pollution.

(FY)

2018	2019	2020	2021
No reports of significant violations (subject to punishments, administrative penalties, or administrative guidance) of greenhouse gas laws and regulations or serious leaks of fluorocarbons were submitted.	Same as left	Same as left	Same as left

Ratio of buildings with green certification

The green certification ratio of Sekisui House's real estate portfolio is zero.

However, the Company has received certification for CASBEE for Real Estate (Rank S) for Akasaka Garden City, which is included in the Company's portfolio (ratio of right of site: 34.55% of 662,768/1,000,000 (approximately 66.3%)).

Total Environment Data for Real Estate Portfolio

(FY)

	2019	2020	2021
Electricity consumption	—	—	53,859 MWh
Gas consumption	—	—	4,292 thousand m³
Water consumption	—	—	371 thousand m³

5 Initiatives and Related Information

Use of lifecycle analysis during product or system design

For some time, we have calculated CO_2 emissions at every stage, from production to demolition, using the Life Cycle Assessment (LCA)* method, and found and understood that the residential stage is responsible for the largest portion of CO_2 emissions. For this reason, we have worked hard to promote eco-friendly homes that reduce emissions. For contributing to the realization of a decarbonized society, we recognize that the most important environmental factor is reducing the environmental impact at the residential stage, so we continue to work on the evolution of our products.

In addition, Group companies specializing in remodeling existing products are working to reduce CO_2 emissions from the existing housing stock and are making steady progress toward a decarbonized society by 2050.

Further, by calculating CO_2 emissions for Scope 1, 2, and 3, we are monitoring CO_2 emissions during product manufacturing, as well as at every upstream stage, including materials procurement, and downstream, including during occupancy, and we are using this information to devise ways to reduce CO_2 emissions over the entire lifecycle of the product.

* An approach for quantitatively determining the environmental impact of all processes from the extraction of raw materials required for a product or service through to use and disposal.

Green procurement

We are applying green procurement, which prioritizes the purchase of environment-friendly products, and we purchase stationery and other office products used by our business offices across Japan that follow our Green Procurement Guidelines. In FY2021, our green purchasing rate was 91.2%, and our recycled paper rate was 99.9%.

By gathering, compiling, and visualizing data on the amount of paper used in the office, we are raising awareness of the need to reduce the amount of paper we consume. In collaboration with Sekisui House Umeda Operation Co., Ltd., we supplied an eco-friendly 100% recycled paper with high whiteness for our operations in Japan (the standard for the Green Purchasing Law is 70% recycled paper content). We supply this paper to offices, including Group companies, as our own original recycled paper product.

In FY2021, the Company's total paper consumption was 668 tonnes, representing a 3.5% decrease year-on-year, due in part to the increased number of employees telecommuting from home in an effort to minimize the spread of the COVID-19 infections. In addition, our paperless initiative further progressed, with annual paper consumption per employee totaling 44.5 kilograms, down 3.5% from the preceding year.

Annual Paper Consumption Per Employee

(FY)

	2019	2020	2021
Total paper usage	739 t	692 t	668 t
Annual paper consumption per employee	50.0 kg	46.1 kg	44.5 kg

S
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S Customer Initiatives, Technology Development and New Business Creation

1 Governance

Even after handing over a house to a customer, we continue to work to further improve customer satisfaction, based on our customer satisfaction approach of always being there for our customers and continuing to look after their homes throughout their lives. In addition, we have roughly 100 Customer Service Centers (30 offices) nationwide, which have been established to provide customer support in cooperation with our research laboratories and head office divisions.

In August 2020, we opened a Customer Service Center Owner Desk and established a system to accept customer inquiries 24 hours a day, 7 days a week. To strengthen our responsiveness, we also started operating a system for handling inquiries that utilizes a chatbot and other automated communication tools. We intend to continue enhancing our response to inquiries via social media, interactive apps and other channels, and aim to develop an automated, knowledge-based system that uses AI to create a database of sample answers using the large number of inquiries we have received in the past as reference to provide relevant responses to customer inquiries. Through these measures, we will keep watch over our customers' houses.

In addition, our Customer Service Centers play a central role in periodic inspections and maintenance of dwellings after handing them over.

2 Strategy

We are contributing to the formation of a stock-oriented and sustainable society, through a system that allows high-quality housing to be passed on to the next generation as an asset of society, rather than repeating the process of scrap-and-build. In addition, our efforts to protect the value of buildings include establishing relationships with new customers after a change in occupants, so that quality housing can continue to be used.

To realize our global vision to make home the happiest place in the world, our Customer Service Centers, which are always close to our customers, must continue to provide the best service. We are expediting large-scale upgrades to our support operations so that all services are available to all customers.

- **Smart universal design provides safety, security, ease of use and comfort**

We have been creating housing since the 1980s following the same principles that are today known as universal design, and have consistently pursued the creation of homes that are easy for everyone to use, based on the concept of lifelong housing for all of our buildings.

In 2002, we established the independent SH-UD (Sekisui House Universal Design) standard, and have been pursuing smart universal design that extends to comfort since 2010. Smart universal design is also highly valued in society, and our efforts in this area have won numerous Good Design Awards and Kids Design Awards.

3 Risk Management

Quality improvement (a system for preventing flaws and recurrences and creation of a database for complaints)

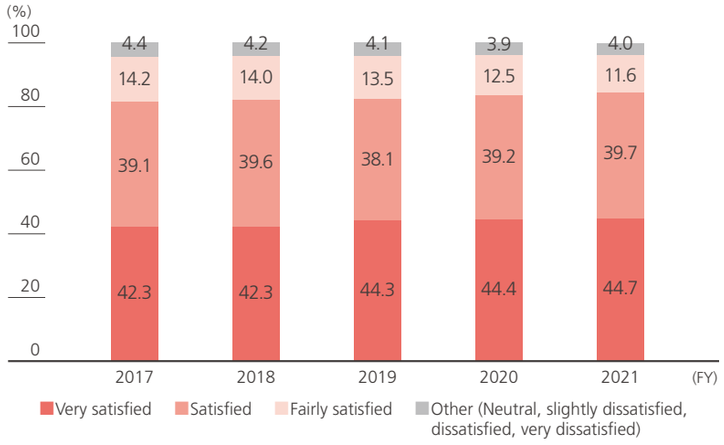
To supply houses to homeowners in which they can live safely with peace of mind and enjoy good health and comfort, we constantly strive to improve quality, and have set up a system for preventing flaws and ensuring that they do not recur. In order to improve and enhance the quality of our housing, we place great importance on customer satisfaction surveys, and the real voices of our customers that we receive at our Customer Service Centers and consultation desks. We conduct surveys on services and products based on homeowner feedback, then analyze the results and share everything with the relevant departments. To date, improvements have been made to reflect the wishes of homeowners. These include remodeling water-use areas and the equipment and interior fixtures.

Improving customer service through the operation of an Owner Desk

We set up the Owner Desk to provide consistent customer service, which had not always been uniform because of the varying responses of individual staff members providing service. In addition, we structured a system to convert contact details into data managed as a corporate asset, and we analyze the collected data to improve the quality of service and minimize risk to customer satisfaction.

4 Indicators and Targets

Questionnaire One Year after Moving into Detached House on Level of Satisfaction (Choice of 7 levels)



Note: The horizontal scale shows the fiscal years in which the questionnaire was administered.

Percentage of Sekisui House Residences Certified as Long-term Quality Housing

(FY)

2019	2020	2021
93.0%	93.3%	93.4%

Customer Initiatives, Technology Development and New Business Creation

5 Activities and Other Related Information

Certified as Long-Life Quality Housing

The average lifespan of houses in Japan is said to be about 30 years. To make houses that last longer is the key to effectively utilizing resources and improving asset value.

Under the Act for the Promotion of Long-Life Quality Housing that went into effect in June 2009, the Japanese government established the Long-Life Quality Housing Certification Program, which aims to build up a stock of high-quality, long-term housing. Houses that are built according to set standards for structure and facilities are certified as "Long-Life Quality Housing" and various tax benefits apply. In FY2021, 93.4% of the homes we built were certified as "Long-Life Quality Housing" and that percentage is on the rise.

We also operate Ie-Log, a regularly updated database of historical data about each residence, ranging from such basic building information as the homeowner's information to the design plans, inspection results, and repair records. Homeowners can use the Ie-Log database in managing maintenance or renovations of their home.

Sekisui House also offers an initial 30-year warranty program (for contracts signed on or after April 1, 2018) that covers the structural framing 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 will continue putting our energy into making longer-lasting homes that provide safety, security, and comfort.

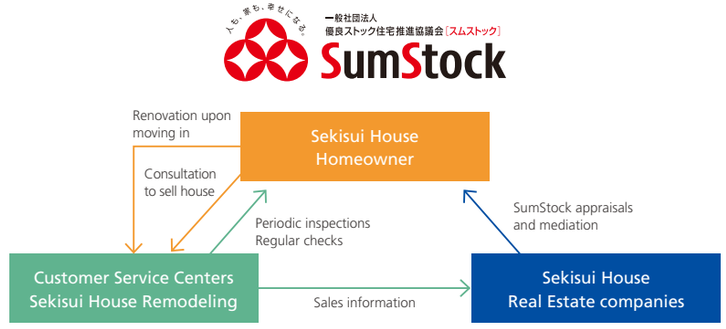
Promotion of the SumStock quality housing stock system

SumStock is a circulation system for high-quality existing housing stock. It is run by the Provision of Quality Housing Stock Association, a general incorporated association founded in 2008 that comprises 10 major housing manufacturers including Sekisui House, and is chaired by Yosuke Horiuchi, Sekisui House's current Representative Director of the Board, Vice Chairman and Executive Officer. The circulation system is an integrated system for members that covers all steps from value appraisal and certification through to resale. Its activities are aimed at increasing quality housing stock and invigorating the market.

A house's basic structure ("skeleton") and its interior furnishings and facilities ("infill") are appraised separately by years of depreciation, and the value of the building and the land are indicated separately in this proprietary circulation system. Each house supplied by member companies must fulfill three requirements to qualify: Has a database of residential data; has been on a 50-year-plus maintenance program; and has seismic resistance that exceeds recent standards.

System for SumStock through Collaboration within the Group

Our Customer Service Centers and our Group companies, Sekisui House Remodeling and Sekisui House Real Estate, are working together to promote SumStock.



Also, using the data accumulated in Ie-Log, our proprietary housing history database, homeowners are able to circulate their home as a high-quality house. In the Fifth Mid-term Management Plan (FY2020–FY2022), which began in FY2021, the SumStock brand is being solidified, and in addition to the conventional goals of increasing volume and brand recognition, we are working to further improve quality and make social contributions, by promoting the distribution of high-quality existing homes to achieve carbon neutrality and other goals.

Customer satisfaction surveys

Sekisui House conducts customer satisfaction surveys to find out how homeowners rate the housing products and services we provide. We ask customers of detached houses to complete a questionnaire on the homebuilding process. A pre-construction letter of inquiry gives us the chance to allay anxieties by clarifying any unresolved matters listed, to proceed smoothly through to the post-construction phase. A questionnaire upon moving in allows customers to rate their satisfaction level at each person in charge, and different phases of the process, from preliminary discussions to the handing over of the house. A questionnaire one year after moving in lets customers rate how well the design proposal succeeded, their satisfaction in terms of ease of use, after-sales service, etc. Owners of our Sha Maison rental housing are asked to fill out a questionnaire two years after handing over. These questionnaires cover overall satisfaction, the workmanship of the building, the customer's willingness to recommend Sekisui House to other people, and satisfaction with various parts of the house, and the power generation system.

Since August 2012, customers have been able to answer questionnaires online at the homeowner member site, Net Owner's Club. The improved convenience has seen more customers use the online system year by year. At present, more than 60% of detached house customers respond to the questionnaire online.

The collated and analyzed questionnaire results are communicated to the relevant departments, helping to improve daily operations, expand services, develop new components and products, and improve design and construction.

S Supply Chain Management

1 Governance

PDCA practice for CSR procurement

We are committed to CSR procurement, based on a policy for finding the best quality, robust delivery, and reasonable price plus ESG.

Upon signing the United Nations Global Compact in 2018, we joined the supply chain subcommittee of the Global Compact Network Japan (GCNJ). We established the CSR Procurement Guidelines for our suppliers, which are compliant with the GCNJ's (self-assessment questionnaire (SAQ). Since that time, we have asked suppliers to submit a signed agreement to confirm their understanding and compliance with the purpose and content of the guidelines, as well as cooperation with periodic checks or audits regarding their efforts, and we explain the significance and importance of CSR procurement to our suppliers at our annual action policy briefings held each February. In addition, at the end of each year, we conduct a CSR evaluation using a self-assessment check sheet based on the GCNJ's SAQ, in order to confirm compliance with the guidelines. By implementing the PDCA cycle for CSR procurement, we are raising awareness of social responsibility among our suppliers and deepening CSR procurement.

QDC and ESG

Strive to procure materials of the best quality, to earn customer trust and satisfaction	Best quality Q	Robust delivery D	Promote supply chain resilience, ensure stable delivery, and prepare for delivery constraint risks
Work with suppliers to improve value and achieve reasonable price	C Reasonable price	ESG	Proactively address social issues such as respect for human rights and decarbonization in the supply chain

In the CSR evaluation, the suppliers themselves are asked to evaluate their own initiatives from five perspectives: legal awareness, policies, systems and responsibility, verifying initiative outcomes, and corrections. The results are scored and evaluated. When commissioning a company as a new supplier, we perform a protocol-based evaluation and factory inspections for suitability from the standpoint of ESG principles. In addition, we require a signed agreement confirming an understanding of the CSR procurement guidelines before any transactions are conducted.

Guidelines and other regulations are posted so that members of our procurement department can easily refer to them. In addition, the department regularly holds seminars to keep everyone up to date on laws and social issues.

2 Strategy

CSR Procurement Guidelines

In 2018, we established the CSR Procurement Guidelines for our suppliers, in compliance with the GCNJ's SAQ, with the aim of realizing a sustainable society that includes the supply chain.

CSR Procurement Guidelines

Supply chain policy on social issues

We recognize "human rights and labor" as one of the most important social issues in our supply chain.

The Sekisui House Group Human Rights Policy was set up in April 2020 and applies to all officers and employees of the Sekisui House Group. We also expect our business partners, including partner building constructors and suppliers, to understand and support this policy. The Sekisui House Group Human Rights Policy is also presented on the online information-sharing platform we maintain with our suppliers and we encourage them to comply with the policy.

The CSR Procurement Guidelines prohibit discrimination based on nationality or race, inhumane treatment, forced or compulsory labor and child labor, and require appropriate management of employee health and safety. We obtain signed agreements to adhere to the guidelines from our suppliers.

In order to promote respect for human rights in the supply chain, it is essential to expand the circle of encouragement from our suppliers to their suppliers. Therefore, in February 2022, we held a study session with external lecturers. Approximately 150 suppliers participated in the session to raise awareness and acquire basic knowledge.

We will continue our efforts to promote respect for human rights in our supply chain.

Sekisui House Group Human Rights Policy

3 Risk Management

Supplier monitoring

In the event that risks are found in the results of the CSR evaluations of existing suppliers in areas such as the environment and human rights, we conduct monitoring by visiting the individual suppliers as suppliers to be monitored, provide advice on the evaluation criteria and achievement levels, and confirm their actual status by conducting due diligence.

As of the end of 2021, we conducted CSR evaluations of 150 suppliers, and determined that six suppliers should be closely monitored in terms of human rights, four suppliers in terms of labor, and five suppliers in terms of the supply chain, for a total of six suppliers (some suppliers had overlapping concerns). We are monitoring each company and encouraging them to make improvements.

Supply Chain Management

In serious cases we work with the department concerned to determine the proper action to take, and stipulate measures which might include cutting back on transactions, depending on the score in the supplier assessment.

Further, as a construction company, we consume a large volume of lumber. For this reason, we recognize the need for especially strict lumber procurement and we check due diligence annually by survey, targeting 60 or so major building material suppliers. We conducted a survey of 64 of these companies in FY2021.

When necessary, we conduct on-site inspections in Japan and overseas, including visits to logging areas at the most upstream portion of the supply chain. However, due to the COVID-19 pandemic, we were unable to conduct such inspections in FY2021.

Risk assessment of social issues

Since FY2021, we have been requesting suppliers to report violations of various laws and regulations, in addition to answering each question in the CSR evaluation. This supplements the results of the CSR evaluation, and allows us to identify high-risk suppliers who may be in violation of compliance, and take prompt action.

In FY2021, there were zero reported cases, and no high-risk suppliers were identified.

Enhancing sustainable procurement

• Conducting annual action policy briefings for suppliers

We hold an annual action policy briefing for our suppliers to ensure the best quality, robust delivery, and reasonable price, and to safeguard ESG for procurement. The purpose of the briefing is to deepen the understanding of suppliers regarding our procurement activities, and approximately 150 major suppliers participate in the briefing. In addition to explaining specific procurement initiatives, we share examples of improvements that suppliers have made, and honor outstanding suppliers. We also provide feedback on CSR evaluations, and hold lectures by external lecturers to raise awareness of ESG issues.

• Strengthening policy-based action and partner relationships

We are strengthening policy-based actions and our partner relationships to promote a common understanding of priority issues with key suppliers, align the directions of activities, and promote major reforms and improvements.

• Promotion of Business Continuity Planning

In 2021, events related to procurement risks that could not have been anticipated in the past occurred frequently, including not only natural disasters and industrial fires, but also a global shortage of semiconductors and raw materials, as well as an imbalance between supply and demand due to the spread of an infectious disease and a rapid recovery in demand.

We have long worked with our suppliers to establish an initial response communication system for use in the event of natural disasters, and to conduct associated drills. In September 2021, we held the Supply Chain Resilience Promotion Conference online, with the participation of approximately 160 suppliers, with the aim of addressing a wide range of procurement risks. In order to strengthen the supply chain, it is necessary to expand the circle of encouragement from our suppliers to their suppliers, in addition to our own efforts with respect to our suppliers. At the conference, we explained our activities to strengthen business continuity planning (BCP), and shared specific examples of our suppliers to raise awareness. We aim to build a more robust supply chain, including secondary and subsequent suppliers, based on the three pillars of delivery, specifications, and information.

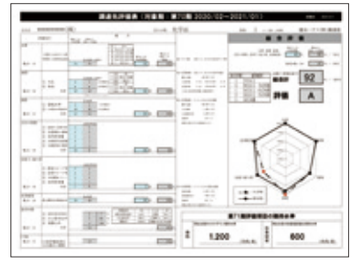
• Process improvement through supplier assessments

To ensure fair and impartial transactions, we conduct supplier assessments for our suppliers in order to evaluate factors such as quality, delivery and price. We disclose the assessment results to the concerned suppliers, so that they can use them to improve and strengthen their structure. The primary objective is to have the assessments lead to concrete improvements, which is why the process does not stop with an assessment but extends to pragmatic suggestions for the supplier's PDCA cycle.

For the FY2021 supplier assessments,* 109 companies were major suppliers, comprising 74.3% of the total amount of procurement. In addition, we also conduct a CSR evaluation at the same time as the supplier assessment.

In carrying out these assessments, the focus is on process management to encourage reforms, rather than uniform evaluations of assessment results. Going forward, we plan to implement supplier assessments with high transparency and continue to support the strengthening of suppliers, in addition to maintaining fair and impartial transactions.

Supplier assessment chart
An overall rating is assigned from A to E, based on the evaluated areas. Results are presented on a spider chart, to identify both positive points and issues.



* Ratio of supplier assessments to all suppliers (by purchased value; trading companies are not included in this assessment)

4 Indicators and Targets

▶Please see Section 7 for details.

» Page 188: Social Data ①

S Coexisting with Local Communities

1 Governance

The Sekisui House Group has positioned coexisting with local communities as one of the key issues in the S (social) area of ESG management, from the perspective of wishing for the happiness of local communities, and is working from two directions: social contributions through our business, and social contribution activities in aspects that cannot be covered by business. In terms of activities that cannot be covered by our business, we focus on children and the environment as local issues. The ESG Promotion Committee under the Board of Directors (including two external experts) has been working to improve the social aspects of our ESG management, by defining initiatives based on exchanges of opinions with external experts.

2 Strategy

In addition to the accelerated aging of society and a declining birthrate, disaster prevention and mitigation measures, and carbon neutrality, particularly after the COVID-19 pandemic, local issues and the needs of residents and businesses have changed. In addition, community development for sustainable lifestyles that are tailored to individual cultural climates is needed. Against this backdrop, we are working to further the evolution of town development that solves social issues, while developing existing infrastructure services such as medical care, nursing care, and welfare, as well as the use of real estate. Sekisui House has comprehensive proposal strengths that integrate ESG, tangibles, intangibles and services in collaboration with homeowners and organizations ranging from NPOs and NGOs to governments and public welfare organizations. These proposal strengths will create and maintain strong relationships between residents and community hub operators to bring about a society where people can be happy in their community throughout their lives. In addition, for nonbusiness factors, we support local NPOs that are working on issues surrounding children and the environment through our own unique programs, such as the Sekisui House Matching Program, a joint donation system between employees and the Company. In addition, we encourage employees to contribute to society through volunteering. Employees use their own expertise—as part of a system that we set up to enable them to feel satisfaction, pride, and happiness—by participating in activities that spread happiness in the community.

Making Communities Happy through Business and Social Contribution Activities



Realization of a sustainable society
—Contributing to the creation of happiness in society—

3 Risk Management

A reliable network of experts

In order to promote a business that contributes to coexistence with the local community, it is important to understand local issues, have a relationship of trust with the business owner, and be compatible with the community hub operator. We implement projects that are meaningful to the community through relationships with owners, utilization of the knowledge and networks of specialized departments such as the Corporate Real Estate Strategy Office and the TKC Project Department, and collaboration with external experts and others.

• Volunteer Web



In our social contribution activities, we have established and operate a Volunteer Web, to enable our employees to engage in volunteer activities safely and appropriately. On this website, users are able to search for NPOs (non-profit organizations) and other organizations that are active in each region, as recommended organizations for Sekisui House Matching Program subsidies, and can also register to participate in volunteer activities, either as an employee or a business office. This system was introduced and began operating at the end of July 2021. Since the organizations that are searchable on this website have been included based on specific criteria established in advance, this system allows users to participate in activities that are both safe and appropriate.

4 Indicators and Targets

Numerical values as a measure of harmony with local communities through business

Cumulative Number of Roadside Rest Station Facilities Opened through the Trip Base *Michi-no-Eki* Stations Project, a Regional Revitalization Project

(FY)

2019	2020	2021
No results	4 prefectures: 8 buildings 596 rooms	5 prefectures: 14 buildings 1,053 rooms

Cumulative Construction Results in our Platinum Business*

(FY)

	2019	2020	2021
Elderly and nursing care facilities	1,345	1,379	1,407
Medical facilities	3,471	3,603	3,700
Facilities for people with disabilities	342	400	468
Childcare facilities	278	330	402

*: Platinum business refers to the construction of medical facilities such as assisted living facilities for the elderly, group homes, and clinics, as well as facilities for people with disabilities and childcare facilities.

Coexisting with Local Communities

Numerical values as a measure of harmony with local communities through social contribution activities

Sekisui House Matching Program Subsidies (FY)

2019	2020	2021
¥30.24 million	¥38.33 million	¥49.00 million

5 Activities and Other Related Information

Social contribution activities through our business

• Trip Base *Michi-no-Eki* Stations Project to promote regional revitalization

The Trip Base *Michi-no-Eki* Stations Project, a regional revitalization project that we are developing with Marriott International, proposes a style of travel that encourages the exploration of lesser-known destinations to discover their unique charms, through use of a system of roadside rest stations known as "*Michi-no-Eki*." In the first stage of the project, 15 roadside hotels were opened in six prefectures as of March 2022, providing a total of 1,152 rooms. In the newly initiated second stage, facilities will be opened sequentially starting in May 2022, with plans to have 1,184 rooms in 14 locations in 8 prefectures by 2023.


Fairfield by Marriott Kyoto Kyotamba


Yorimichi Map

This project, which operates the Fairfield by Marriott roadside hotels specializing in overnight stays with the aim of promoting the use of local stores and other facilities, is also deepening its collaboration with local communities and alliance partners. To help solve local issues and revitalize local communities, the project has realized a series of initiatives such as the *Yorimichi* Map, which uses DX to provide travelers with information regarding a tour of the Udatsu Wall Historical District in Mino City, Gifu Prefecture, and cooperation with the KURADASHI Challenge, which aims to reduce food loss by supporting the harvesting of agricultural products in Kyotamba Town, Kyoto Prefecture. While aiming to expand the number of rooms to roughly 3,000 nationwide, we will continue to contribute to regional revitalization by promoting tourism to achieve SDG goal 17, "Partnerships for the Goals."

• Healthy urban development through connection and function

Open Village Nokishita was established as an initiative to create a place where people with no previous ties to the area could live with peace of mind (Project planning and facility operation by AiNest Co., Ltd., a wholly owned subsidiary of Kokusai Kogyo Co., Ltd.). The planned site is a newly developed area where many of the victims of the Great East Japan Earthquake have relocated. Although disaster victims were able to secure housing through large-scale reconstruction public housing, they tended to stay at home because they had few acquaintances, and there were few places to casually visit, which became a new concern for the community.


Open Village Nokishita

This project aimed to create a place where a diverse range of people could gather and interact in an open and comfortable manner, within walking distance for local residents, including disaster victims, and to create a community center where healthy and sustainable lifestyles could be achieved. The Company has provided comprehensive cooperation for this project, including architectural planning, design, construction, and operational business matching. The courtyard is surrounded by a group home and short- stay facility for people with disabilities, a support center, a collective space featuring a job assistance café and a gallery, and a nursery school, and tenants are managed by a social welfare corporation, an NPO, and a business company. Engawa, which is located in the center of the facility, is used for events for families receiving childcare support, and also as a space for cooking, handicrafts, gymnastics, music, study, and other activities. Resident staff are available for consultation on daily living in the area, and Engawa continues to provide activities that are closely connected to the community, on a daily basis.

• Creating a center of interaction to pass on local resources to the future

The *Dai-no-mori* Project is a project to create a symbiotic community in which memories of daily life are inherited, together with a forested property and wells that have been passed down from generation to generation, a zelkova tree that is now more than 300 years old and is a valuable local resource, and fruit-bearing trees. The project proposes the creation of a community hub that is open to the community, where a pottery workshop, a café, a gallery, a restaurant, and a group home for people with disabilities all coexist. Based on the lessons learned from the Great East Japan Earthquake, we felt that it was important to build face-to-face, multi-generational relationships. Accordingly, we interviewed 90-year-old residents about their childhood memories, exchanged opinions with residents in the neighborhood, and developed a plan to create a place with people that would encourage visitors to grow attached to, and become involved with the area. The storehouse gallery (construction: Moku-Kobo Zui) was built using an existing wooden warehouse, while the interior of the café and restaurant was created in an event-like manner, with the participation of the operators' family members, local volunteers, and children, allowing them to experience working together to create. The project received high praise for the planning process, and for becoming a role model for children's participation in community development, and was awarded the Kids Design Association President's Award in FY2021. The project continues to grow day by day as a sustainable hub, while delighting the neighborhood residents with its park-like atmosphere.


Dai-no-mori Project

Coexisting with Local Communities

• Creating a shared house for the hearing impaired

Our Kyushu Sha Maison Branch supported the construction of Sign Language House Yui, the first shared house for the hearing impaired in Japan.

Sign language is the primary means of communication for the deaf. In addition, sign language and Japanese are two different things, and some elderly deaf people have difficulty handling written Japanese. For this reason, there have been an increasing number of cases in which deaf persons who moved into nursing homes for the elderly with normal hearing were unable to communicate through sign language and became lonely, spending the last years of their lives in suffering. To address this situation, the Nagasaki Prefectural Association of the Deaf established a study group, and while conducting various surveys and gathering information, the group participated in the welfare office tour of the Kyushu Sha Maison Branch. The association then collaborated with medical and long-term care managers at the head office to create a place for communal living while conversing in sign language, including administrative surveys, identifying suitable tracts of land, and financing. Sign Language House Yui was completed in March 2022.

• *EGOTANOMORI* Project

In cooperation with *EGOTANOMORI* Park, the *EGOTANOMORI* Project (Nakano-ku, Tokyo) is intended to create harmony with the rich natural environment. This project is a multi-generational exchange and circulation-oriented community development, with rental housing and for-sale housing for families with children, assisted rental housing for the elderly, private nursing homes with nursing care, rental housing for students, and rental housing for nurses, along with convenient facilities such as restaurants and convenience stores, and child-rearing support facilities such as a kids' room, a nursery school, and an after-school center. This area is adjacent to the Tokyo General Hospital, which is equipped with systems for contributing to regional medical care.



EGOTANOMORI Project

Above all, the project focuses on enriching the lives of households raising children and creating communities between the residents and with the local community. Living-In-Lab has been established as a base for such activities, and is operated by the Living-In-Lab Council established by the Company. The second floor, which includes a supervised kids' room, picture book library, soundproof studio, and multi-purpose room, serves as a living room for the entire city block, and as a place for multi-generational interaction centered on children, while also serving as a community living room that can be used by residents of the surrounding community.

In addition, to strengthen their disaster prevention functions, a total of 915 households have been equipped with Ene-Farm household fuel cells for condominium use. These cells enable continuous power generation even during power outages. In addition, solar power generation and EV car sharing have been introduced to provide multiple sources of power, thereby reducing CO_2 emissions and enhancing disaster preparedness.

• Miramachi, a large-scale development complex

Miramachi is a 27-hectare former factory site in Toyohashi City, Aichi Prefecture. This complex was developed with the aim of solving local issues and realizing a compact city. The concept was formulated based on the four values of community contribution, environmental awareness, sustainable growth, and disaster resilience, and materialized through proposals and coordination with the relevant government agencies, and explanations and dialogue with the local residents. The complex was finally realized through the comprehensive capabilities and collaboration of the Sekisui House Group. In addition to a neighborhood association, which also serves as a community of residents in the surrounding area, a management association has been established to manage common assets and maintain the townscape, with the aim of encouraging residents to become attached to the town.

Residents are strongly aware of their involvement in community development, and actively express their opinions. The shared value of the townscape has deepened their understanding of green maintenance and crime prevention measures, and they have cooperated in lighting the streets at night to prevent crime. We have also received positive feedback from residents, who say they did not feel the stress of the COVID-19 pandemic due to the many parks, greenery, and supermarkets nearby, which allowed them to spend time walking around without worrying about crowding. We were the first in Japan to use smart electric meter communication technology nationwide to read electric, gas, and water meters. This offers residents greater convenience because they can see their utility use.

In addition, child-rearing support facilities have been helpful in connecting people with each other. Residents in Miramachi and the surrounding community are connected through their children, and many people use the facilities every day. The majority of Miramachi residents are of the child-rearing generation, and the children's neighborhood association holds radio exercises and Halloween events in the self-managed park. We will continue to carry out urban development that provides value and a bright, active future for children.

Four Values Built into Miramachi

Community Contribution
Joint development to raise the value of the southern part of Toyohashi, creating a "compact city"

Environmental Awareness
About 400 ZEH homes planned—an environmental approach to 2030 as an Eco-First company

Sustainable Growth
Systematic use of existing trees to create relaxing space and protect the environment

Disaster Resilience
Roundabouts (circular intersections) and underground power cables assure safety and resilience



Radio exercises at a self-managed park

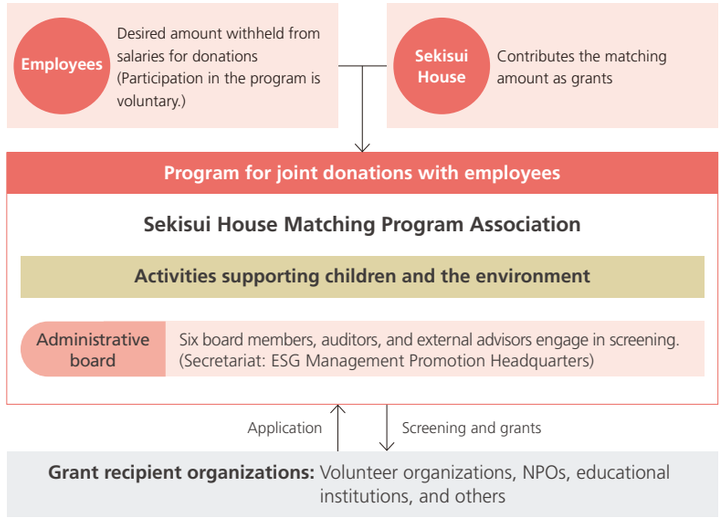
Coexisting with Local Communities

Working with local communities

• Sekisui House Matching Program

In FY2006, we began the Sekisui House Matching Program, through which the Company matches employee donations to NPOs and other organizations engaged in addressing social issues. About 7,800 employees participate in this program, which has so far donated over ¥500 million to 496 organizations. In August 2021, in order to achieve our global vision to make home the happiest place in the world, we reformed the system to contribute to the happiness of the community by solving social issues related not only to our homes, but also to children and the community environment, and furthermore to contribute to regional revitalization. To this end, we are promoting measures from the three perspectives of communication, connectedness and participation.

Sekisui House Matching Program Framework



We decided to provide a total of ¥45.8 million in FY2022 in grants to 94 civic groups from among those recommended by employees nationwide, focusing on activities that lead to coordination with our employees, the spirit of collaboration, and the SDGs. We are supporting activities related to the development of the next generation and environmental considerations, and are working toward SDG goal 17, "Partnerships for the Goals."

SEKISUI HOUSE MATCHING PROGRAM

Sekisui House Matching Program (Japanese only)

List of charitable groups (Japanese only)

• Tsunagari Café

Regular online seminars entitled Tsunagari Café, which any Group employee can freely participate in, regardless of time, place or status, have been started to provide opportunities to get the information on the Sekisui House Matching Program. Every seminar features different guests from inside and outside the Company who present basic knowledge about NPOs, their involvement in issues ranging from children's food allergies to the LGBTQ community, and the Group's collaborative activities with NPOs. The seminars also include time for dialogue and discussions among the guests and attendees. The café is held for approximately 40 minutes in the afternoon. It has been held two days each month, two to three times a day, for a total of 23 times since its start in June 2021, with a cumulative total of approximately 1,000 participants.



Tsunagari Cafe

Harmony with local communities through social contribution activities

• Collaborative initiatives with charitable groups

Every year, we hold presentation ceremonies to announce our partnerships with charitable groups of the Sekisui House Matching Program. Ceremonies are held at the Sekisui House office closest to where the group is active to introduce what the group does and promote awareness of those activities. The grant has also led to support for construction of a building to serve as a base for the organization's activities, as well as the creation of a garden for the activity base by our employees. These cases of cooperation with our business have been expanding. We actively promote these collaborative initiatives, create plans that are mutually beneficial, and take action together in ways that benefit society and the local area, thereby promoting revitalization.

• Overseas initiatives

Since 2019, wholly owned U.S. subsidiary Woodside Homes has been contributing to the Dream Home Giveaway,[1] a series of charity events held by St. Jude Children's Research Hospital.[2] After its initial participation in Las Vegas, the company added the Sacramento event in 2020, and continued participating in 2021.

These events are held in roughly 40 cities across the United States. Woodside Homes covered nearly all of the construction and material costs associated with construction of the lottery homes in Las Vegas and Sacramento. By supporting the activities of St. Jude hospital, it is helping to improve pediatric medical services in the country.

1. A charity lottery in which a portion of solicited donations, in the form of houses and land, are awarded to the lottery winners.
2. Established in Memphis, Tennessee in 1962, this globally renowned pediatric treatment and research facility provides medical treatment to children and supports their families free of charge.

Coexisting with Local Communities

Highlights

The Sekisui House Matching Program, in which coexistence with local communities also leads to the growth of Sekisui House

Employees are happy to see a positive change through involvement with the community

The Sekisui House Matching Program does not end with mere donations. Collaboration that transcends business operations has emerged, with employees of each branch offices sharing ideas with local communities and NPOs, and organizing events that help revitalize the community. We have held workshops for disaster preparedness at Common Stage Miramachi, a large-scale 404-lot development complex that utilizes a former factory site in Toyohashi City, Aichi Prefecture. These activities include a workshop with the NPO Kodomo Wakamono Matching to teach children how to make cardboard cots and partitions through learning while playing, and holding lectures with the NPO Japan Rescue Association and the participation of local residents on how to protect their pets, while interacting with therapy dogs.

Participation in these events has resulted in clear changes in our employees. They began to work with a lively expression on their faces, without being preoccupied merely with the results. Communication among employees also became more active, and they were often seen freely discussing both the good and the bad without hesitation, regardless of their positions.

Many employees have made comments such as, “I am now more aware of being a member of society,” and “I never thought I would feel so fulfilled by helping others.” For example, at the Nagano Branch, the participation rate in the Sekisui House Matching Program has increased from the low 20% range to 80% in roughly a year and a half, which was a good outcome.

The significance of the Sekisui House Matching Program is coexistence with the local community

It was initially thought that the Miramachi Project at the Toyohashi Branch might not be a viable business venture, primarily due to the fragile condition of the surrounding roads. However, we strongly believed that the Sekisui House Group’s strengths should be applied not only to the growth of the Company, but also to the local communities, and this is how the project was implemented. Some initiatives were not constrained by issues of profitability, such as building a facility free of charge where people can gather to raise their children, and providing a portion of the site to Toyohashi City. Thanks to such efforts, Sekisui House has come to be trusted by the local community as a leader in community development.





The purpose of the Sekisui House Matching Program is nothing less than to achieve coexistence with the local community. Through the program, employees come to realize that the Company needs to be loved by people in the local community, and will grow as human beings. Eventually, this will help Sekisui House to become a sought-after organization in society.

The new rule that all NPOs eligible for grants under this matching program must be nominated by employees themselves is a unique opportunity for each and every one of us to create a connection with the local community. Let us share our thoughts about how we can contribute to our respective communities.

Yoshitaka Iwata,
Executive Officer,
Head of Joshinetsu Sales
Administration Headquarters



Coexisting with Local Communities

• Supporting career education for elementary and junior high school students

As part of our Kids-First efforts in which we provide educational support in collaboration with educational institutions, we utilize the model houses Sekisui House operates around the country to provide children with fun hands-on opportunities to learn about housing. We are now setting up a career education program for elementary and junior high school students that will encourage them to think about the meaning and purpose of working and will help them in choosing their path in life. This career education program brings students to Sekisui House workplaces to tour housing exhibits where they experience virtual reality spaces and see presentations by Sekisui House sales representatives and home designers on building homes. In FY2021, since off-campus learning was restricted at elementary and junior high schools due to the COVID-19 pandemic, we also held online classes by connecting our facilities with the schools via the Internet. We want these programs to continue giving the children, tomorrow's leaders, wider horizons to support their dreams for the future. Our model house sites are spread over more than 300 locations throughout Japan. We will make maximum use of these sites as educational centers, and expand this initiative to other parts of Japan.





• Supporting programming education

In 2019, Sekisui House was the only company in the housing and construction industry to cooperate with "Programming Education Promotion Month in Future Studies," an educational initiative that was conducted in collaboration with the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Internal Affairs and Communications, and the Ministry of Economy, Trade and Industry. The initiative is a precursor to programming education that became compulsory in elementary schools in FY2020.

At our five Tomorrow's Life Museum hands-on, experience-based housing facilities situated nationwide and other facilities, we accept visits from children from elementary schools around the country, and hold classes on housing, entitled "Everyone's House! Houses of the Future!" These lessons, held at our centers and locations in other parts of Japan, teach elementary school children about housing. The children are given the chance to take ideas from what they learn to design and build their own house of the future using architectural simulation software on computers and other means. In the three years from 2019, about 550 students have participated.

We believe that cooperation with children's programming education is a way for Sekisui House to contribute to society through education, and to inform the public on how we are working to create happy homes. In addition, this activity also contributes to our efforts to achieve SDG goal 4, "Quality Education." We are proud to continue supporting programming education in elementary schools through our participation and cooperation with this initiative, incorporating the study of housing into education.



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

• Participation in the Minecraft Cup 2021 National Tournament

As a gold partner of the Minecraft Cup 2021 National Tournament, a programming education initiative, we are helping to foster the development of programming thinking in children. Minecraft is an open-world game that was introduced to Japan in 2011 and is popular, especially among elementary school students. Minecraft: Education Edition is being used in educational settings around the world to develop programming thinking in children. The ability to freely place blocks, and enjoy building and other activities makes this game a perfect fit for collaboration with our business.

For the 2021 National Tournament, we cooperated as a partner by soliciting entries of Minecraft works based on the theme of "everyone's home and future town in the age of SDGs," with the "SDGs of Sekisui House" as the core theme. In collaboration with our 142 model house sites nationwide, the tournament was enlivened by offering tours of real homes and SDG learning programs to entrants. Of a total of 484 entries, 20 advanced to the final judging, and an awards ceremony was held at Tomorrow's Life Museum Kanto via webcast. In partnership with the Minecraft Cup, we will create opportunities for housing education for the next generation in the metaverse era by broadly communicating our SDGs and housing organization.



Final judging and awards ceremony, Minecraft Cup 2021 National Tournament
(Japanese only)

Coexisting with Local Communities

• School visit classes at educational institutions

Our Kids-First initiatives are designed to provide educational support through collaboration with educational institutions. Efforts include workplace experiences for students at Sekisui House sites and staff visits to schools to give lessons.

Captain Earth "Ie-cology" Seminar

Mixing hands-on learning and game playing, this educational experience about living with global warming gives students a chance to learn about and have fun with eco-friendly ways of living through the topic of housing.

"A Letter from Dr. Forest" Program

Dr. Forest (a Sekisui House employee) is a specialist in greenery who uses examples of nature—in a schoolground for example—to get children to think about ecosystems and the issue of native vs. non-native species of plants.



School visit class for teaching about house insulation



"A Letter from Dr. Forest" Program

• Support for children's cafeterias, in collaboration with KURADASHI

Sekisui House participated in a demonstration experiment that was jointly implemented by KURADASHI Co., Ltd., which operates the social contribution shopping site KURADASHI, and the Keio Research Institute at SFC. The purpose of the experiment was to match data on disaster-prevention stockpiled food held by companies with children's cafeterias in Osaka Prefecture. Sekisui House cooperates in the effective use of disaster prevention stockpiles that are nearing the point of replacement, as a supply of food for children's cafeterias. Together, we are supporting children's cafeterias, which are operated partly for community revitalization and food education.

• *Shin-Satoyama*

In 2006, on the north side of Shin Umeda City in Osaka outside the Umeda Sky Building in which the head office of Sekisui House is located we built a landscaped area known as *Shin-Satoyama*. The area is about 8,000 m^2 in size and is modeled on a traditional Japanese *Satoyama*— a biotope consisting of a wooded area, bamboo forest, rice terrace, and vegetable farm in one compact area. The design is based on our *Gohon no Ki* Project that focuses on planting trees native to the area. In the 15 years of its existence, the landscape has become a flourishing ecosystem at which much wildlife can be seen including parent and duckling spotbill ducks, the threatened Eurasian sparrowhawk and Japanese night heron, and many other wild birds, insects, frogs, and lizards. Since 2007, the year after the landscape was created, we have used the area to support the education of children from the neighboring district. We give elementary school children the chance to experience different aspects of growing rice using traditional farm tools, from planting rice in a wet paddy to weeding to harvesting and threshing the rice. We give nursery school children the chance to plant sweet potatoes and to dig them up when they are grown. By coming into physical contact with a diversity of flora and fauna, the children learn the importance of food and deepen their understanding of an ecosystem. The scenery of *Shin-Satoyama* with the sound of the many birds that it attracts, provides a restful, healing atmosphere for office workers, local residents, and visitors alike. We plan to apply the knowledge gained from *Shin-Satoyama* to future environmental activities.

• Sekisui House Eco First Park

In 1999, Sekisui House became the first company in the housing industry to introduce an Environmental Future Plan. Since that time, we have been promoting the creation of residential environments that are friendly to both people and the earth, and that can be lived in for a long time, through our core business of homebuilding. These efforts were recognized by the Ministry of the Environment, which in 2008 certified Sekisui House as the industry's first Eco-First Company. In the same year, Sekisui House opened the Zero Emission Center in conjunction with the Kanto Recycling Center. To symbolize the environmental efforts we have made over the years as a company, in May 2015 we reopened the Sekisui House Eco First Park. The park is a place where visitors can learn about our environmental activities in the areas of preventing global warming, conserving ecosystems, resource recycling, and environmental education, based on our Eco-First Promise. Through our efforts in this park, we are building a resource recycling system in line with the plan for establishing a recycling-oriented society, which was formulated based on the Basic Act on Establishing a Sound Material-Cycle Society. Furthermore, we have begun to study new methods for resource recycling, with a view toward responding to the circular economy demanded by the international community, and to incorporate these methods in specific initiatives.

• Full-scale pre-engineered housing exhibited at the opening commemorative exhibition of the Nakanoshima Museum of Art, Osaka

Sekisui House is exhibiting full-scale pre-engineered housing (a lightweight steel-framed house) from the 1970s at the opening commemorative exhibition, "Our City—Portrait of Osaka" (April 9–October 2, 2022) at the Nakanoshima Museum of Art, Osaka, which opened on February 2, 2022. The opening commemorative exhibition, "Our City—Portrait of Osaka," consists of Part 1 (Signposts to the city—Meiji, Taisho, and prewar Showa: April 9–July 3, 2022) and Part 2 (Resonance with 'celebration'—The postwar Showa Period, Heisei Period, and Reiwa Period: August 6–October 2, 2022). Our exhibit is included in Part 2. This commemorative exhibition is to be held based on the theme of Osaka, and tracing the era from the Meiji period to the present, it conveys the vibrancy of Osaka through paintings, photographs, posters, and other works, as well as exhibits related to industrial design, such as home appliances and pre-engineered housing. In this exhibition, living spaces of the time will be reproduced by displaying the framing system that forms the base of today's Sekisui House, the development of plans based on nLDK, as well as interiors built using interior materials then called "new construction materials," in cooperation with housing building material and equipment manufacturers.

News Release:
Sekisui House to Exhibit Full-Scale Pre-Engineered Housing at the Opening Commemorative Exhibition of the Nakanoshima Museum of Art, Osaka
(Japanese only)

S Developing Human Resources

1 Governance

Personnel system and human resource management structure

Based on our global vision to make home the happiest place in the world, Sekisui House has created a vision for the future of maximizing the happiness of our customers, employees and communities as our ideal vision for 2050. To make Sekisui House the happiest company in the world, in addition to the diversity and inclusion and workstyle reforms that we have been working on, in 2021 we launched a new personnel system reform, and in February 2021 we revised our grading system in advance.

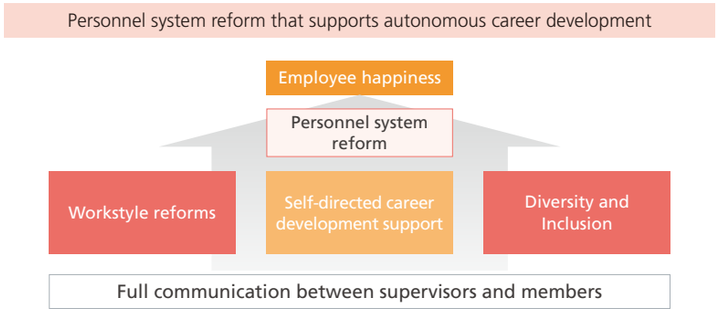
The main purpose of the system reform is to support self-directed career development. We have established two types of career courses for managers: managerial positions that contribute to the organization through management, and specialist positions that contribute to the organization through high-level expertise. We support personnel in these positions, so that they can consider their own strengths and personality, select their future career course for themselves, and grow in their chosen direction.

Since one of the important elements for supporting that goal is full communication between supervisors and members, we have newly established career interviews, in which supervisors and members discuss careers on a regular basis. These interviews will be held to share employees' values and ideas about their careers, as well as to support their growth by providing appropriate feedback on their individual strengths and development points.

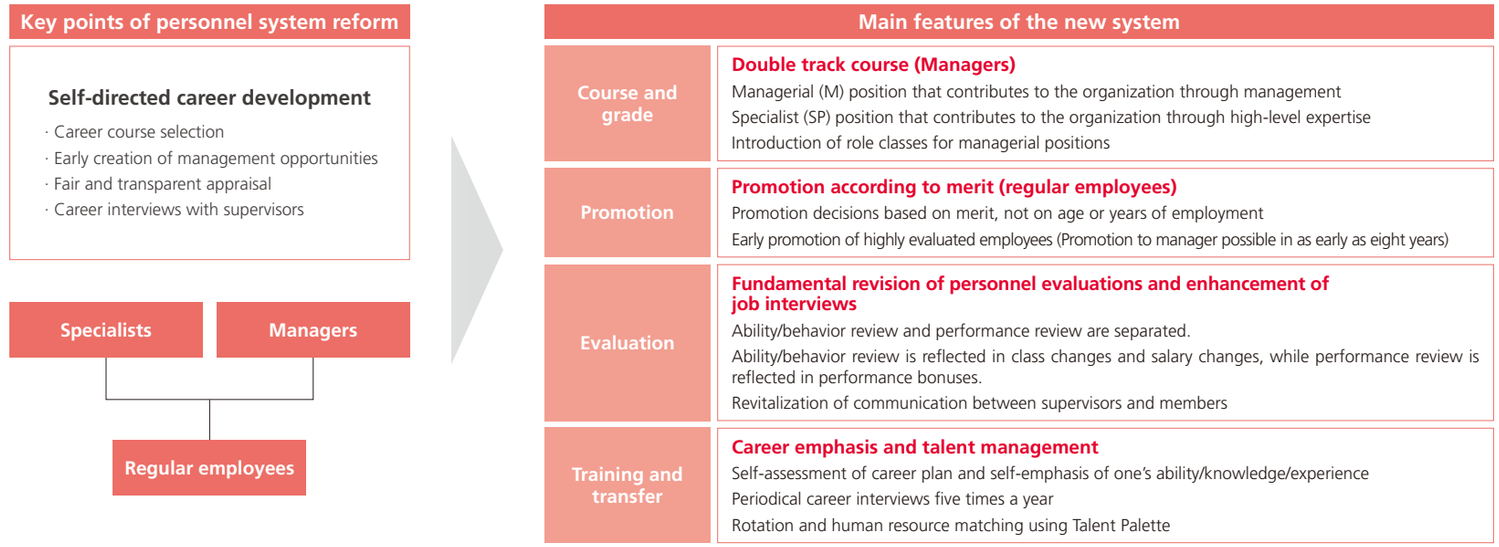
In February 2022, we reorganized the Personnel Department to establish the Human Resources Development Department, and are working to bring personnel system reform to the entire Group, and to strengthen our talent management system. Specifically, we are improving the quality of our recruiting methods and standards, implementing succession plans, and promoting the self-directed career development of the employees who support these efforts, thereby developing human resources who are capable of willingly creating value for society and our stakeholders.

In April 2022, we revised our class and compensation systems.

Purpose of Personnel System Reform



Outline of Personnel System Reform



Employee ability development program

To make home the happiest place in the world, we have programs for each job type to help our employees increase their expertise and meet the diverse requirements of our customers. Long-term skills development programs are also available, and we launched a three-year training program for detached home sales in FY2018. This program enables customers to be happier by using a customer-centric approach and a broad range of specialized knowledge and skills for housing sales. In FY2021, 415 people participated in this program. We also have a program for technical positions that instills shared specialized knowledge required after two years with Sekisui House, and 273 people participated in this program in FY2021. Other programs enhance specialization in all of our businesses from year three on.

Developing Human Resources

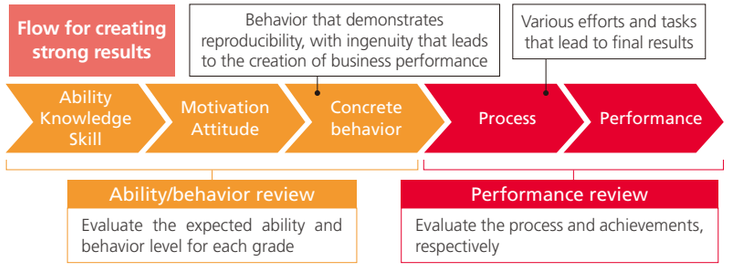
Evaluation of individual performance

In February 2021, we introduced a new grading system in which evaluations are made from two perspectives: an ability/behavior review and a performance review. In the ability/behavior review, we evaluate ability/knowledge/skill, motivation/attitude, and the resulting concrete behaviors. In the performance review, we evaluate the process used to achieve final results using management by objectives, as well as the resulting performance. We use the evaluation results to reflect the ability/behavior review in promotions, pay raises, and retirement allowances, and to reflect the performance review in performance bonuses. In addition to the above matters, the sales divisions provide monthly performance allowances based on individual performance.

The multifaceted observations that have been conducted for some managers since FY2019 will be expanded to all employees who enter managerial positions in the new personnel system from FY2022 onwards. Multifaceted observations are implemented to collect the opinions of subordinates and colleagues regarding employees in managerial positions, and to provide them with feedback, so that they can objectively reflect on their behavior, which leads to growth and improvement. In addition, we support this process by combining it with external coaching.

Overview of Our Grading System

We conduct two types of personnel reviews: an ability/behavior review and a performance review.



2 Strategy

Securing, training, and managing human resources according to business strategies

Based on the outlook for future business, we make and execute strategic recruitment plans while taking into account data such as turnover rates.

With regard to the human resources required for future business promotion (e.g., DX human resources), we are aiming to create a system that allows us to compile pipeline information inside and outside the Company, and make proposals to the business side. As for transfers and training, we have built a dashboard in the personnel system that allows organization leaders to check the status of their organizations at a glance, and established a data environment that is useful for decision-making, such as transfers and educational planning.

In FY2021, we introduced a talent management system that is common to our Group companies, and are now able to centrally manage the personnel information of 28,362 people throughout the Group. In order to realize the maximum results of the Group through this system, we plan to maximize the transfer of human resources (human resource investment in growing businesses) as well as the performance of human resources throughout the Group.

Managerial promotion system based on the new personnel system

As part of the revision of our personnel system in April 2022, we have established a system that allows talented employees to be promoted to manager early on.

Specifically, we have reduced the number of grade levels from the previous nine levels to just five levels, and have put a system in place that allows employees to be promoted to manager in a minimum of eight years after joining the Company.

Previously, a minimum of 16 years was required to be promoted to manager. In the new system, we have developed a system for individuals to be promoted to manager based on their ability and behavior, regardless of their age or history in the Company.

Use of people analytics

With the introduction of our talent management system, we have established a system that allows the centralized management of information (such as multifaceted observations, personnel evaluations, career ambitions, and results of external assessments) that was previously managed using multiple systems and print media. We also use this system in succession plans and human resources meetings for the appointment of officers and managers, and have created an environment in which upper and middle management can make decisions based on data.

When recruiting new graduates, we analyze and extract the human resource requirements for outstanding employees, and hire human resources who meet those requirements, which helps us to secure excellent human resources with great potential. In selective training after employees join the Company, we use various types of human resource data, including aptitude tests, to select employees.

3 Risk Management

Risk management regarding human resources

• Risk management regarding engagement

We conduct an annual survey on governance awareness to determine the Group's current situation regarding our corporate philosophy, vision and strategy, employee autonomy, workplace culture, and compliance. Based on the survey results, we encourage department heads to identify and resolve issues in their department, and to reflect organization-wide issues in Company policies and training programs. Key initiatives in FY2021:

(1) Sekisui House clarified the development path for human resources and individual employee growth by clarifying the skills and behavioral standards for each level and reflecting these items in effectiveness and behavioral assessments.

(2) We also clarified the relationship between individual and organizational goals, while encouraging individuals and the organization to deliver

Developing Human Resources

results by introducing MBO methodologies and a performance-based evaluation system.

(3) We introduced career interviews (five per year) to support employees' autonomous career development and implemented training for the managers conducting interviews to enhance interview quality.

- **Ascertaining and responding to risks in education and dissemination**

The following PDCA cycle for training programs helps us transfer lessons learned in training to the workplace.

(1) Overall: Clarify the purpose of the training, determine the quality and retention levels from the participant report, use that as reference for future training, and continually improve the quality of programs, textbooks, and instructors, while imparting external knowledge.

(2) Selection and other forms of training: We help students acquire knowledge and change their behaviors with issue-driven preparation and follow-up training as well as coaching by outside instructors.

4 Indicators and Targets

Investing in Training and Ability Development

(FY)

		2019	2020	2021
Training time (hours/person)		6.69 hours	5.45 hours	6.30 hours
Key training programs	Human relations training	3.0 hours	3.0 hours	3.0 hours
	Legal training	1.0 hours	1.0 hours	1.0 hours
Other training programs		2.69 hours	1.45 hours	2.30 hours
HR development cost (amount/person)		¥32,375	¥19,145	¥21,616

* Other training programs include training for managers and other staff to prevent sexual and power harassment, as well as career autonomy courses and training for new leaders.

Human Capital ROI

(FY)

	2018	2019	2020	2021
Human capital ROI[1]	191%	186%	174%	183%
Employee-related expenses	¥214,529 million	¥238,591 million	¥251,470 million	¥277,403 million

1. Formula for human capital ROI: (A-(B-C)) ÷ C
(A) Total revenue, (B) Total operating expenses, and (C) Total employee-related expenses
Refer to page 193, "10-Year Highlights" for A and B.

» Page 193: 10-Year Highlights

Employee Turnover Rate[2]

(FY)

2018	2019	2020	2021
3.14%	3.21%	3.14%	3.44%

Voluntary Turnover Rate of Full-time Employees[2]

(FY)

2018	2019	2020	2021
3.02%	3.08%	2.93%	3.24%

Ratio of Temporary Employees[2]

(FY)

2018	2019	2020	2021
2.5%	2.5%	2.1%	2.3%

Ratio of Non-Regular Employees (Contract and temporary employees)[2]

(FY)

2018	2019	2020	2021
11.2%	10.8%	10.1%	10.2%

Hiring Rate for Open Positions[2]

(FY)

	2019	2020	2021
Employees hired internally[3]	149 people	148 people	159 people
Total number of managers	150 people (99.37%)	149 people (99.33%)	161 people (98.76%)

2. On a non-consolidated basis
3. Number of mid-career hires within one year of joining the company in FY2021, excluding those who became managers

5 Activities and Other Related Information

Fostering the next generation of business leaders

We have held the *Keiei-juku* management training program since 2018 with the objective of training and selecting future leaders in each organization (for the positions of branch manager, head office senior manager, factory manager, etc.) A total of 42 employees participated in its third session which started in June 2021.

The SHINE! Challenge Program (acronym for Sekisui House Innovators and Entrepreneurs Challenge Program) entered its third term in FY2021 with 15 participants. Launched in October 2019, this program trains young leader candidates (aged 30-35 years). The program is designed to discover, train and foster talented young individuals early on to systematically produce strong candidates for leading the business into the future.



The third term of the SHINE! Challenge Program

Developing Human Resources

Initiatives to strengthen management capabilities

In addition to inculcating an open, positive corporate culture, Sekisui House has been enhancing the ability of branches and teams to manage, develop people and invigorate their organization with an array of training courses for risk management, new branch managers and new leaders. A total of 531 managers have participated in these courses.

In addition, we supported the introduction of a new personnel system in FY2021 by providing evaluator training for 2,715 people involved in personnel evaluation.

Support for employee's self-directed career development

We provide training that allows each and every employee to formulate their own career vision, and to take concrete actions in order to realize that vision. We have also developed training for young employees and mid-level employees, including the autonomous career development course, a career training program for mid-career employees. A total of 15,436 employees have completed these training courses. We continuously support our employees in their self-directed career development while iterating improvements to the training content through questionnaires and follow-up surveys.

From FY2022, along with the transition to a new personnel system aimed at strengthening our human resources, who continue to evolve in response to a changing environment, we will also update our career education system with more enriched content.

In-house certification programs

Note: People certified in FY2021 (as of April 2021)

• On-site supervisor: Chief Constructor

This program assigns the role and qualifications of Chief Constructor to outstanding on-site supervisors, thereby encouraging them to pursue even higher goals. We have trained a lot of excellent on-site supervisors who engaged in routine work aiming to acquire this certification, and this has improved our brand power and productivity. In FY2021, a total of 153 supervisors were certified as Chief Constructors.

• Design: Chief Architect

The Chief Architect program was established for developing designers who support the creation of quality houses. By granting the role and qualifications of Chief Architect, the program aims to further improve skills of designers. The certification period is two years, and in FY2021, a total of 282 Chief Architects are carrying out their vital role across the country.

• Structural planning: Structural Planning Specialist

This is a certification program established to foster designers who play a leading role in structural planning at offices. The purpose of the program is to improve the safety and rationality of structural planning by granting the designer the role and qualifications of a certified Structural Planning Specialist. The certification period is three years, and the total number of certified specialists in FY2021 was 173.

• Design (Platinum business): Platinum Specialist

To promote what we call our platinum business (housing for senior citizens, welfare buildings in general for children, people with disabilities and others, medical facilities, etc.), the role and qualifications of the Platinum Specialist are granted to employees engaged in design who have an excellent track record in design, combined with advanced expertise and the skills necessary for designing platinum properties. In FY2021, the certified specialists was 42.

• After-sales service: Customer Support Meister (CS Meister)

To increase the number of customers who support the Company, the certification recognizes the employees who excel in customer support and take the initiative in carrying out their duties with a high level of skill and abundant knowledge. In FY2021, 83 certified "CS Meisters" were active across Japan.

Career interviews

In FY2021, we started conducting career interviews in which supervisors and members converse on a regular basis, for the purpose of realizing self-directed career development by our employees. In preparation for these interviews, we trained approximately 2,500 interviewers, and have been establishing an environment that enables the effective implementation of interviews.

According to the results of questionnaires we conducted at the end of FY2021, we found that 75% of supervisors had answered that career interviews are useful for supporting self-directed career development. In the future, we aim to raise awareness regarding human resource development, and support self-directed career development based on full communication between supervisors and members.

Developing Human Resources

Succession plan

In 2021, we started succession plan meetings. Directors of the Board, employed executive officers and operating officers participate in this meeting to share information on their successors and discuss their training plans, for the purpose of enriching the pipeline for management candidates. By holding this meeting twice a year going forward, we will enrich the management candidate pipeline and realize the sustainable growth of the Group.

Career Challenge System

As part of our efforts to promote the creation of systems that enable diverse human resources to play an active role, based on our basic personnel policy of "Human Resource Sustainability," we introduced the "Career Challenge System" to provide opportunities for employees with a challenging spirit to make further progress.

Based on job type, job content, and (expected) duties to be assumed in the future, our employees are categorized into four groups: "Sales engineering job group (main career track)," "Production skills job group," "General clerical job group," and "Employees working in specified areas (regional employees)." Our personnel systems are operated according to the characteristics of each job group in terms of training and basic treatment. The program supports the conversion of employees in production and general clerical work as well as regional employees into sales engineering positions.

Applicants take a two-day training course. During the training, they are provided with an opportunity to reflect on their past work experience and contemplate their future career. Upon completion of the training, applicants are evaluated on the breadth and clarity of their career vision after conversion in addition to their interviews and other factors. Then selected employees are converted.

31 employees applied for the program in FY2021.

Number of Applicants for the "Career Challenge System"

(FY)

2019	2020	2021
Applicants: 43 employees Actual converts: 35 employees	Not implemented	Applicants: 31 employees Actual converts: 27 employees

Training for employees on environmental initiatives

When introducing our eco-friendly homes to customers, it is important to provide an explanation based on sufficient knowledge. For this reason, we implement a wide range of education and training programs for our employees.

- Green First Training

Our Green First* eco-friendly homes constitute the backbone of our efforts to combat global warming and are placed at the core of our product strategy. Accordingly, it is essential to have a deep understanding of the societal background and national policies, as well as technical elements, contents of the system, and aspects that must be explained to customers, such as the economic benefits and details of public subsidy programs. For this reason, we have been conducting a group training program called the Green First Training.

Thirteen years have passed since the launch of Green First homes, and our current content has evolved into ZEH for both detached houses and multi-unit housing complexes. Currently, the quality of our training has improved thanks to the introduction of tablet terminals and the development of online learning environments. Training is intended not only for sales and technical staff at new construction contractor offices, but also includes customer service employees involved in after-sales maintenance, as well as Sekisui House Remodeling employees in the remodeling division, and Sekisui House Real Estate employees who handle ZEH rental housing. As of FY2021, we have held training courses a total of 656 times, and a total of more than 35,400 employees have taken these courses. (Held 22 times, with more than 1,500 employees participating in FY2021)

* The name of our eco-friendly home brand launched in 2009. Each highly insulated and airtight house is equipped with a solar power generation system and fuel cells. Since 2013, we have focused on Green First ZERO, which conforms to ZEH standards.

Development of online programs

In order to prevent the spread of COVID-19, we have developed an online program starting in FY2020. We have replaced group training with these online programs. As a result of reviewing and improving the programs to ensure that the effectiveness of career training and other programs, which are generally said to be less effective in an online format, the effectiveness of the programs was maintained and improved as participants became more self-reflective. By combining this with a video pre-study program and follow-ups for training transfer, we have built highly cost-effective human resource development methods that are not reliant on space or location.

S Diversity and Inclusion

1 Governance

Announcement of "Human Resource Sustainability"

In 2006, the Group announced the commitment to Human Resource Sustainability. The three pillars of our diversity promotion policy are promoting the participation of women; utilizing diverse personnel; and promoting diverse workstyles, and we are working to create an environment and structure where both employees and the Company can achieve sustainable growth. In the same year, we established the Diversity Development Team, and started engaging in full-scale efforts. Later, this team was reorganized into the Diversity and Inclusion Promotion Office in February 2014, and again into the Diversity and Inclusion Promotion Department in April 2018. We are working to support the active participation of female employees as well as diversity in our human resources.

Human Resource Sustainability

Results and promulgation of activities

In December 2017, we became the first company in the construction industry to receive the Minister of State for Special Missions Award (Gender Equality) of "Advanced Companies where Women Shine" from the Gender Equality Bureau of the Cabinet Office. This award was granted as recognition of our efforts in: enhancing women's empowerment in the entire construction industry through human resource strategies to encourage female employees to pursue their careers and development and commercialization of temporary toilets for women at construction sites; promoting female employees to managerial/executive positions Group-wide; and implementing IT technology-based workstyle reforms to support work-life balance.

In October 2020, we were awarded the Grand Prix at the IKUMEN AWARD 2020 sponsored by the Ministry of Health, Labour and Welfare. Our efforts were highly evaluated for the male employee childcare leave program which the Group put into full-scale operation in September 2018. We will continue to share the learning and knowledge gained from the operation of this program with society at large, hoping to contribute to building momentum so that we can gain support in society for male employees taking childcare leave.

In March 2021, we were selected as a Nadeshiko Brand 2021 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for the sixth time, making us the only company in the housing and construction industry to achieve this feat.

In October 2020, we became a member of The Valuable 500, an international initiative promoting the active participation of people with disabilities.

The Valuable 500 is an activity that was launched at the World Economic Forum Annual Meeting (Davos) held in 2019, based on the idea that inclusive business creates inclusive societies. In this regard, 500 major companies around the world have joined in this activity, with the aim of initiating reforms by business leaders that enable persons with disabilities to demonstrate their potential value in business, society, and the economy. The Sekisui House Group, which aims to become a leading company in ESG management, has endorsed the objectives of The Valuable 500 and established the following commitments.

1. Customer happiness: Create homes and communities to provide lifelong housing.
2. Employee happiness: Provide opportunities and develop an environment for employees with diverse backgrounds to reach their full potential.
3. Social happiness: Support social inclusion and normalization for people with disabilities.

Sekisui House Group's Valuable 500 Commitment

In 2021, Sekisui House became the first company in the industry to be selected six times as a Nadeshiko Brand

Grand Prix in the IKUMEN AWARD 2020

2 Strategy

Making diversity and inclusion a driver of growth

One of the important elements in promoting diversity is the concept of diversity and inclusion. In every organization or workplace, we must respect and recognize differences in age, gender, nationality, values, sexuality, disabilities and other characteristics. We aim to build a status and environment where goals and roles are made clear and information is shared, there is mutual respect and trust, employees proactively participate and contribute, and employees are used effectively as members of their organizations, thereby creating psychologically safe workplaces. We believe that this will lead to the creation of value through the strength of diversity. The Group has made diversity and inclusion a growth driver, and set the goal of becoming a leading company in ESG management.

Diversity and Inclusion

Action Plan for the Promotion of Active Participation by Women

In February 2021, we set new targets for the Sekisui House's Action Plan for the Promotion of Active Participation by Women based on the Act on Promotion of Women's Participation and Advancement in the Workplace. With two major targets of "More than 310 female managers" and "100%[1] take-up rate for eligible male employee childcare leave" (both by FY2025 or by March 31, 2026 on a Group basis), we continue making efforts to achieve the targets.

1. 100% means that all eligible employees with a child or children under the age of three take childcare leave (according to the Company's rules and regulations).

Sekisui House's Action Plan for the Promotion of Active Participation by Women (Japanese only)

3 Risk Management

We aim to be an inclusive organization in which diverse employees play active roles in order to meet the diverse needs of our customers.

However, in male-centric homogeneous organizations, there is a high risk that values, policies, strategies, and other aspects, especially in terms of management, will become biased, and it is expected to be difficult to respond to intensifying market competition and the globalization of business. If we do not foster a corporate culture of mutual recognition and respect for diverse ideas, values, and identities, there may be prejudice, discrimination, harassment, and other issues that arise from unconscious bias, ignorance, or indifference. This raises concerns regarding a loss of psychological safety in the workplace, as well as increased mistakes and accidents arising from a deterioration of communication.

When it comes to diversification of workstyles, we must promote styles that are not tied to a single location, such as telework. Otherwise, we will be unable to satisfactorily support the diverse values and lifestyles of our employees, customers, and business, and it will become difficult to plan and implement BCP, including measures against large-scale disasters and infectious diseases. Furthermore, it will be difficult to promote a balance between work and childcare, elderly care, and treatment of injuries and illnesses, which will lead to decreased employee motivation and the loss of talented human resources.

4 Indicators and Targets

Breakdown of the Number of Employees

(FY)

		2019	2020	2021
Group total[2]	Male	16,516	16,549	16,540
	Female	5,957	6,225	6,454
Number of employees by age group (non-consolidated basis)	Under 30	2,952 (19.45%)	2,844 (18.87%)	2,768 (18.43%)
	30-50	8,288 (54.59%)	8,111 (53.82%)	7,941 (52.88%)
	51 and above	3,941 (25.96%)	4,116 (27.31%)	4,308 (28.69%)

2. Number of full-time employees of the Sekisui House Group (on a consolidated basis: Sekisui House, Sekisui House Real Estate, Sekiwa Grand Mast. Ltd., Sekiwa Construction, Sekisui House noie, Sekisui House Remodeling, as of the end of January 2022)

Gender Wage Index[3]

(FY)

	2019	2020	2021
Average gender wage gap	62.4	68.7	64.5
Median gender wage gap	66.4	67.9	67.4
Average special bonus gap	56.5	55.4	56.6
Median special bonus gap	58.1	56.8	57.5

3. Figures are for female employees, with male employee values set at 100. Scope of data collection: Full-time employees of all the following Sekisui House Group (on a consolidated basis: Sekisui House, Sekisui House Real Estate, Sekiwa Grand Mast. Ltd., Sekisui House noie and Sekisui House Remodeling, as of the end of January 2022)

5 Activities and Other Related Information

Implementation of training for female managerial candidates and creation of role models

As part of its aim to appoint more than 310 female managers by FY2025 (March 31, 2026), the Sekisui House Group provides training for female manager candidates and creates role models for career development according to job types.

Sekisui House Women's College is held annually to train management candidates. Twenty women are selected from the Sekisui House Group nationwide as promising management candidates. Our focus here is building a pipeline for the proper appointment of talented female employees to managerial positions, by systematically and effectively developing suitable candidates using a two-year curriculum.



Sekisui House Women's College, training for management candidates

Promoting participation by women in sales positions

Since 2005, we are actively hiring female sales representatives to provide customers with detailed proposals from a female perspective. As of the end of January 2022, 397 female sales representatives (non-consolidated basis) are working in various parts of Japan.

In the housing industry, due to the specific characteristics of its business structure, there have been only a small number of women in both sales and technical positions, but we have faced this issue head-on and have been focusing on the development and



The 15th Nationwide Women's Sales Representative Conference in 2021 held remotely

Diversity and Inclusion

retention of female sales representatives. In addition to providing opportunities to build networks across office boundaries, the Diversity and Inclusion Promotion Department holds study sessions and interviews with young employees to resolve their concerns and problems.

1998	Hired first female new graduates for sales positions.
2005	Active hiring started targeting 20% of females in sales positions (new graduates).
2006	Diversity Development Team set up within the Corporate Management Planning Department.
2007	(Annual) Nationwide Women's Sales Representative Conference started. This nationwide conference of female sales representatives provides an excellent opportunity for improving skills, increasing motivation, and networking through presentation of successful cases and group discussions.
	Built a promotion system led by the Women's Sales Support Committee (continued). Approx. 20 female sales representatives are selected as promotion committee members, providing training regularly and continuously in each sales area. The committee meets twice a year, where members from all over the country gather to share successful cases and initiatives.
2008	Started Women's Sales Representative Conference by housing manufacturers.
	Started support for balancing work and family life. For female sales representatives who serve as role models, the Company allows them to change their work location due to marriage or spouse's transfer, and to work in a variety of ways according to their individual circumstances until the end of childcare.
	First female branch head appointed.
2014	Diversity and Inclusion Promotion Office established. (Diversity Development Team was incorporated into the office organization.)
2018	Diversity and Inclusion Promotion Office was reorganized into Diversity and Inclusion Promotion Department.
2019	The Women's Sales Support Committee implemented a mentoring system on human relations, communication and any matters that may trouble them.
2020	Active hiring started targeting 30% of females in sales positions (new graduates).
2021	15 female area sales leads and 34 female deputy area sales leads who are candidates for the next area sales lead position (as of the end of January 2022, including the sales leader of the Condominium Department)

Note: Number of married female sales representatives: 111 (28.0%)
Number of female sales representatives with children under elementary school age: 76 (19.2%)
(As of the end of January 2022)

Expanding the advancement of women in remodeling sales

Sekisui House Remodeling, which is in charge of genuine remodeling of homes built by our Company, actively recruits women with families and experience in childcare as "remodeling advisors" (sales representatives). In the remodeling business, where we often have meetings with female owners, female sales representatives who can provide a sense of security are easy to fit in and are active throughout the country.

With the option of a four- or five-day workweek and the use of childcare leave and shorter working hours, many of our female employees are able to balance work and family life. As a result of these measures, women are making steady progress, and Sekisui House Remodeling has two female executives, 600 female sales representatives (59.5% of remodeling sales representatives), one female office sales lead and 94 female area sales leads (as of January 31, 2022).

Promoting the participation of women in technical positions

Women are also active as specialists who are certified for the first time only with excellent qualities, achievements, and reliability. These employees include Chief Architects with advanced design skills, Platinum Specialists with highly specialized design skills for elderly housing and welfare facilities, and Structural Planning Specialists with advanced skills in architectural structural design. Moreover, an increasing number of female employees have been certified as Chief Constructors, specialists in on-site supervision, expanding the range of their activities. As of the end of January 2022, there are six Chief Constructors, 18 Chief Architects, four Structural Planning Specialists, and five Platinum Specialists working in the field.

The Promotion Committee for the Active Participation of Women in Technical Positions met from 2014 to 2018 with technical managers in each area as committee members to plan measures to promote the advancement of women. The key points of the measures are: human resource development of top runners; expansion of job scope; and support of employees attempting to balance work and family life.

Human resource development of top runners

Sekisui House has been hiring female technical staff since before the Equal Employment Opportunity Law came into effect. Currently, we have an increasing number of female managers including architect leads and operations leads. Furthermore, we have established a development plan for young employees in each area in order to promote them to the position of assistant manager, and we are working to expand the pool of candidates for operational management positions. We are also working to appoint role models for future career plans.

Expansion of job scope (design, on-site supervision, cost estimation/management, etc.)

Under the Female On-site Supervision Support Program, we are operating a system to foster female on-site supervisors through cooperation between nationwide sales administration headquarters and the head office by holding training and study sessions, introducing tools and lightweight construction helmets for women, and improving the working environment. As part of this effort, we continue to hold the Company-wide Women's On-Site Supervisor Meeting. Even during the COVID-19 pandemic, we held online meetings, which provided an opportunity for women to share their goals and concerns with each other while learning important communication skills that are required for on-site supervisors.

Under the program, the Kanagawa Sales Administration Headquarters has created a three-year roadmap for the systematic promotion of female on-site supervisors and the creation of a nationwide network by expanding the successful model of building horizontal ties through the assignment of one female on-site supervisor to every branch nationwide.

In addition, we are improving the work environment and providing new services and value for our customers through new perspectives gained from the ideas of female on-site supervisors in planning temporary work sites and holding opinion exchange meetings.

Diversity and Inclusion

Along with the active promotion of women, we have renewed our uniforms for construction workers, incorporating the opinions of women, and we have also designed uniforms to maternity specifications.

In addition, we have utilized the opinions of women, such as by developing the *Orihime* toilet[1] and improving the temporary toilets at construction sites, and are promoting the creation of a comfortable working environment for everyone who works on-site.

1. The city of Sendai (Miyagi Prefecture) and Sekisui House jointly developed a temporary toilet that is friendly to women and children based on the lessons learned from the Great East Japan Earthquake (Winner of the Japan Toilet Award in 2015 and the Kids Design Award in 2014 and 2016, the *Orihime* toilet was used as an opportunity to promote the comfort of temporary toilets, including those for men.



Women's meeting to exchange opinions regarding construction uniforms



Maternity uniform



Orihime toilet

Support of employees attempting to balance work and family life

As the percentage of new graduate female employees in technical positions has raised to 40%, there is an increasing number of employees who are playing active roles at work while engaging in childcare or nursing care. Since 2012, our Company has been holding Study and Exchange Meetings for Female Technical Personnel across the country with the aim of enabling female technical staff to play an active role in the Company over the long term. We share familiar role models and work to expand our network to help build career visions and increase motivation.

Prompting all eligible male employees to take childcare leave[2]



This Family Meeting Sheet can be downloaded from our website.

In September 2018, the Group launched a male employee 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. The 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. We have created our own "Family Meeting Sheet" that facilitates communication on such issues as determining when to take the leave and for what purpose, as well as how to share childcare and housework during the period of leave. The sheet is available on our website so anyone can use it.

Since February 2019, when full-scale operation was implemented, all 1,239 male employees whose children reached their third birthday (the deadline for taking childcare leave) by the end of February 2022 have taken at least one month of childcare leave, maintaining a 100% take-up rate.

Since April 2021, the system has been enhanced, permitting male employees to take eight weeks off after the birth of their child. We are promoting awareness of the importance of husbands staying close to their wives during the eight weeks after childbirth, which is a period of great physical and mental strain for mothers and a time when the risk of developing postpartum depression is high.

We believe that men's participation in childcare and housework will contribute to the achievement of the SDGs, including women's participation in society, and serve as a measure to tackle the declining birthrate. This Family Meeting Sheet can be downloaded from our website.

2. In the childcare leave system in Japan, in principle, employees may take leave for one year until their child reaches one year of age, during which time childcare leave benefits are paid. In addition to this, we allow employees (regardless of gender) who have children under the age of three to take childcare leave for at least one month (paid leave for the first month).

Realizing a Japanese society where it is normal for men to take childcare leave (IKUKYU.PJT)

Expanding our support system for balancing work and life

We are expanding various systems to support our employees, so that they can balance work with childcare, elderly care, and medical treatment.

• Shortening and changing working hours for childcare

Employees who care for children up to the third grade of elementary school can apply for a reduction in their prescribed working hours. (This can be set for each day of the week, up to two hours per day, in 15-minute increments.) In addition, while these employees were already allowed to adopt a sliding work schedule, in which it is possible to start or end their work day earlier or later provided they work the prescribed number of hours.

• Nursery School Hunting Concierge

For employees who are planning to enter their child into a childcare facility within one year after birth, we provide individual support from pregnancy to the decision on a facility by providing information on activities, expertise, and childcare-related information according to the individual's circumstances (child's birthday, place of residence, etc.).

• Financial Aid for Childcare

Under this system, the Company pays a portion of the facility usage fees for temporary childcare so that employees who are raising children can work with peace of mind, as well as supporting the use of Sunday childcare and full-time work. If the prescribed conditions are met, the Company subsidy will be added to the facility usage fee (up to 70%).

Diversity and Inclusion

• Nursing care support program

Employees can take paid leave for five days a year (10 days for two or more care recipients) on an hourly basis (legally, in half-day increments) to care for their children when they are sick or to provide nursing care for other family members. In anticipation of a rise in the number of caregiving employees with the aging of the baby boomer generation, our Caregiver Leave Regulations have been revised and applied since 2014, from the perspective of supporting the balance between work and caregiving.

Promoting smart work

The Group aims to realize smart work, and will revitalize communication by reforming our work environment, developing the ICT environment, and optimizing our systems and rules. In addition, we will also promote workstyles that are not reliant on location, such as working from home, with the aim of improving productivity and creating new ideas, thereby realizing diverse workstyles.

COVID-19 has brought on changes in workstyles and lifestyles that in turn have made flexible working commonplace, ranging from remote work to flex systems that allows individuals to build their schedule in 15-minute intervals forward or backward between 7:00 am and 11:00 am. We will maintain and deepen the new workstyles that we have developed using our accumulated wisdom and ingenuity to become the happiest company in the world with employees who feel deep satisfaction and happiness in their work.

Aiming to realize smart work

Creating an LGBTQ-friendly corporate culture

Sekisui House Group 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, which paves the way to building a society in which everyone can feel secure and free to work in their own fashion. In November 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, along with a consultation desk exclusively for LGBTQ-related matters.

In recognition of these efforts, we became the first major housing manufacturer to receive the Gold certification in the PRIDE Index for four consecutive years. The PRIDE Index is Japan's first index for evaluating corporate efforts concerning LGBTQ. It was formulated in 2016 by work with Pride, a private organization, with the objective to create a workplace where sexual minorities such as LGBTQ can work with pride. We were certified as Silver in 2016 and 2017, and Gold from 2018 through 2021.

Becoming a leading company for LGBTQ initiatives in the industry

Promoting the employment of persons with disabilities

As of January 31, 2022, the employment rate of persons with disabilities at Sekisui House, Ltd. was 2.9%,* exceeding the legally mandated 2.3%, which was raised in March 2021. We will continue to actively promote the employment of persons with disabilities, as we aim to employ and retain at least one or two at every worksite. Since 2015, we have held diversity meet-and-greet events participated in by employees with disabilities and their supervisors, for the purpose of establishing a network that transcends their respective departments, as well as building relationships that allow mutual communication and consultation, and improving their respective work environments. In 2021, the COVID-19 pandemic forced us to hold these meetings in an on-demand video format; however, many employees with and without disabilities from all across Japan participated by viewing the videos. At the end of 2021, we held a web-based meet-and-greet event with participation by visually impaired employees and their supervisors.

In March 2022, "Realization of Universal Talk" won the second-place prize in the performance category in the SHIP Collective Communication and Innovation Awards Program.

Employees with hearing impairments were having difficulty obtaining information, as a result of the sudden spread of people wearing masks and holding web conferences due to the COVID-19 pandemic. In this project, we used the ZOOM web conferencing system along with the voice recognition application, UDTalk, so that participants with hearing impairments could acquire accurate information, and also created a manual for means of sending communications, and distributed it within the Company. This manual compiled results obtained through a process of trial and error by concerned employees and workplace colleagues at multiple bases. Going forward, we will strive to improve various environments through meet-and-greet events and other meetings, based on the participation of employees who themselves have disabilities. We have participated in the Accessibility Consortium of Enterprises (ACE) since its establishment in 2013. ACE was established for the purpose of "establishing an employment model for persons with disabilities that contributes to corporate growth, and disseminating the human resources required by companies to society." As of September 2021, a total of 34 major companies have joined ACE. We are developing a variety of activities, including awards for activity models, inter-company collaboration activities, as well as career seminars and internships that invite school officials and students with disabilities.

* On a non-consolidated basis

» Page 29: Fostering an Innovative Corporate Culture
Sekisui House Innovation & Performance (SHIP) Awards Program

Encouraging the employment of senior citizens and promoting their advancement

Sekisui House used to have an age 60 mandatory retirement rule and a system for re-employing retired workers up to the age of 65. In April 2015, the retirement age was raised to 65 so all individual employees of the Group can work more enthusiastically, capably and energetically for a longer period. In addition, in April 2020 we introduced a post-retirement re-employment system for employees aged 65 through 70 to support their active participation.

S Happiness Health Management

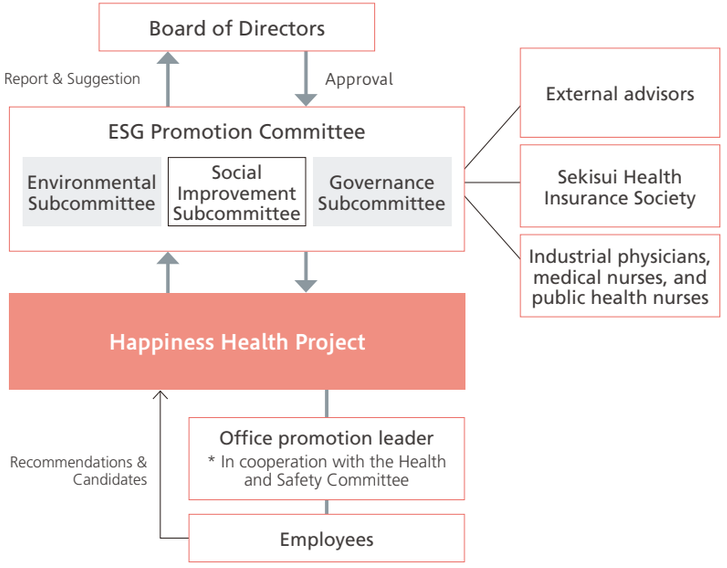
1 Governance

An organizational structure to promote "happiness health management"

With employee health enhancement positioned as one of the important issues for promoting ESG management, the Sekisui House Group is rolling out strategic initiatives based on the annual goals and plans approved by the ESG Promotion Committee (including two outside experts) formed under the Board of Directors. We have positioned health enhancement as the source of employee happiness, and have accordingly named it "happiness health management." Specifically, the Social Improvement Subcommittee's "Happiness Health Project" (established in June 2021) has played a central role, and in cooperation with the health insurance union and external advisors, we are working to identify issues, formulate Company-wide policies, plan specific measures, and disseminate and promote these measures among all employees. The subcommittee then evaluates and improves each measure based on the indicators it has set, and works strategically to maintain and improve the health of employees.

As a result of our efforts to achieve happiness health management based on the aforementioned policy, we were selected to the Health and Productivity Management Outstanding Organization (White 500) by METI for the third consecutive year as a corporation that makes strategic efforts to consider the health of its employees and others from a management perspective.

Health management promotion structure diagram



2 Strategy

Issues and policy for forming healthy and happy lifestyles

According to the medical checkup results of our male employees over 40, we found that obesity risk exceeds 50%, lipid risk is roughly 70%, and blood sugar risk is just less than 50%. These percentages are high compared to other companies in the health insurance union to which we belong, and we recognize that preventing lifestyle-related diseases (including metabolic syndrome) is an urgent health issue. To prevent lifestyle-related diseases, it is important that employees make lifestyle adjustments while in their 20s or 30s. Therefore, we are promoting initiatives that use indicators for exercise, diet, sleep and other factors to improve lifestyle habits.

Furthermore, in order to maintain mental health and improve happiness, we have established initiatives to improve mental health as an indicator, as well as measuring the level of happiness of employees and the organization, which will be used to promote happy lifestyles. By helping more employees to work energetically in their own ways, happy and healthy both mentally and physically, we promote the creation of innovation, which contributes to the health and happiness of our customers, communities and society, and leads to sustainable business growth.

Goals of happiness health management

We have set the following four goals and are working to achieve them by analyzing the results of medical checkups.

1. Reducing risk holders of lifestyle-related diseases (including metabolic syndrome and potential patients)
2. Boosting the happiness of employees and workplaces
3. Improving productivity (correcting presenteeism)
4. Preventing mental disorders (decreasing long-term absenteeism and leave taking)

Happiness Health Management

3 Risk Management

We are promoting activities through a PDCA cycle based on a strategic map, in order to achieve the goals of happiness health management.

Health measures

- Use of Health Challenge
- Use of the Sekisui House FIT App
- Challenge 6 promotion events (E.g.) Walking Challenge* Happiness Workshops, etc.
- Measures to promote secondary medical checkup*
- Mental health measures
- Mental health measures Workstyle reform measures

* Incorporated into the indicators of President's Awards for workplaces

Behavior and awareness change indicators

- Improvement of health literacy Improvement of health awareness (awareness changes)
- Challenge 6 initiatives (behavior changes)
  (1) Exercise (2) Diet (3) Drinking
  (4) Sleeping (5) Smoking (6) Mental health
- Reducing the number of workers suffering high stress and working long hours

Happiness health management goals

- Reducing the number of employees at risk of lifestyle-related diseases (including metabolic syndrome and potential patients)
- Boosting the happiness of employees and workplaces
- Improving productivity (reducing presenteeism)
- Preventing mental disorders (decreasing long-term absenteeism and leave taking)

The Social Improvement Subcommittee verifies the effects of measures.
We identify any issues, and use them to plan for the next fiscal year.

Management issues we hope to solve with happiness health management
We will help more employees to work energetically in their own ways, happy and healthy both mentally and physically, and create innovation driven by active communication.

Social value and corporate value
We aim to realize the health and happiness of customers and local communities, and also to achieve sustainable business growth

4 Indicators and Targets

Please see below for details regarding KPI performance, target values, etc. based on the strategy map.

Sekisui House's "happiness health management" (Japanese only)

5 Activities and Other Related Information

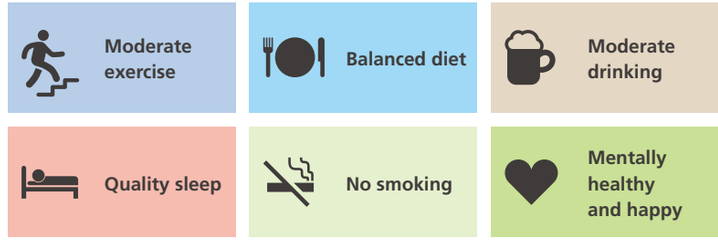
Happiness Health Challenge 6

The Group promotes activities related to health management in six fields, under the title "Happiness Health Challenge 6." Employees first identify their own health issues, using an AI-based service to utilize medical checkup results and a Well-being Survey that enables them to visualize their happiness level and that of their organization. Employees can proactively engage in activities in the six fields by registering an original My Happiness Health Declaration based on the issues they have identified.

In June 2021, we launched the Happiness Health Project operated by employee representatives in order to promote Happiness Health Challenge 6. In addition to providing information and developing systems that contribute to the promotion of happiness and health, we hold seminars and promotional events regularly to help individuals achieve the challenges they have set.

Sekisui House's Happiness Health Challenge 6

–Six challenges to promote physical and mental health



S Respect for Human Rights

1 Governance

Structure for supervision and responsibility regarding respect for human rights

At the core of the Sekisui House Group's corporate philosophy is "love of humanity," the principle of valuing human beings is the foundation of the Group's corporate management.

Based on that principle, we have developed a human rights due diligence system. As stipulated in the Sekisui House Group Human Rights Policy, the Board of Directors of the Company has its consultative body, the Risk Management Committee (chaired by Satoshi Tanaka, Representative Director of the Board, Executive Vice President, Executive Officer) regularly inspect and supervise compliance with our Human Rights Policy and related initiatives.

With regard to human rights issues in the Group, the Social Improvement Subcommittee decides on priority issues and policies in the ESG management promotion structure. We have established a human rights due diligence working group under the Social Improvement Subcommittee, and are promoting information sharing and collaboration among several related departments.

Human relations promotion framework*

As a system to strengthen our corporate culture that strictly prevents infringement of human rights, discrimination, and harassment, we have organized the Human Relations Promotion Committee chaired by the President, from the promotion committees established in our departments, offices, and subsidiaries.

Every year, representatives of each promotion committee gather to hold a National Human Relations Promotion Committee Meeting. At the meeting, guidelines for human rights measures, Group-wide priority issues, training policies and training plans are shared.

Each promotion committee is responsible for promoting the initiatives decided at the National Human Relations Promotion Committee Meeting

We have established the Human Relations Office in the Legal Department, as a dedicated department for overseeing human rights under the responsibility of the managing officer responsible for legal affairs. This office is in charge of promoting human rights due diligence, by running the consultation desk for harassment in the Group, implementing human rights awareness training, planning and operating human rights initiatives through the Human Relations Promotion Committee, supporting implementation on-site, and handling human rights issues when they arise.

* In-house human rights promotion structure in the Group. In addition to human rights issues that we have long been working on, such as *Buraku* (discriminated communities), we have established a structure to address the human rights of individual employees who are greatly impacted by relationships in the workplace, and to respond to a wide range of human rights issues as issues for the organization and workplace. In 2006, we established the Human Relations Office as a department that is responsible for the promotion of human rights.

2 Strategy

Commitment to human rights

In April 2020, we formulated and announced the Sekisui House Group Human Rights Policy. It was formulated with the advice of outside experts, and approved by the Board of Directors of the Company.

This policy respects international norms such as the International Bill of Human Rights, the ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work, and Guiding Principles on Business and Human Rights, and supports the Ten Principles of the United Nations Global Compact. As a matter of course, we do not tolerate involvement in human trafficking, nor any involvement with companies or production regions where such involvement has been identified through transactions, nor do we tolerate any form of forced labor or child labor.

In order to fulfill our social responsibilities in our global business activities, we have stated that we will respect the human rights of all stakeholders who may be affected in our business activities including our supply chain.

All Group officers and employees, including workers with shorter working hours, must comply with this policy, and all employees receive policy-related training. We also publish the policy on our website, and we expect all stakeholders inside and outside the Group to understand the Group's policies and initiatives for respecting human rights.

Sekisui House Group Human Rights Policy

Initiatives to respect human rights in our business activities

The Group has stated in its Human Rights Policy that it expects its business partners, including partner building constructors and suppliers, to understand and support the Human Rights Policy. We have included respect for human rights in our CSR procurement standards, and are working together with suppliers.

In our human relations promotion framework, we conduct three hours of human rights training (human relations training) for all Group employees every year. We also provide two hours of training to promotion committee members who are managers to help them obtain a deeper understanding of respect for human rights.

In addition, the Human Relations Office conducts in-house training as necessary by level and specialty, in order to prevent human rights violations, including all types of harassment.

Sekisui House Group Corporate Code of Conduct (Japanese only)

Sekisui House Group Corporate Ethics Guidelines



Human Relations Training Manual 2021

Establishment and dissemination of CSR procurement guidelines

Following our support and signing of the Ten Principles in the four fields of human rights, labor, environment, and anti-corruption stated in the United

Respect for human rights

Nations Global Compact in 2018, we joined the supply chain subcommittee of the Global Compact Network Japan (GCNJ), a local network based in Japan. In addition, we established the CSR procurement guidelines as a procurement initiative in our supply chain, and distributed them to our business partners.

The CSR procurement guidelines are based on the Self-Assessment Questionnaire (SAQ) for CSR procurement issued by GCNJ. We request that our business partners submit a signed agreement, confirming that they have agreed to understand and comply with the purpose and content of the guidelines, and to cooperate with periodic follow-up reviews and inspections by the Company regarding procurement initiatives. When commissioning a company as a new business partner, we require a signed agreement confirming an understanding of the guidelines before any transactions are conducted.

We conduct CSR evaluations of our business partners through self-assessment based on the SAQ issued by GCNJ, and use the results as one of the items for supplier assessments. In order to conduct fair and impartial transactions, we also disclose the evaluation results to our business partners. Assessment items related to human rights and labor are incorporated into the CSR evaluations. We monitor suppliers who are identified as requiring attention by the assessment results through on-site interviews to confirm the current status.

Dialogue with employees on freedom of association and respect for collective bargaining rights

As stated in the Human Rights Policy, all Group companies respect freedom of association and the right to collective bargaining. We shall comply with labor-related laws and labor-management agreements, and work to build constructive relationships through sincere dialogue and negotiations with 100% of employees including workers with shorter working hours, or their representatives.

3 Risk Management

Promoting human rights due diligence

Based on our Human Rights Policy, we have incorporated the process of human rights due diligence into our business activities, and employ a PDCA cycle in initiatives. Relevant departments, offices, subsidiaries, and other organizations (“related departments, etc.”) are responsible for due diligence for human rights issues. In addition, we obtain information through dialogue with stakeholders and from advice and other information from experts and human rights groups. We use this information to identify risks, educate and implement relevant measures. The related departments, etc. share and aggregate information with relevant business divisions, and otherwise verify due diligence for labor practices and identify omissions to integrate this due diligence into the initiatives we execute to identify Company-wide issues, provide education, and make improvements.

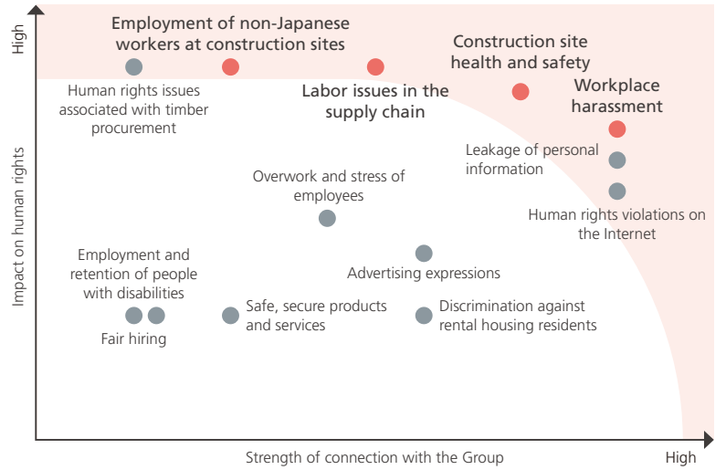
Identifying important human rights issues in our business

In FY2020, we conducted a questionnaire format awareness survey and exchanged opinions within each business division, and identified five key issues for Group employees.

- Internet society and human rights (prevention of human rights violations that result from employees using social media)
- Power harassment
- LGBTQ (prevention of workplace harassment and discrimination in business activities)
- Overwork and stress of employees
- Non-Japanese workers (at business partners and construction sites)

In FY2021, we implemented human rights due diligence for issues we had identified as described in “Implementation and Countermeasures for Impact Assessment of Human Rights in Business Activities.” Concurrently, the Human Rights Due Diligence Working Group took action including a review of the assessment of human rights risks related to Group businesses. A map of key issues follows:

Map of Human Rights Risks Related to Group Businesses



Ongoing priority issues in 2022

1. Workplace harassment
2. Construction site health and safety
3. Labor issues in the supply chain
4. Employment of non-Japanese workers at construction sites

Respect for human rights

Implementation and measures for impact assessment regarding human rights in our business activities

The Group values a broad array of perspectives including the opinions of stakeholders and related parties, as well as direct dialogue should human rights issues arise.

• Employees

We inculcate and update human rights awareness among all of our employees by taking up the theme of human relations training for all employees based on five Group-wide priority issues. We have striven to improve understanding of LGBTQ among our employees through training based on lectures delivered by Ms. Maki Muraki, representative of the certified NPO Nijiiro Diversity.

With regard to power harassment, as roughly 40% of consultations received by the Sekisui House Sexual and Power Harassment Hotline in FY2021 were related to power harassment, we recognize this as an emerging human rights issue.

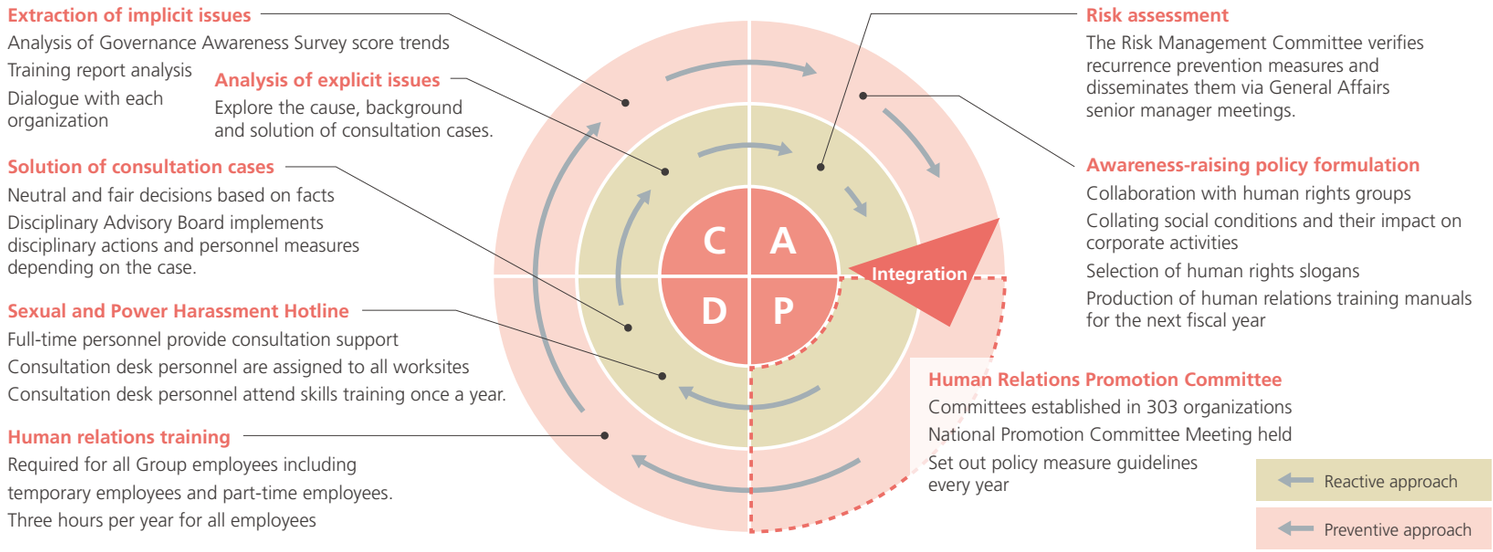
With regard to overwork and stress, we have taken preventive measures in our housing sales and production departments, and Sekiwa Construction companies. In an environment that has changed dramatically due to the COVID-19 pandemic, we have used social media and the Internet for detailed communication. The Group is also focusing on reducing the total working hours of employees through workstyle reforms.

We work with non-Japanese construction technicians, including technical trainees, regardless of nationality or gender, and have focused on the working environment for such workers, including technical intern trainees, with different cultural and linguistic backgrounds.

We conducted questionnaire surveys of technical trainees at Group companies and their partner building contractors, and received responses from 211 trainees in their native languages. In response to the question "Do you want to work in Japan after you finish your technical training?" 81% of respondents answered "Yes, I do." Given the possibility that some of them may have no choice but to work, we continue to provide many opportunities for dialogue with technical intern trainees.

We hold regular meetings and discussions with the five technical trainees who are employed at the Company, and they have given the Company a positive review, saying, "I find my work rewarding."

PDCA of Human Rights Due Diligence (for employees)



• Customers

Continued dialogue with customers contributes to the provision of high-quality housing. Even after housing is provided, we accept opinions and evaluations regarding our overall service through regular inspections and questionnaires.

• Suppliers

We hold policy briefings every year to ensure that suppliers obtain a deeper understanding of our procurement activities. Approximately 150 companies participated in the briefings held in February 2022. For briefings, we invited an outside lecturer to speak on the subject of "Business and Human Rights in Supply Chains."

» Page 132: Enhancing sustainable procurement

Respect for human rights

• Human Rights Groups

Following our support and signing of the Ten Principles in the four fields of human rights, labor, environment, and anti-corruption stated in the United Nations Global Compact in 2018, we joined the subcommittees (HRDD and human rights education) of the Global Compact Network Japan (GCNJ), a local network based in Japan.

We also collaborate with related organizations that work on various human rights issues, including the *Buraku* (discriminated communities) issue, and continuously collect information and utilize it for in-house education and training.

Related organizations working on human rights issues

- The *Buraku* Liberation and Human Rights Research Institute
- The Corporate Federation for Dowa and Human Rights Issue, Osaka
- Fair Hiring and Human Rights Awareness Promotion Center
- Osaka City Corporate Human Rights Promotion Council
- NPO Multi-Ethnic Human Rights' Education Center for Pro-existence
- Normalization Society

Proper operation of our human rights reporting system

As stated in the Human Rights Policy, the Group has put several reporting systems, including our compliance helpline, in place to understand concerns and potential negative impacts on human rights resulting from our business activities. We are also appropriately operating our consultation desk system for full effectiveness.

The Human Relations Office has established a Sexual and Power Harassment Hotline to provide consultation on all human rights issues, including various types of harassment and consultation to create a comfortable working environment for employees with disabilities. In addition, we assign one male and one female in charge of the consultation counter (788 people total, as of February 2022) across 100% of our business sites, including at Group companies. We hold training sessions every year for employees in charge of the consultation counter to improve their skills and strengthen cooperation with the Human Relations Office. All employees are made aware of these consultation services through the Company intranet, human relations training manuals, and posters. In response to consultations and reports, we promptly make responses, and then conduct investigations and take corrective and remedial measures, as necessary. When using these services, we strictly protect confidentiality and ensure that the users will suffer no disadvantage due to their consultations and reports.

At our overseas subsidiaries, we have established consultations systems for each country and operating company.

We also take inquiries about human rights on our public website.

Sekisui House Group Compliance Helpline
(Japanese only)

4 Indicators and Targets

• Sexual and Power Harassment Hotline

(FY)

		2019	2020	2021
Cases		161	167	169
	Of which, harassment cases	90	92	97
	Of which, cases involving corrective action*	92	79	79

* We respond to all reports received, including providing support for the person reporting. Numbers shown are cases for which facts were confirmed and corrective action was taken once deemed necessary, and completed.

Our Sexual and Power Harassment Hotline has become a well-known and easy-to-use contact point, and handled 169 cases in FY2021. Besides harassment, the hotlines have also handled cases involving management and human relationships in the workplace. We tailor corrective action, advice and support to the content of each case.

• Public Website Human Rights Cases

(FY)

	2019	2020	2021
Inquiries	—	7	32

Established when the Sekisui House Group Human Rights Policy was formulated in April 2020

• Employees Receiving Human Relations Training

(FY)

	2019	2020	2021
% of employees	100%	100%	100%

A report confirmed that all organizational units received training (303 units in FY2021).

5 Activities and Other Related Information

Continuous human rights education for employees

• Human Relations Training

To raise awareness of human rights issues and foster a work environment in which employees can work comfortably, human relations training is held for all Group employees* every year, with work leaders at each business site serving as facilitators.

* Training manuals are distributed to temporary, part-time, and fixed-term employees as well, and all employees are encouraged to attend training.

FY2021 Promotion committee member training for managers (2 hours a year)

- Communication in the workplace to prevent power harassment
- Diversity management

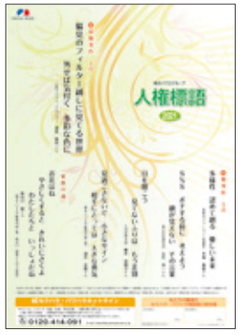
FY2021 All employee training including managers (3 hours a year)

- Internet society and human rights
- LGBTQ - What is a workplace where everyone can work in their own way?

We selected two themes for all employee training, and one theme (power harassment) for promotion committee member training, from among the identified priority issues. Since 2020, we have implemented this training for all employees using the remote conference system.

• Soliciting Human Rights Slogans

Each year, we solicit human rights slogans from all employees and their families for Human Rights Week, from December 4th to 10th. In 2021, we held our 38th slogan solicitation, and a total of 25,058 entries were submitted, from which we selected one outstanding work and five excellent works. We are distributing posters containing these six works to various organizations and Group companies.



"Sekisui House Group Human Rights Slogan 2021"

LGBTQ initiatives in the real estate business

In our real estate business, we have started to create a system to ensure that all prospective tenants, including LGBTQ individuals, are treated equally and fairly during screening. Among various initiatives, we are revising application forms and conducting training to raise awareness, including among partner real estate companies.

Initiatives to protect the human rights of non-Japanese workers

We reviewed the working environment for non-Japanese workers employed by our business partners at production facilities. We have reviewed signs at factories, collaborated with contractors in factories, and checked the working environments including working hours.

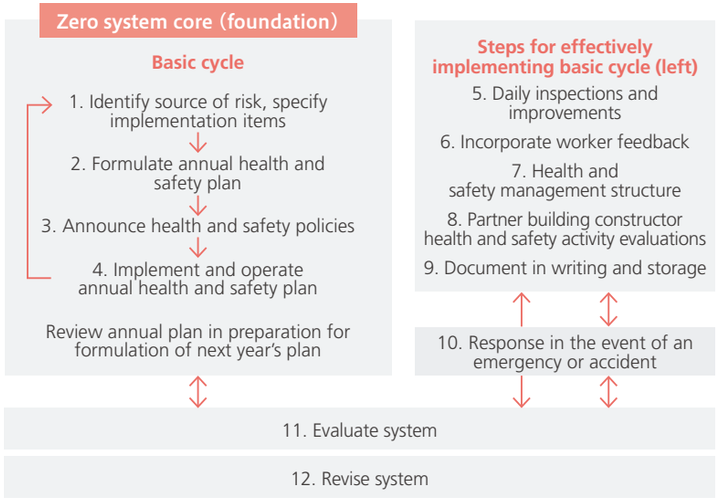
S Occupational Health and Safety

1 Governance

Occupational health and safety management system in construction departments

In addition to the Occupational Health and Safety Management System recommended by the Ministry of Health, Labour and Welfare, we have incorporated the Sekisui House Zero Hazard System, which we developed ourselves by taking into account the characteristics of construction sites, to develop health and safety management activities. In order to reduce occupational accidents, it is important not only to take legal measures and preventive measures against the recurrence of past accidents, but also to identify and evaluate sources of risk through risk assessment, as well as formulate and execute agenda items in annual plans. By building and improving our management tools while respecting and passing on the knowledge accumulated over many years, we are working to raise the overall standard, and intend to maximize the benefits of ensuring health and safety at construction sites.

Outline of Sekisui House Zero Hazard System



We are working on systematizing safety management to improve the efficiency of analyzing trends in accidents and incidents throughout the Company. In addition, we have digitized the reporting of disasters to enable prompt reporting of accidents, information sharing, and more efficient information management. This enables us to digitize information and analyze disaster trends more accurately and meticulously.

In addition, in order to make the safety management system more efficient and reliable, we have developed and operated a "Safety Promotion App" to run on smart devices. This app makes it possible to quickly confirm and report on findings and corrections to partner building contractors and construction workers, as well as keeping a record of findings and records during safety patrols of construction sites.

In the event of an occupational injury or accident involving an employee, the Human Resources and General Affairs Department is promptly notified by the workplace where the injury or accident occurred, and the incident is shared with the entire Company through the Health and Safety Committee and other means. If an occupational injury or accident occurs at a construction site, the site shall inform the Construction Quality and Workers Safety Promotion Department, which shares the information with the entire Company.

Our Company-wide construction quality control system

Quality control plays an important role in the overall workmanship of a home. We employ a Company-wide system of quality control in the construction of every building to assure premium quality, ongoing improvement initiatives, and the management and preservation of construction quality records.

- **Construction quality control systems to produce high-quality buildings**

We bring together Sekisui House on-site supervisors, Sekiwa Construction companies' construction managers, and the construction technicians of partner building contractors to make ongoing improvements in processes to maintain and improve construction quality. They have also set up an inspection system that assigns individual responsibilities.

Chief Inspector System

A Chief Inspector (an employee who has completed chief inspector training and earned qualifications as an inspector) carries out special inspections to ascertain the construction quality of a project, to determine the quality system in action and inspection capabilities, to provide support to on-site supervisors and construction managers for inspection work, and to implement quality improvements for critical control points.

Construction Quality Council

Consisting primarily of technology leads from each workplace, the council analyzes and evaluates construction quality inspection results.

It systematically identifies flaws, studies and shares particulars necessary for improving quality, and promotes quality improvements ranging from plan proposals to implementing specific improvement activities.

Certification Training and Inspection Training

Inspector certification training and inspection training are carried out for on-site supervisors and construction managers to raise the standard of inspection techniques.

Visualizing construction quality level and assuring full accountability

We have introduced the Q-COMS and F-COMS construction quality control systems for managing and preserving construction quality records for every building and to provide internal controls. The CANVAS project workflow information system centralizes management of the data, such as construction site inspection records and construction management reports.

Quality control information is linked with photographs for the purpose of visualization, and a special app for construction site supervision by the on-site supervisors and construction managers (at Sekiwa Construction for permanent works) on a smart device to provide timely worksite management and raise the level of quality even higher. We are also considering the method with such smart devices for checking quality in real time. Inspection data— based on input

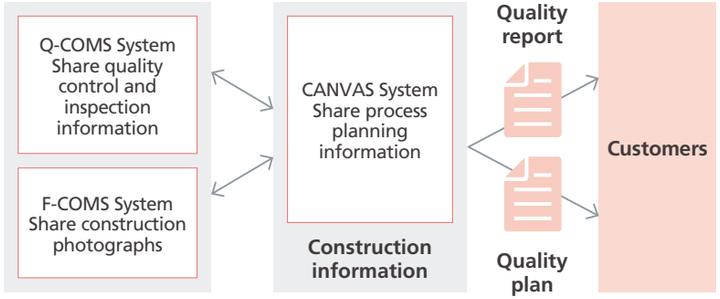
Occupational Health and Safety

data—is collected and analyzed, and used to set directions for construction quality improvement initiatives.

We are also creating a practical accountability support system to provide explanations to homeowners during construction, which will help prevent misunderstandings and distrust due to lack of information.

On-site supervisors use tools created with the CANVAS system, such as quality plans and quality reports, to provide explanations of matters as required at whatever stage they are needed. By fulfilling our duty of accountability, we are able to put homeowners at ease at the end of construction, allowing them to plan and prepare for moving in.

Outline of Company-wide Quality Control System



2 Strategy

Priority themes and outline of a plan for construction site accidents for the fiscal year

The Group is promoting initiatives to reduce accidents, including those at construction sites. Our priority themes for FY2022 were "elimination of fall accidents," "securing appropriate working environments," and "prevention of accidents involving general public." In particular, in response to an increase in fall accidents in the previous fiscal year, we are focusing on eliminating fall accidents, which carry a high risk of serious injury. In FY2022, we will continue to thoroughly implement the practice of basic safety activities, and establish practical measures to realize safe and secure construction sites.



Poster of slogan for FY2022 "Making safe and secure environments, and 'communicating' to prevent accidents!"

- **Outline of annual construction health and safety plan for FY2022**
- Further intensify our focus on countermeasures against serious accidents (that could potentially be fatal to humans), such as fall accidents.
- Properly arrange equipment and work spaces at the construction site to create an environment where constructors can work safely with a sense of security.
- Thoroughly prevent recurrence and establish a system to prevent incidents for events that may lead to human-related accidents, such as falling objects and contact with heavy machinery.

3 Risk Management

Implementation of health and safety training

Due to amendments to the law, starting on January 2, 2022 we have completely transitioned to the use of products that are compliant with new standards for crash prevention devices (safety belts) which are worn when working at high places.

The Company confirmed the attendance status of special training for work with full harness safety belts, and held this training nationwide to ensure the thorough use of safety belts.

In order to rebuild our installation standards for scaffolding around internal stairways, we conducted special training for workers engaged in scaffolding assembly, etc. and made advance preparations for the future development of the operation of internal stairway scaffolding.

When holding training, we took thorough measures to prevent the spread of COVID-19, and provided subsidies and support for acquiring necessary qualifications, such as web-based lectures and practical training implemented by setting up bases with a small number of trainees in attendance.

Going forward, we will continue to provide subsidies and support for attendance according to the circumstances, in order to implement health and safety training at our construction sites.

4 Indicators and Targets

Trends of occupational accidents

Accidents and illnesses resulting in lost worktime in FY2021 are as shown below. The Health and Safety Committee, a committee mandated by the Industrial Safety and Health Act and other laws, thoroughly analyzes the causes of occupational and commuting accidents that occur and shares information, thereby raising awareness of safety and health, preventing unsafe behavior, and discouraging long working hours that lead to accidents and illnesses. The number of contractor fatalities due to occupational accidents in Sekisui House construction departments over the past three years was zero in FY2018, FY2019 and FY2020, and one in FY2021.

Occupational Health and Safety

Frequency Rate of Accidents Resulting in Lost Worktime (Total of one or more days of lost worktime)

(FY)

Departments		Frequency rate of accidents resulting in lost worktime		
		2019	2020	2021
Administration (employees)		0.42	0.45	0.32
Production	Employees	0.45	0	1.30
	Contractors	0.27	1.59	0.61
Construction (Contractors only)		2.92	2.27	2.49

Frequency Rate of Occupational Illness (Total of one or more days of lost worktime)

(FY)

Departments		Frequency rate of occupational illnesses		
		2019	2020	2021
Administration (employees)		0.07	0.32	0
Production	Employees	0	0	0
	Contractors	0	0	0
Construction (Contractors only)		0.43	0.37	0.20

Calculation standards
Lost worktime injury frequency rate: Number of fatalities and injuries due to lost worktime injuries per million total working hours
Occupational illness frequency rate: Number of occupational illnesses per million total working hours
Scope of aggregation: FY2019: Employees and contractors of Sekisui House
From FY2020: Administration and production departments: Employees of Sekisui House (on a non-consolidated basis), as well as contractors of Sekisui House, Sekisui House noie, and Konoike Construction Co., Ltd. (including sole proprietors and employers)
The total working hours of Sekisui House employees and contractors in the administration and production departments are calculated based on actual working hours.
Total working hours of contractors of Sekisui House and Sekisui House noie of the construction division were calculated as 8 hours per man per day.
The total working hours of Konoike's contractors in the construction division were calculated as nine hours per man per day.
* In order to improve accuracy, we have revised the frequency rates of accidents resulting in lost worktime and occupational illnesses in "Construction (Contractors only)" in FY2020.

Number of Deaths

(FY)

2019	2020	2021
0	0	1 person (employer) at a construction site

Scope of aggregation: contractors for Sekisui House (including sole proprietors and employers)

Occupational accidents at construction sites

- The number of occupational accidents resulting in one or more days of lost worktime at construction sites was 99% of that in the previous fiscal year, so the trend has leveled off.
- Although there had been no fatalities since 2018, there was one fatality (enrollee of special enrollment insurance for small and medium-sized business operators) in FY2021.
- The number of falls that lead to serious accidents (one day or more days of lost worktime) was 158% of that in the previous fiscal year.
- Heat strokes (one day or more days of lost worktime) decreased to 53% of that in the previous year. There were no cases of long-term lost worktime with a high rate of serious illness.
- While there were no human-related accidents, instances of components falling have been reported. Therefore, we will continue to take preventive measures such as investigating the causes of accidents, conducting thorough risk management at the planning stage, and ensuring the implementation of measures to prevent recurrence.

(FY)

Number of cases	2019	2020	2021
Construction site accidents (excluding heat stroke)	123	100	99
Heat stroke	18	15	8

* Totals represent the number of accidents resulting in one or more days of lost worktime.
* Scope of aggregation: contractors for Sekisui House (including sole proprietors and employers)

Reference: Comparison with Industry Averages

Sekisui House calculates frequency rates differently than the Ministry of Health, Labour and Welfare, which uses the industry averages shown below.

(FY)

Occupational accident rate		2018	2019	2020
Manufacturers		1.20	1.20	1.21
General contractors		1.09	1.69	1.30
Contracted amount	¥1 billion or more	1.00	1.65	1.29
	¥500 million or more, less than ¥1 billion	1.46	1.61	1.70
	Less than ¥500 million	1.13	2.06	0.97

Source: Ministry of Health, Labour and Welfare, "Survey of Industrial Accidents"
* Figures through FY2020 because data for FY2021 was not available when this report was being produced.

5 Activities and Other Related Information

Occupational health and safety activities at construction sites

In FY2021, we worked on the priority themes of "elimination of fall accidents" and "prevention of toppling accidents."

- **We focused on the construction environment as part of our "thorough measures to prevent falls," which can lead to serious accidents (accidents that could be fatal).**

1. We have begun to confirm the factory shipping of handrails to install around the outer periphery of buildings, as well as consider expanding the scope of our support for temporary handrails.
2. We have clarified standards for installing scaffolding around internal stairways, and are now in the process of verifying sites to put them into practical use.

- **As part of our fall prevention measures, we have promoted thorough measures to keep worksites tidy.**

1. We have placed a priority on tidying up, securing safe walkways, and preventing slippage, thereby strengthening check items when patrolling sites.
2. As tools to promote tidying up on site, we have newly added and utilized 11 items related to tidying up in our Safety Promotion App.

- **To prevent accidents involving the general public, we worked on the priority theme "elimination of accidents involving overturning construction equipment" and took measures to prevent recurrence.**

Occupational Health and Safety

Benefits programs for partner building contractors and working with the Sekisui House Association

The greatest strength of the Group is the Sekisui House Association, which consists of Group companies and partner building contractors involved in construction. As of February 2022, the association includes the 15 companies in our Group company Sekiwa Construction Ltd. and approximately 7,000 partner building contractors throughout Japan (including the partner building contractors of Sekiwa Construction companies, which are members of the Sekiwa Association).

From its very start, Sekisui House has pursued "design-build" construction Our partner building contractors are irreplaceable, and we hold them in high regard, fostering relationships of trust and mutual interest that will last over the long term in the spirit of a "community with a common destiny."

To realize customer satisfaction, the Sekisui House Association cooperates with each Sekisui House office to pursue initiatives aimed at implementing safety measures, improving construction quality, providing solutions for customers and neighbors, achieving zero emissions, keeping the construction site tidy, developing worker skills, and improving working conditions.

The association also serves as a place for information exchange that allows individual worksites and partner building contractors to share issues they face and study possible solutions, and offers training and study opportunities to improve work processes and construction quality.

And, the Sekisui House Association is a tremendous driver of action for us in times of natural disaster, such as when an earthquake or flood strikes, from the initial response to actions required for restoration and reconstruction.

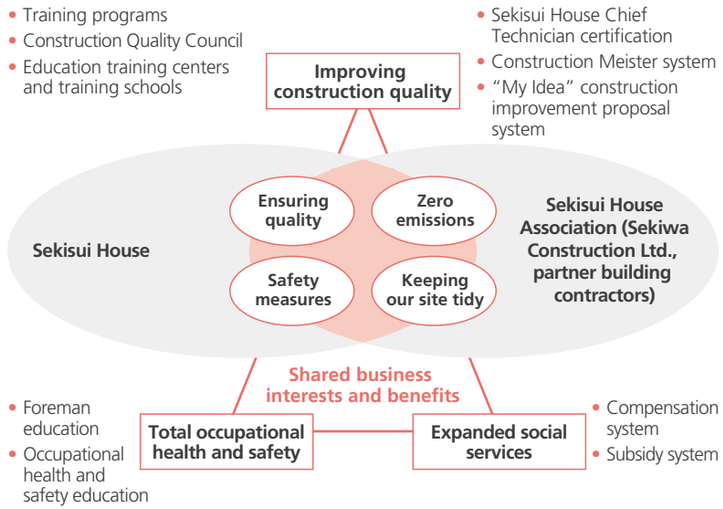
We will continue striving for customer satisfaction by working with the association and raising the value of the Sekisui House brand as we work toward shared goals.

We also run various benefit programs to support partner building contractors and construction technicians who work on our construction sites across Japan.

The Sekisui House subsidy system is designed to support improvement in workforce management at partner building contractors and to expand benefits for construction workers. The amount of subsidies given in FY2021 totaled about ¥0.93 billion.

The Sekisui House Cooperation Association was established in 1982 to improve employment practices and expand benefits to partner building contractors. It assists in the running of various systems at Sekisui House, including our construction site safety assurance system and funded pension system.

Achieving Customer Satisfaction with the "Shared Goal" Mindset



Initiatives to improve work site productivity

With the total number of construction workers on the decline, we are working to ensure ongoing, reliable construction management by strengthening our technologies, while also taking steps to make the most of our existing construction capabilities. We have launched two sets of working groups to improve productivity and reduce person-hours—one to focus on solutions employing physical resources and the other to focus on solutions involving systems and people. We have organized a Technical Directors' Council, Construction Management Committee, and Worksite Productivity Improvement Working Group, consisting of technical deputy directors representing locations around the country, the head office, and factories. We are identifying and studying issues that lead to increased productivity, such as the SHAWOOD large-scale fixed sash combined construction method to reduce the burden of construction.

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.



The SHAWOOD large-scale fixed sash combined construction method

Occupational Health and Safety

Sekisui House Chief Technician certification

The Sekisui House Chief Technician certification, established in 1983, is a self-certification system run by the Sekisui House Cooperation Association. In April 1985, this certification became the first of its kind in the construction and housing industry, obtaining ministerial authorization for being in line with national certifications.

The examination is held once a year, and in FY2021, 147 people passed. Certified individuals now number 6,348, and the certification is helping on-site work leaders to maintain and improve construction quality.

The purpose of the certification is to evaluate the skills of technicians fairly and appropriately, and to maintain and improve quality. To be eligible to take the certification exam, one must have three years or more experience doing the relevant type of technical work on-site for Sekisui House, plus complete a short course. The three types are: foundation work, framing/ exterior work and interior finishing.

After obtaining the certification, further experience leads to becoming a Construction Meister.



The blue construction helmet is worn by a certified Sekisui House Chief Technician.

The Construction Meister System

The Sekisui House Group has two systems that honor superior technicians in the field across Japan—the Construction Meister System and Sekisui House Remodeling Meister System.

The Construction Meister System, established in 2010, recognizes the technical skills of construction workers at our construction sites and honors them as superior technicians. Its aim is to foster the development of advanced skills in young workers. Certified Construction Meisters boost the motivation and pride of all construction technicians by becoming role models, fostering an atmosphere of diligence and the pursuit of high-level skills, thereby contributing to higher quality and greater customer satisfaction throughout the Company.

In FY2021, we had a total of 360 certified Construction Meisters—77 foundation work technicians, 102 framers/exterior specialists, and 181 interior carpenters. Among these are 80 First Meisters and two Top Meisters. Each recipient is awarded a certificate and incentive pay. Since 2010, a total of 3,227 Sekisui House technicians have been certified as Construction Meisters.

In 2020 we created a new Quality Champion Commendation System to honor Construction Meisters who are exceptional promoters of quality. The commendation also focuses attention on our social responsibility as a leading construction company to ensure superlative quality and technique. Under this new system, 66 Construction Meisters and 67 Construction Meisters were commended for quality in FY2020 and FY2021, respectively.

We also have the Sekisui House Remodeling Meister System, established in 2008, which certifies and registers superior technicians working for partner building constructors who do remodeling work for Sekisui House. The certification system also extends to a number of areas including homeowner satisfaction, work volume, attitude and consideration for others on the construction site, attention to safety, management capabilities, and ability to foster young talent.

Training centers and training schools

Sekisui House has established training centers and training schools where we conduct training that allows technicians from each company in the Sekiwa Construction group as well as technicians hired by partner building contractors to learn techniques and acquire skills. The schools also teach proper conduct to facilitate interaction as members of society and prepare trainees for the working environment. Our schools are unique in that they do not merely provide the opportunity to acquire technical skills and knowledge necessary for construction with Sekisui House, but also the opportunity to study our corporate philosophy, which is indispensable for achieving customer satisfaction.



Framing/exterior course: completion test



Interior finishing course: completion test

In FY2021, classes were held under strict restrictions due to the COVID-19 pandemic, with 28 trainees completing the framing/exterior course and 53 completing the interior finishing course—a total of 81 technicians. A total of 2,968 technicians have completed courses and are working as construction technicians and construction managers around Japan. After completing training, we hold variety of training at each center, and are working continuously to improve technical knowledge and skills.

Occupational Health and Safety

Overseas technical training centers

In November 2019, with our facility in Hanoi, Vietnam we became the first housing manufacturer to establish a technical training center in Vietnam for housing construction. The center strengthens our system for taking on technical trainees from Vietnam.

We have a service agreement with the JIC Kyodo Kumiai Support Association to help local organizations make preparations for recruits. The center gives technical trainees a chance to learn Sekisui House's construction techniques and study Japanese in a practical way while remaining in familiar surroundings in their home country so that they can start work without any problems when they arrive in Japan. 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 work in Japan without any concerns.

In January 2020, the six trainees who went through the foundation course in Hanoi came to Japan. Since that time, however, the spread of COVID-19 has prevented us from conducting education or training as planned.

In 2021, we began supporting recruitment interviews, technical training lectures, Japanese language study and other activities online. We are also hiring more local staff and establishing a system that enables us to conduct training at any time, in preparation for resuming the entry of technical trainees into Japan.

■ FY2021 Results: 17 trainees coming to Japan, 11 trainees interviewed for recruiting

Recruitment and Assignment Schedule (Requires a minimum of 10 months from application acceptance to assignment)

Acceptance Application	Recruitment	Interview/Pass	1st month	2nd month	3rd month	4th month	5th month	6th month	7th month	8th month	9th month
●	Local recruitment One month	●	Preliminary education (Japanese, other languages) Six months					Technical training (fundamental course) Entry into Japan	Assignment One month	●	
Explanatory meetings	(1) In the process of acceptance	(2) Hiring interview	(3) Preparation of immigration documents		(4) Technical training plan		Enrollment qualification certification Application issuance Application	(5) Visa acquisition at the local office	(6) Immigration training	(7) Joining the company (8) Working on site	


Local fundamental training


Local exterior training


Online interviews



Online Japanese studies

Initiatives for occupational health and safety by Konoike Construction (a Group company)

Konoike Construction, one of our Group companies, has maintained certification for the Construction Occupational Health and Safety Management System (COHSMS) since 2014 at all offices as an initiative for occupational health and safety, and conducts regular internal audits.

G
Governance

164 Strengthening Our Sustainability Governance System
166 Promoting Compliance
169 Strengthening Risk Management

G Strengthening Our Sustainability Governance System

1 Governance

ESG Promotion Committee

We have established the ESG Promotion Committee, which includes two external committee members with special expertise, as a consultative body to the Board of Directors. The committee meets once every three months and enhances its effectiveness by exchanging views on the progress and challenges of our ESG management initiatives.

In addition, with the ESG Management Promotion Headquarters acting as a responsible department, and based on discussions in the ESG Promotion Committee, we are working to further promote ESG management, both within our Company and in collaboration with Group companies in Japan and overseas.

» Pages 98–99: ESG Management Promotion Structure

Discussion about sustainability in the Board of Directors

The ESG Promotion Committee discusses the planning, formulation and execution of the Group's basic policies concerning ESG management. The committee reports on its activities to the Board of Directors as necessary. In addition, the Board of Directors discusses basic sustainability policies such as investment in human capital and intellectual property.

2 Strategy

Sustainability basic policy

With the aim of becoming a leading company in ESG management, and in order to achieve our global vision, the Board of Directors has set ESG initiatives as priorities that support the Group's management foundation, and the board is promoting these initiatives by incorporating them into the Mid-Term Management Plan.

Guided by resolutions by the Board of Directors, the Group has identified increasing the quality of housing stock (customer happiness), contributing to a sustainable society (social happiness), and diversity and inclusion (employee happiness) as material (essential) issues when promoting ESG management, and the Group is implementing initiatives to address materiality.

In addition, we have sought to analyze medium-to-long-term issues that affect value creation with relation to sustainability, identify risk factors, and position them as opportunities for future business development.

To provide new value to our customers and society as a partner in creating happiness, we are implementing a human resources strategy with the aims of diversity and inclusion, workstyle innovations, and self-directed career development. The Company has formulated a health management policy based on the belief that improving physical and mental health, which are integral to an employee's happiness, is indispensable to the realization of the Company's global vision, and is therefore engaged in promoting "happiness" health management.

By both investing in intellectual property and protecting the results of our investments, we have built up our core competencies of technical capabilities, construction capabilities, and customer base. In addition, by demonstrating our competitive advantage through our unique value chain that handles all of the processes of housing development, we provide value to our customers, which forms the basis for supporting continuous corporate growth.

Enhanced governance for ESG management

We are moving forward with governance reform at three levels.



- Governance reform at the top management level
- Governance reform at the business management level

» Page 71: Corporate Governance

• Governance reform at the Group employee level

Based on the Fifth Mid-Term Management Plan, we are implementing governance reforms at the senior management and business management levels. We are also implementing ways to stimulate communication among employees and organizations within the Group. For these reasons, we encourage bottom-up feedback, which we link to governance reforms at the senior management and business management levels.

Strengthening Our Sustainability Governance System

In order to promote ESG management with the participation of all employees, we hold ESG dialogue between employees divided by level, under the theme of "how to manage our business to ensure greater happiness for employees, customers, and society."

Throughout Group companies, ESG dialogue is encouraged to develop initiatives aimed at creating a virtuous cycle of fostering employee engagement, accelerating communication, and generating innovation, which will then increase our corporate value.

In addition, we strive to vitalize communication, which tends to be lacking as smart work is becoming the standard practice. To do this, we provide opportunities for communication and training, including opportunities for dialogue in line with themes based on the Group vision during Corporate Ethics Month (every October) as set by the Japan Business Federation (Keidanren). We also provide opportunities for exchanging opinions on organization-wide issues based on the results of the Governance Awareness Survey, an anonymous questionnaire survey for all employees conducted every year* on awareness of corporate ethics, the working environment and other factors.

* Some offices implemented this program in FY2021 due to the unified timing for implementation across the Group.

3 Risk Management

Investing in human capital

Having positioned FY2021 as the first year of personnel system reforms, we introduced a highly transparent evaluation system and career interviews based on full communication between supervisors and members to support the self-directed careers of employees. Furthermore, with the objective of training and selecting future organization leaders (for the heads of branches, the head office and factories, etc.), we have run the *Keiei-juku* management training program since 2018. In addition, the SHINE! Challenge Program also started in 2019. Through these programs, we are building a foundation to systematically produce the next generation of business leaders. Further, we provide a range of training courses for branch managers and leaders to strengthen the ability of individual branches and teams to manage, develop human resources, and invigorate their organization. These courses also support employee career development.

For health management, we conduct a Well-Being Survey of all employees, and offer advanced proposals through Sekisui House FIT, our smartphone app developed in-house, to promote exercise and prevent lifestyle-related diseases.

Investing in intellectual property

Among our intellectual property, we work to protect technology and designs with patent rights and design rights. In addition, we also strive to protect feedback from our customers, as well as the expertise and data we have accumulated through many years of efforts, as important trade secrets. We are very particular about naming at the stage of commercializing investment results, and protect those names with trademark rights, treating names as symbols of how we provide customers with satisfaction and peace of mind throughout the value chain. In addition, we are now placing higher than ever importance on these activities, and in August 2021 we established the Intellectual Property Office as a specialized organization to oversee intellectual property. We are complementing in-house human resource development by hiring intellectual property specialists, including people who have been responsible for intellectual property at other companies.

In addition, in recognition of the importance of research and development, we are investing an adequate amount in research and development expenses and making active capital investments in our R&D bases, with a focus on the Comprehensive Housing R&D Institute and the Human Life R&D Institute. In recent years, we have actively invested in fields that contribute to the promotion of future businesses through industry-academia collaboration and partnerships with companies in different industries, with a focus on new business areas such as the Platform House business. Furthermore, we have actively invested in areas outside of direct technology development, as well as *Nattoku Kobo*, which provides opportunities for a variety of living environment-related experiences. We have integrated the results obtained from these investments and positioned them as management resources (intellectual capital).

Governance awareness survey of all Sekisui House and Sekisui House Group employees

Based on the Sekisui House's corporate philosophy, we use an anonymous questionnaire to conduct an annual governance awareness survey with all Group employees to verify that workplace environments have been changed to ensure that everyone is working together effectively throughout the Group. By regularly surveying awareness of corporate ethics, the workplace environment and other factors, we gain an understanding of the current situation, and based on the survey results we provide opportunities for exchange of opinions on an organizational level as we focus on creating a more open workplace culture.

Note: Some offices implemented this program in FY2021 due to the unified timing for implementation across the Group.

Commendation system incorporating ESG indicators

To promote ESG management throughout the Sekisui House Group, we have incorporated ESG indicators into the President's Awards for workplaces.

In line with our ESG promotion policy, we have set eight objective indicators directly related to business: leading the way to a decarbonized society and protection of ecosystems under environment; health and productivity management and employee happiness under social; and strengthening management at workplaces under governance. From August 2021, we have introduced a similar commendation system, after selecting indicators that match the business contents of Group companies Sekisui House Real Estate, Sekisui House Remodeling, and Sekisui House noie.

G Promoting Compliance

1 Governance

System for promoting Group-wide compliance

To ensure that the entire Group complies with all applicable laws and regulations, we have established a specialized functional department in charge of compliance and a business management department that comprehensively manages each business unit. The specialized functional department promotes cross-sectional management of the respective duties for the entire Group's divisions, in cooperation with the business management divisions. For further improvement, the status of management is reported and verified by the Risk Management Committee, which was established as a consultative body to the Board of Directors.

» Page 73: Corporate Governance

Compliance training implementation

We provide all Group employees with legal training every year on themes such as laws and regulations and risk as a continuous effort to foster compliance and risk awareness. In FY2021, in response to a comprehensive evaluation report on an incident involving transactions for land for condominiums, we conducted one hour of training for all Group employees for the purpose of disseminating information, and reported on the status of this training to the Board of Directors. From FY2022, we will change the name to Compliance Training, and work to foster an awareness of compliance and risk in a wide scope that extends beyond laws and regulations.

Sekisui House Group Corporate Ethics Guidelines

Internal reporting system and whistleblower protection

We have a whistleblower system in place for all Group employees. In compliance with the Whistleblower Protection Act, employees notify the Compliance Office in the Legal Department by email or telephone of any conduct that violates laws or corporate ethics. Our corporate law office has served as an external point of contact since October 2016.

In September 2021, we changed the name to the Sekisui House Group Compliance Helpline, and made changes to the system, such as handling reports anonymously, and sharing information on reports to external contact desks with the Audit and Supervisory Board. In line with the amendments to the Whistleblower Protection Act in June 2022, we made corporate officers subject to whistleblowing up to one year after their retirement or the end of their tenure, and established Company regulations setting forth responsibilities for corporate officers, including prohibiting them from conducting disadvantageous treatment of whistleblowers on the basis of such whistleblowing.

2 Strategy

Sekisui House Group Corporate Ethics Guidelines

In October 2003, the Group formulated the Sekisui House Corporate Ethics Guidelines and put them into effect as the standards to be followed by the Company, its officers and employees. The content of these guidelines is revised as necessary in line with changes in the business environment. Since 2005, we have been holding Corporate Ethics Month every October to spread awareness among all Group executives and employees. In addition, every year we have executives and employees submit a Pledge of Compliance with the Corporate Ethics Guidelines.

From the viewpoint of anti-corruption, we have also stipulated entertainment and gifts in these guidelines with respect to customers, suppliers, public officials and other individuals. Based on that provision, we have established Anti-Corruption Guidelines and are disseminating information on them within the Company.

Sekisui House Group Compliance Helpline

	Point of contact	Method	Content of report
SCS (Sekisui House Group Compliance Support) System	Compliance Office (in Legal Department) (External) Sekisui House corporate law office	Phone Letter Email	This includes all cases that violate or could potentially violate laws, regulations, or corporate ethics for businesses and business activities for Group employees and business partners that the Group has an ongoing relationship with.
Sekisui House Global Helpline	(External) law office	Email (English language support is available)	Cases at overseas subsidiaries that violate or may violate laws and regulations and corporate ethics in relation to businesses and business activities
Sexual and power harassment hotline	Legal Department Human Relations Office	Phone Email	Consultation pertaining to sexual/power harassment and other human rights issues, including concerns and problems related to interpersonal relationships; consultation aimed at creating a comfortable workplace for disabled employees, etc.
Personnel related hotline	Human Resources and General Affairs Department	Intranet	Labor management issues in general, such as work hours and working on scheduled days off

Note: We also provide an external (outside the Company) contact for counseling by a professional for Group employees and their families.

Promoting Compliance

We also provide helplines that provide counseling on labor management issues in general and hotlines dedicated to consultation regarding sexual and power harassment.

In addition, the Sekisui House Group Supplier Company Corporate Ethics Helpline has been established as a system for handling consultation regarding concerns pertaining to legal and corporate ethics infractions and transaction-related issues connected to Sekisui House Group business activities from directors or employees of partner building constructors and supplier companies with whom the Group has an ongoing business relationship. Furthermore, in June 2020, we established and began operations of the Sekisui House Global Helpline for employees of our overseas subsidiaries in English-speaking regions, using a third-party law firm as a contact point (another contact has been established for subsidiaries in China with Chinese language support).

Though it would be ideal to solve problems through discussions in the workplace, we also believe it is important to have an internal reporting system in place that employees can freely turn to for help. We educate employees about this system with leaflets and human relations training.

3 Risk Management

Initiatives for compliance with laws and regulations related to construction

The Group obtains permits and licenses based on laws and regulations, such as the Real Estate Brokerage Act, the Construction Business Act, the Act on Architects and Building Engineers, and the Housing Quality Assurance Act. At the same time, we conduct business activities based on administrative regulations, as well as laws and other regulations related to construction, labor, the environment, and other matters involved in executing business. Violation of laws and regulations related to construction in particular could incur significant expenses for remediation or administrative sanctions, such as suspension of business that could affect the Group's business performance.

Measures to prevent compliance violations include a legal and regulatory check system to verify mistakes and omissions of procedures for design, according to the Building Standard Law, and we have structured a double check system for branches and the head office to prevent the occurrence of mistakes for type approval. In addition, to ensure the effective assignment of full-time technicians under the Construction Business Act, we are checking their assignment status and are continuing to secure qualified personnel and improve their skills.

Personal information protection initiatives

To follow the amendments to the Personal Information Protection Law enacted on April 1, 2022, we have revised the Rules for Handling Personal Information. We have also designated the executive officer in charge of legal affairs as the person in charge of handling personal information, and are working to manage personal information with effective systems. Our Privacy Policy and Information Security Policy are disclosed on our website.

We handle customers' personal information at Sekisui House Group worksites, such as housing exhibitions and land sales offices. In accordance with the Personal Information Protection Law and the Rules for Handling Personal Information, we have implemented ongoing e-learning and educational training for employees. We are promoting the full awareness of personal information protection among employees.

In addition, we have set up a specialized Customer Information Service Office within the CS Promoting Department, and have established a system that supports compliance with the Personal Information Protection Law for the entire Group. Among various options, customers may request disclosure, correction, suspension of use or deletion of their own personal data by lodging a Contact for Inquiries About Customer Information application with the Customer Information Service Office. In the event of the loss or theft of customers' personal information, in addition to informing customers about the issue immediately, we shall post necessary notices on our website concerning what information was lost or stolen, as well as notices regarding our future handling of the situation. At the same time, we shall make every attempt to recover this information.

Additionally, in view of the fact that personal information protection laws are being put in place in various countries around the world, we are making efforts to protect personal information in our overseas businesses as well, by developing systems, providing training and other means in accordance with the businesses we operate in each country to comply with local laws and regulations.

Sekisui House, Ltd. Privacy Policy (Japanese only)

Sekisui House, Ltd. Information Security Policy (Japanese only)

Basic policy on tax

The Sekisui House Group recognizes a significant responsibility to respect stakeholders' trust. To safeguard this trust, the Group must comply with regional tax laws and regulations in Japan and internationally where the Group operates and to make tax payments transparently and appropriately, observing the principle of tax fairness. Disclosure of the Group's basic tax policy follows.

Sekisui House, Ltd. Basic Policy on Corporate Governance

4 Indicators and Targets

In FY2021, there were no serious violations of laws, regulations, or voluntary norms related to bribery or corruption within the Group.

• Breakdown of Taxes Paid in Each Country

Disclosure of the Group's tax payment records in FY2021

Country	Amount
Japan	¥48,995 million
United States	¥10,010 million
Australia	¥83 million
China	¥5,646 million

Promoting Compliance

Legal compliance status

• Penalties for non-compliance of the anti-corruption policy

In FY2021, 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.

• Infractions and penalties related to the environment

There were no major infractions or penalties of environmental laws or regulations in FY2021. There were no accidental spills or other incidents impacting the environment surrounding our factories. No environment-related fines were imposed on the Group.

• Infractions and penalties related to products and services, safety and hygiene

In FY2021, 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.

• Infractions and penalties related to customer privacy

In FY2021, there were no substantiated petitions for redress related to customer privacy infringements or customer data loss.

• Legal action related to monopolistic practices

In FY2021, 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.

G Strengthening Risk Management

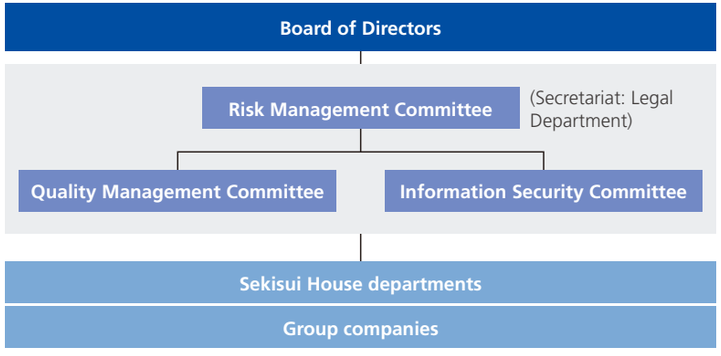
1 Governance

Our risk management system

The Group has established a Risk Management Committee (chaired by Satoshi Tanaka, Representative Director of the Board, Executive Vice President, Executive Officer) as a consultative body to the Board of Directors, with the aim of accurately understanding important risks in business activities, monitoring whether those risks are properly managed, and mitigating the impact on the Group's businesses in the event that such risks materialize.

This committee meets once a month, in principle. Based on the monitoring results of departments at the head office and bodies meeting to discuss target risks, the committee summarizes and verifies the development of the risk management system, gives advice, and regularly reports on deliberations to the Board of Directors. Moreover, we recognized the importance of quality control and information security by establishing the Quality Management Committee and the Information Security Committee within the Risk Management Committee. These committees take a professional, intra-divisional approach to reviewing risks as well as countermeasures, and regularly report their deliberations to the Risk Management Committee.

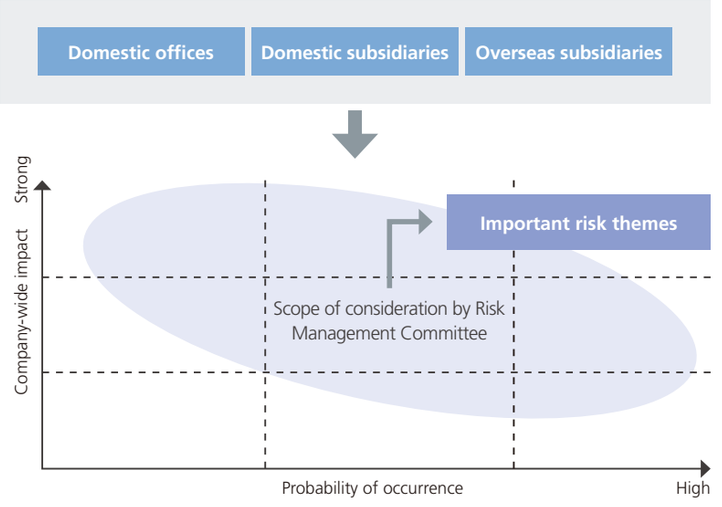
Risk Management System Diagram



2 Strategy

Risk management process

We monitor the Group's domestic offices as well as domestic and overseas subsidiaries, and we conduct interviews with every department in the head office. The Risk Management Committee uses the information from monitoring and interviews conducted during the previous fiscal year to identify risk issues under themes that include labor law and labor management, human rights, compliance, quality management, information security, the environment, and crisis management. Each year, the committee then evaluates the probability of occurrence and degree of impact on the Group for these risk issues, and selects material risks based on these evaluations. The department responsible for each important risk theme and meeting bodies formulate a basic risk management plan at the beginning of each fiscal year, report on progress to the Risk Management Committee, and make improvements based on the opinions and advice of the committee, in this way using a PDCA cycle for risk management.



We implement risk management for Sekisui House on a non-consolidated basis and all Group companies. Significantly material executive action at major subsidiaries requires the approval of Sekisui House, Ltd. or resolutions of the Board of Directors. In addition, the Group's governance network is structured to uncover risk information for the Group, strengthen checking by general affairs managers at domestic and overseas Group companies, as well as encourage information sharing among management departments, including the Auditing, Human Resources and General Affairs, and Legal Departments.

Responsible departments at the head office report incidents that could have a Group-wide impact to the Risk Management Committee in accordance with the Crisis Response Manual. For especially serious situations, those considered to have exceeded the crisis intensity specified in this manual, the Chairman of the Risk Management Committee can decide to establish a specialized Crisis Countermeasures Headquarters team to systematically consider how to prevent the situation from getting worse and to help resolve it quickly.

Strengthening Risk Management

3 Risk Management

Strengthening the quality control system

The Group takes all possible measures to ensure the quality of design, production and construction. It also implements a long-term warranty system and regular inspection service for our detached houses and multi-unit buildings, which are our core products. If serious quality problems occur due to unexpected human errors or other factors during our long support period, considerable costs could be incurred or the reputation of the Group could be severely degraded, which may affect the business performance of the Group.

As a countermeasure, the Quality Management Committee within the Risk Management Committee promotes unified quality management as an organization that brings together five study groups for products, design, production, construction, and customer satisfaction. In particular, the Quality Management Committee helps prevent construction quality defects through improvements to the quality control priorities that are based on the annual construction quality management plan formulated at the beginning of each fiscal year, and regularly reports the status of initiatives to the Risk Management Committee. We are also promoting multifaceted initiatives aimed at securing construction competencies, especially those closely related to construction quality, such as leveling the amount of construction work, improving onsite productivity, and proactively training technical trainees, including workers from overseas.

Initiatives to strengthen information security

Infection by computer viruses and advanced cyberattacks could allow personal information and confidential information to leak or be tampered with or cause system shutdowns. This could have a wide range of adverse consequences that could negatively affect business performance, confidence in the Group, competitiveness, stock prices, and shareholder value.

The Group has positioned information security as one of the important management issues to address in order to minimize risks that may hinder the continuation of the business itself, such as information leakage or suspension of operations caused by a cyberattack. For that reason, we have established the Information Security Committee (chaired by Osamu Minagawa, Managing Officer) to make a more specialized response to risks, under the Risk Management Committee, which is a consultative body to the Board of Directors. A priority issue is establishing an information security governance system that includes the entire Group and is based on the Information Security Policy, which is the fundamental policy for Group information security, and associated rules for managing confidential information.

With regard to IT system development, operation and management, we are continuing to develop environments for the effective processing of business affairs, and regularly review our rules and standards. In addition, we are developing processes to follow in the event of security incidents, with progress confirmed by the Information Security Committee.

We are adopting work styles that are not limited and, are taking stronger measures that are suitable for the multi-cloud era. We are also consolidating important data on a cloud platform, and distributing tablet terminals that are specialized for remote connection to the Company to those employees who request them, thus migrating from conventional PCs to secure mobile PCs. In response to diversifying workstyles amid the prevailing trend of telework and the new threat of cyberattacks, we are strengthening technical measures and enhancing organizational strength at the same time. Regarding procedures to prevent IT system failures and cyberattacks, we are continuously striving to increase the e-literacy of employees and improve the procedures by providing education and training every year and on other occasions as necessary.

We also manage customer information based on our rules for handling personal information and our Privacy Policy, with each organizational unit assigning a manager responsible for handling personal information, implementing safety measures, and establishing a system to thoroughly inform all employees. At the same time, we teach employees through online courses how to handle personal information, and we raise awareness of the roles and responsibilities of each employee regarding the protection of personal information.

We regularly check current security levels through security assessments by external organizations to strengthen our security governance system.

Sekisui House, Ltd. Information Security Policy (Japanese only)

Promoting labor management

Long working hours for employees can lead to health problems, including mental illness, and in some cases can lead to extended leaves of absence. In addition, we need to avoid occupational accidents at offices and construction sites. Especially at construction sites, mistakes in work procedures and work methods can lead to injuries, and a serious or even fatal accident could result in monetary damages and reputational damage with the general public.

We counter these risks with labor management that promotes workstyle reforms to curb long working hours and to keep tabs on the status of work at the head office, factories and offices every month. The Human Resources and General Affairs Department promotes effective labor management as necessary by monitoring and through labor management training. In addition, every organizational unit helps to prevent occupational accidents through a health and safety committee that regular verifies disaster prevention, situations that involve accidents, and then implements measures to prevent any reoccurrence. A particular emphasis at construction sites is creating a safe and secure work environment based on the annual Company-wide construction health and safety plan under the direction of the Construction Headquarters at the head office to reduce frequent accidents. Other initiatives include compliance with procedural manuals and setting up a confirmation system.

Strengthening Risk Management

Response in the event of a natural disaster

The Sekisui House Group recognizes that it is the mission of housing manufacturers to quickly restore the lives of customers that suffer from large-scale natural disasters and provide new housing, including emergency temporary housing. To this end, we have established the Action Program for Handling Natural Disasters that prescribes Company-wide policies and measures.

In the event of a large-scale natural disaster, the first step toward recovery is to quickly ascertain the condition of employees and their families in the affected region. The speed of initial responses is linked to the formation of support systems for worksites and rapid response to Company-wide needs, which in turn enables us to promptly provide support to customers. For this reason, we not only conduct periodic evacuation drills at each worksite, but also require all employees to always carry a response survival card containing safety reporting procedures and other information to be used in the event of a natural disaster.

We confirm the condition of our employees and their families, while setting up a Disaster Response Headquarters at our head office to respond to the disaster by sending relief supplies using each factory as a base for a quick response. We also cooperate with local response headquarters to facilitate a swift recovery.

In addition, we currently have a Customer Service Center Owner Desk in Osaka and Fukuoka that can respond to house owners' requests for consultation and urgent repair 24 hours a day, 365 days a year. We carry out integrated and complementary operations to ensure that these desks can fill in for each other in the event of a large disaster and support customers by serving as emergency reception centers capable of coordinating with the Customer Service Center in the affected region as well as with Sekisui House Remodeling, Ltd.

Action Program for Handling Natural Disasters (Japanese only)

Business continuity planning

Delays in the initial response due to unclear response plans during large-scale natural disaster could impair business continuity at our locations, which could in turn affect the Group's business performance.

The Sekisui House Group maintains preparedness through business continuity planning (BCP) to cope with major natural disasters. The Group has also formulated the Sekisui House Group Basic Policy Concerning Disaster Countermeasures. A disaster manual has also been released to every organizational unit, and we are prepared to ensure business continuity at all business sites in the event of a disaster.

In the event of a disaster at the head office, we are prepared to continue business operations through offices that can serve as substitute head offices: the Tokyo office (Akasaka, Minato-ku) and the Comprehensive Housing R&D Institute (Kizugawa, Kyoto).

We do business internationally, which puts the employees of overseas subsidiaries and employees on international business trips at risk from natural disasters, terrorist attacks and riots. We have created a response manual that incorporates a system for prompt information sharing, and we have contracted with a specialized overseas crisis response support company to have a support system in place for our local employees in the event of an emergency.

4 Indicators and Targets

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Section

7

Data

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Environmental Data ①

Themes	KPI	Unit	2017 Results	2018 Results	2019 Results	2020 Results	2021 Targets	2021 Results	2022 Targets
Contributing to a Decarbonized Society	Ratio of detached ZEH homes [1]	%	76	79	87	91	89	92	90
	Number of ZEH units for rent [2]	% Housing units	— —	— 380	— 450	— 2,976	— 1,800	— 8,501	50 —
	Number of ZEH condominiums for sale Ratio of ZEH condominiums for sale [3]	Housing units %	— —	12 —	— —	32 —	196 35.0	192 39.4	540 85.0
	Idocoro Dan-netsu (location-based insulation upgrades) [4]	Housing units	–	–	–	1,005	1,200	1,338	1,250
	RE100 achievement rate [5]	%	–	–	1	16.4	25	33.5	35
	CO_2 emission reduction rate for new housing [6]	%	36.1	38.1	41.6	54.7	45% reduction by FY2030	55.5	45% reduction by FY2030
	Rate of CO_2 emissions reduction from business operations [7]	%	19.1	22.0	28.2	39.2	75% reduction by FY2030 [14]	46.6	75% reduction by FY2030 [14]
Biodiversity Conservation	Biodiversity-friendly tree planting [8]	Thousand trees	14,090	15,020	16,110	17,090	18,000	18,100	19,000
Resource Recycling	Waste rate (new construction) [9]	%	5.5	5.5	5.8	5.8	5.5	5.4	5.2
	Waste recycling rate (new construction) [10]	%	100	100	100	100	100	100	100
	Waste recycling rate (maintenance and remodeling) [11]	%	95.5	94.9	94.3	92.8	90% or higher	95.6	90% or higher
Supply Chain Management	Supplier science-based target-setting rate [12]	%	–	–	–	18.6	80% by FY2030	22.2	80% by FY2030
	Sustainable wood procurement ratio [13]	%	91.9	93.6	95.3	97.0	97.2	97.2	97.4

1. ZEH ratio of contracted and for-sale housing in areas other than Hokkaido
2. Ratio of orders placed for ZEH Ready or higher units (includes only units for which photovoltaic power is purchased from tenants; number of units through FY2021)
3. Cumulative number of completed units ranked ZEH Oriented or higher. Target for ratio to sales increased for FY2022
4. Number of units renovated to *Idocoro Dan-netsu* concept with partial thermal insulation and heating systems
5. Ratio of the amount of post-FIT photovoltaic power and other power purchased by Sekisui House Owner Denki to the total amount of electricity consumed in our business operations
6. Scope 3 Category 11 emissions reduction rate relative to FY2013 levels. Calculation is based on the current science-based target boundary (excluding Konoike Construction Co., Ltd.)
7. Scope 1 and 2 emissions reduction rate relative to FY2013
   Konoike Construction Co., Ltd. became a wholly owned subsidiary in FY2019. We enable time series comparability for emissions by retroactively adding Konoike's CO_2 emissions for FY2013 to Sekisui House Group CO_2 emissions for FY2013, which is the baseline year for the Group's planned CO_2 emissions target. We have also adjusted emissions reduction by retroactively adding Konoike's emissions to the Group's for FY2017 through FY2019. In addition, our methodology has changed beginning with this report. We now include energy (electric power, light oil, gasoline, kerosene) that partner companies use in Scope 3. We have recalculated the reduction rate by retroactively adding CO_2 emissions from fiscal 2013, which is the baseline year for the Group's CO_2 emissions target, and CO_2 emissions from FY2017 through FY2020.
8. Cumulative number of trees planted under the *Gohon no Ki* Project
9. Waste ratio from raw material production and resource inputs for new industrialized housing products
10. Waste recycling rate for new industrialized housing products
11. Waste recycling rate for maintenance and remodeling work
12. Percentage of our major suppliers who have adopted science-based targets
13. Procurement ratio of Rank S and Rank A wood products (according to Wood Procurement Guidelines)
14. We are considering an increase in the target reduction rate including Konoike Construction in line with the 1.5° C scenario.

Environmental Data ②

Material balance (monitoring of environmental impact of business activities in FY2021)

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

INPUT

Development and design		Factory production		Construction [1]		Demolition	
Energy	**176,401 MWh**	**Energy**	**138,269 MWh**	**Energy**	**40,247 MWh**	Below are the figures for energy consumption, water consumption, waste, and CO_2 emissions resulting from the demolition of old buildings prior to new construction.	
Electricity	49,636 MWh	Electricity	43,027 MWh	Electricity	16,405 MWh	**Energy**	**— MWh**
Gasoline	11,433 kl	Natural gas	3,592 thous. m³	Light oil	2,135 kl	Energy, CO_2 emissions and other data for demolition for FY2021 are not subject to disclosure due to restrictions on data aggregation. Aggregation is planned from FY2022.	
Light oil	316 kl	LPG	1,796 t	Gasoline	133 kl	**Water**	**— thous. m³**
Natural gas	517 thous. m³	LNG	1,471 t	Kerosene	20 kl	Municipal water	— thous. m³
Propane gas	46 thous. m³	Kerosene	182 kl	**Water**	**216 thous. m³**		
Kerosene	25 kl	Light oil	61 kl	Municipal water	216 thous. m³		
Cold water / hot water / steam	19,526 GJ	Gasoline	20 kl				
Water	**248 thous. m³**	**Water**	**612 thous. m³**				
Municipal water	248 thous. m³	Municipal water	134 thous. m³				
		Industrial-use water	22 thous. m³				
		Groundwater	457 thous. m³				

OUTPUT

Development and design		Factory production		Construction [1]		Demolition	
CO_2 emissions	**45,887 t-CO_2**	**CO_2 emissions**	**29,304 t-CO_2**	**CO_2 emissions**	**12,997 t-CO_2**	**CO_2 emissions**	**— t-CO_2**
Waste [2]	**86 t (Recycling rate: 76.7%)**	**Waste**	**13,228 t (Recycling rate: 100%)**	**Waste**	**630,358 t (Recycling rate: 97.1%)**	**Waste**	**377,765 t (Recycling rate: 96.7%)**
Paper	59 t	Glass/ceramics	4,411 t	Concrete	258,604 t	Concrete	195,199 t
Other	27 t	Metal	5,103 t	Sludge	172,300 t	Wood	78,618 t
		Sludge	1,836 t	Debris, etc.	27,919 t	Debris, etc.	37,100 t
		Wood	1,034 t	Asphalt concrete	42,407 t	Mixtures (including those properly controlled)	20,749 t
		Other	843 t	Other	129,128 t	Other	46,098 t

1. We have changed the method for recognizing CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group to Scope 3 Category 1 from FY2021. Therefore, energy used by partner companies during construction is not included in the energy data above. Energy consumption was 160,399 MWh, and the CO_2 emissions were 44,689 t-CO_2 when calculated using the conventional method.
2. Emissions from the head office building

Notes 1 The unit of energy consumption (total) changed from GJ to MWh in FY2021.
Notes 2 All the figures for waste from business activities include valuables.
Notes 3 Scope: The subjects of this survey are Sekisui House (non-consolidated basis), its major consolidated subsidiaries in Japan (38 companies), and major consolidated subsidiaries overseas (12 companies).
Period: The data is for FY2021 (from February 2021 to January 2022). The figures include estimates in cases where final data was unavailable at the time of calculation.

Environmental Data ③

Data calculation standards

Activities	Environmental index	Calculation method
Development and design	Energy and CO_2	• Energy consumption and CO_2 emissions at Sekisui House (non-consolidated basis), 38 major domestic consolidated subsidiaries and 12 major overseas consolidated subsidiaries • Beginning with FY2021, the unit for energy consumption (total) has changed from GJ to MWh. Energy consumption (GJ) = [(Purchased electricity) + ∑ [(Fuel consumption) × (Calorific value per unit of fuel]] ÷ 3.6 (GJ/MWh)] + ∑ (Heat consumption ÷ 3.6 (GJ/MWh) (including the calculated performance of U.S. offices, which is partially estimated). Calorific values per unit of electricity/fuel refer to those specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming*. • CO_2 emission (t-CO_2) = [(Purchased electricity) × (CO_2 emission factor) + ∑ [(Fuel consumption) × (Fuel CO_2 emission factor)] + ∑ [(Heat consumption) × (Heat CO_2 emission factor)]] Domestic CO_2 emission factors refer to those specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming* while overseas electricity CO_2 emission factors are based on the "CO_2 Emissions from Fuel Combustion 2019 (IEA)."
	Waste	• Amount of waste generated from Sekisui House (non-consolidated basis) head office including consolidated subsidiary offices in the same building
Factory production	Energy and CO_2	• Energy consumption and CO_2 emissions at Sekisui House's (non-consolidated basis) five domestic factories, and the Ingleburn Manufacturing and Quality Control Centre (Australia) • Beginning with FY2021, the unit for energy consumption (total) has changed from GJ to MWh. Energy consumption (GJ) = [(Purchased electricity) + ∑ [(Fuel consumption) × (Calorific value per unit of fuel)] ÷ 3.6 (GJ/MWh). Calorific values per unit of fuel refer to those specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming.* • CO_2 emission (t-CO_2) = [(Purchased electricity) × (CO_2 emission factor) + ∑ [(Fuel consumption) × (Fuel CO_2 emission factor)]]. CO_2 emission factors for electricity and fuel refer to those specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming while electricity CO_2 emission factors at the Ingleburn Manufacturing and Quality Control Centre (Australia) refer to those specified in the "CO_2 Emissions from Fuel Combustion 2019 (IEA)."
	Waste	• Amount of waste generated from Sekisui House's (non-consolidated basis) five domestic factories
Construction	Energy and CO_2	• Electricity, fuel and other inputs that Sekisui House (non-consolidated basis), Sekiwa Construction (15 companies), and Konoike Construction use in construction and civil engineering work. Data for Konoike Construction include demolition work associated with construction and civil engineering work and discrete demolition projects. • Beginning with FY2021, the unit for energy consumption (total) has changed from GJ to MWh. Energy consumption (GJ) = [(Energy consumption mentioned above) × (Calorific value per unit of energy use)] ÷ 3.6 (GJ/MWh) • Energy consumption and CO_2 emissions resulting from construction by Konoike Construction refer to those resulting from domestic construction/civil engineering work it supervises (excluding demolition work). 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 CO_2 emissions are only estimated for small-scale construction work at contracted amounts of less than ¥100 million. • CO_2 emissions are calculated by multiplying the energy consumption mentioned above by the CO_2 emission factor for each energy type. (CO_2 emissions resulting from commuting by construction employees of partner companies that have no capital relationship with the Group are based on FY2020 results and included in Scope 3, Category 7.)
	Waste	• Amount of waste generated from new construction, maintenance and remodeling by Sekisui House (non-consolidated basis), 15 Sekiwa Construction companies and Sekisui House Remodeling. • Amount of waste generated from Konoike Construction's domestic construction/civil engineering work. Data for Konoike Construction include demolition work associated with construction and civil engineering work and discrete demolition projects.
Demolition	Waste	• Amount of waste generated from demolition of houses and buildings by Sekisui House (non-consolidated basis), 15 Sekiwa Construction companies and Sekisui House Remodeling.

* Calorific value per unit of energy and CO_2 emission factor are based on the Law Concerning the Promotion of the Measures to Cope with Global Warming. "Emission Factors by Electric Utility Operator" announced by the Ministry of the Environment and the Ministry of Economy, Trade and Industry on January 7, 2022 and partially revised on February 17, 2022) are used for the emission factors for specified emitters.

Environmental Data ④

Value chain greenhouse gas (GHG) emissions (FY2021)

Scope 1 and 2 GHG emissions

(t-CO_{2e})

Scope	Description	CO_2 [1]	HFC [2]	Other [3]	Total emissions	Targets
Scope 1	CO_2 emissions from use of primary fuels	52,844	73	0	52,917	Sekisui House (non-consolidated basis) and 50 major consolidated subsidiaries
Scope 2 [4]	CO_2 emissions associated with purchased electricity and heat	35,270	—	0	35,270	Sekisui House (non-consolidated basis) and 50 major consolidated subsidiaries
Total		88,114	73	0	88,187	—

1. Energy-derived CO_2 emissions resulting from Sekisui House Group's development, design, production, construction and demolition work. (CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group are recognized in Scope 3 Category 1 beginning with FY2021. Calculated using the conventional method, Scope 1 emissions were 79,782 t-CO_2, Scope 2 emissions were 40,024 t-CO_2, and their total was 119,806 t-CO_2.)
2. Hydrofluorocarbon released by Sekisui House (non-consolidated basis)
3. CH_4 (methane), N_2O (nitrous oxide), PFC (perfluorocarbon), SF_6 (sulfur hexafluoride), etc.
4. Calculated based on market standards (Location-based: 59,606 t-CO_2 in FY2018, 55,313 t-CO_2 in FY2019, 54,318 t-CO_2 in FY2020, 47,337 t-CO_2 in FY2021 / Market-based: 58,259 t-CO_2 in FY2018, 50,808 t-CO_2 in FY2019, 48,928 t-CO_2 in FY2020, and 35,270 t-CO_2 in FY2021)

Scope 1 and 2 GHG emissions by region

(t-CO_{2e})

Japan	United States	Australia	United Kingdom	China	Total
86,227	601	367	8	983	88,187

Scope 3 GHG emissions

(t-CO_2)

Scope		Target category	Emissions*	Targets
Upstream	Category 1	Purchased goods and services (raw materials)	1,833,964	Sekisui House (non-consolidated basis), Konoike Construction
	Category 2	Capital goods	135,148	Sekisui House (non-consolidated basis)
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	15,564	Sekisui House (non-consolidated basis), 50 major consolidated subsidiaries
	Category 4	Upstream transportation and distribution (transport)	30,544	Sekisui House (non-consolidated basis), Konoike Construction
	Category 5	Waste generated in operations (business waste)	128,392	Sekisui House (non-consolidated basis), Konoike Construction
	Category 6	Business travel	5,575	Sekisui House (non-consolidated basis)
	Category 7	Employee commuting	22,385	Sekisui House (non-consolidated basis)
	Category 8	Upstream leased assets	—	(Not applicable) CO_2 emissions from leased vehicles (Company vehicles) are included in Scope 1.
Downstream	Category 9	Downstream transportation and distribution	—	(Not applicable)
	Category 10	Processing of sold products	—	(Not applicable)
	Category 11	Use of sold products (occupancy)	2,748,656	Sekisui House (non-consolidated basis)
	Category 12	End-of-life treatment of sold products (product waste)	156,782	Sekisui House (non-consolidated basis), Konoike Construction
	Category 13	Downstream leased assets	4,785	Sekisui House (non-consolidated basis)
	Category 14	Franchise	—	(Not applicable)
	Category 15	Investment	—	(Not applicable)
Total			5,081,794	

* (CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group are recognized in Scope 3 Category 1 beginning with FY2021. Calculated using the conventional method, Scope 3 Category 1 emissions were 1,802,272 t-CO_2 and Scope 3 Category 3 emissions were 18,072 t-CO_2.

Environmental Data ⑤

Each category's calculation standards

Target category	Environmental index	Calculation method
Category 1	Purchased goods and services (raw materials)	Scope of calculation includes goods and services purchased by Sekisui House (non-consolidated basis) and Konoike Construction (electricity, fuel and other types of energy used at construction sites by partner companies that have no capital relationship with the Group). Raw materials used by Sekisui House's (non-consolidated basis) factories and major materials purchased by Konoike Construction: (Purchase price (million yen) by raw material type or quantity purchased by raw material type for major materials purchased) × (CO_2 emission factor (t-CO_2/million yen) by raw material type), or quantity-based emission intensity. CO_2 emission factor by raw material type refers to that specified in the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (Ver. 2.3, dated December 2017) (Ministry of the Environment and the Ministry of Economy, Trade and Industry) and the Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.1, dated March 2021) (Attachment). Electricity used at new construction sites, excluding those of Koike Construction: [(Electricity consumption resulting from site temporary construction, estimated based on Sekisui House's performance (kWh/day) × (Average construction period of a detached house (days/house) × (Number of houses built per year (shipment-based) (house)] - [(Electricity used by Sekisui house (non-consolidated basis) and Sekiwa Construction (15 companies) in domestic construction and civil engineering work excluding discrete demolition projects)]. Light oil consumption = [Heavy machinery light oil consumption (L/house) per detached house (based on Sekisui House's performance)] × [Number of houses built per year (shipment-based) (house)]. Energy consumption (GJ) = (Energy consumption mentioned above) × (Calorific value per unit of energy use). Data for new construction by Konoike Construction are calculated based on the amount of electricity, fuel and other types of energy used by construction partner companies. CO_2 emissions are calculated by multiplying the above energy consumption by the CO_2 emission factor for each energy type. However, for the unit calorific value and CO_2 emission factor for each energy type, the values of the "Act on Promotion of Global Warming Countermeasures" are adopted *.
Category 2	Capital goods	Calculation based on [6] Emissions per unit of capital goods price (Secretariat) of the Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.1, dated March 2021) for buildings and accompanying facilities, structures and mechanical equipment.
Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.1, dated March 2021) for electricity and steam consumption included in Scope 2: (7) Calculated based on emissions per unit of electricity/heat consumption (Secretariat) and the emission intensity specified in the "Carbon Footprint Communication Program Database Ver. 1.01 (Gasoline and other fuels are also calculated.)"
Category 4	Upstream transportation and distribution (transport)	Calculated according to the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures for Sekisui House (non-consolidated basis) and Konoike Construction. Also, calculated according to the Act on Promotion of Global Warming Countermeasures and according to the Fuel Economy Law (with adoption of prescribed fuel economy for which measured values are not available) based on the Act on the Rational Use of Energy. Calorific value per unit of fuel and fuel CO_2 emission factor refer to those specified in the Act on the Rational Use of Energy and the GHG Emissions Accounting and Reporting Manual (Ver. 4.8, dated January 2022) (the Ministry of the Environment and the Ministry of Economy, Trade and Industry).
Category 5	Waste generated in operations (business waste)	Waste (tonnes) from new construction, maintenance and remodeling by Sekisui House (non-consolidated basis), 15 Sekiwa Construction companies and Sekisui House Remodeling, and from domestic construction/civil engineering work by Konoike Construction) × [Waste CO_2 emission factor (t-CO_2/t)] CO_2 emission factor (t-CO_2/t) by waste type refers to that specified in the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (Ver. 2.3, dated December 2017) (the Ministry of the Environment and the Ministry of Economy, Trade and Industry) and the Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.1, dated March 2021) (Attachment).
Category 6	Business travel	[Employee business trip expenses (travel expenses)] ×[11] Emissions per unit of travel expenses paid (Secretariat) of the Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions of Organizations (Ver. 3.0, dated March 2020)]
Category 7	Employee commuting	(Employee commuting expenses) × [11] Emissions per unit of travel expenses paid (Secretariat) of the Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions of Organizations (Ver. 3.1, dated March 2021)]
Category 8	Upstream leased assets	CO_2 emissions from use of upstream leased resources (vehicles, heavy machinery, equipment, etc.) are included in Scope 1 and 2.
Category 11	Use of sold products (occupancy)	Total CO_2 emissions are calculated based on energy consumed by residents of detached houses and low-rise rental housing built and supplied per year by Sekisui House (non-consolidated basis), assuming that detached houses are used for 60 years and rental housing for 45 years. Primary energy consumption based on insulation and equipment performance is calculated, using an energy consumption performance calculation program complying with the Act on the Improvement of Energy Consumption Performance of Buildings, which is subsequently converted into CO_2. CO_2 emission factors refer to those specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming.*
Category 12	End-of-life treatment of sold products (product waste)	Waste originating from materials shipped from Sekisui House's factories (non-consolidated basis) (weight-based), materials procured on site (weight-based) and demolition of domestic structures built by Konoike Construction is sorted and segregated: [Waste by type of waste (weight-based)] × [CO_2 emission factor by type of waste (t-CO_2/t)] CO_2 emission factor (t-CO_2/t) by type of waste refers to that specified in the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (Ver. 2.3, dated December 2017) (the Ministry of the Environment and the Ministry of Economy, Trade and Industry) and the Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.1, dated March 2021) (Attachment).
Category 13	Downstream leased assets	Targeting tenants, etc. of buildings owned by Sekisui House, [16] Buildings by use and emissions per unit of area (Secretariat) of the Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.1, dated March 2021) was used. (Occupied floor area by use in buildings owned by Sekisui House) × (Emission intensity)

* Unit calorific value and CO_2 emission factor are based on the Act on Promotion of Global Warming Countermeasures. "Emission Factors by Electric Utility Operator" announced by the Ministry of the Environment and the Ministry of Economy, Trade and Industry on January 7, 2022 and partially revised on February 17, 2022) are used for the emission factors for specified emitters.

Environmental Data ⑥

Emissions and transfer of PRTR-listed substances

(kg/year)

Factory	PRTR legislative decree number	CAS No.	Substance	Emissions				Transfer		Amount handled
				Discharged into the atmosphere	Discharged into bodies of water	Discharged into the soil	Landfill disposal at the business site	Transfer to the sewer system	Transfer outside of the relevant business site (waste disposal)	
Tohoku Factory	349	108-95-2	Phenol	0	0	0	0	0	0	4,708
	405	—	Boron and its compounds	0	7,245	0	0	0	8,715	17,758
	411	50-00-0	Formaldehyde	0	0	0	0	0	0	1,059
	412	—	Manganese and its compounds	13	0	0	0	0	130	1,136
	—	—	(Total amount of substances not subject to administrative reporting)	21	560	0	0	0	36	617
			Subtotal	34	7,805	0	0	0	8,881	25,278
Kanto Factory	1	—	Water-soluble zinc compounds	0	0	0	0	0	148	848
	80	1330-20-7	Xylene	1,154	0	0	0	0	0	1,154
	240	100-42-5	Styrene	0	0	0	0	0	0	1,774
	300	108-88-3	Toluene	8,232	0	0	0	0	0	8,232
	412	—	Manganese and its compounds	108	0	0	0	0	668	3,449
	—	—	(Total amount of substances not subject to administrative reporting)	2,634	0	0	0	0	0	2,634
			Subtotal	12,129	0	0	0	0	816	18,092
Shizuoka Factory	1	—	Water-soluble zinc compounds	0	0	0	0	0	70	2,025
	300	108-88-3	Toluene	6,029	0	0	0	0	103	6,145
	349	108-95-2	Phenol	0	0	0	0	0	0	6,138
	405	—	Boron and its compounds	0	1,524	0	0	0	4,204	19,340
	412	—	Manganese and its compounds	102	0	0	0	0	878	4,591
	—	—	(Total amount of substances not subject to administrative reporting)	385	94	0	0	0	218	1267
			Subtotal	6,516	1,618	0	0	0	5,472	39,505
Hyogo Factory	—	—	(Total amount of substances not subject to administrative reporting)	812	0	0	0	0	0	763
			Subtotal	812	0	0	0	0	0	763
Yamaguchi Factory	1	—	Water-soluble zinc compounds	0	25	0	0	0	416	1,103
	53	100-41-4	Ethylbenzene	1,330	0	0	0	0	0	1,330
	80	1330-20-7	Xylene	3,929	0	0	0	0	0	3,929
	296	95-63-6	1,2,4-Trimethylbenzene	2,328	0	0	0	0	0	2,328
	300	108-88-3	Toluene	2,072	0	0	0	0	0	2,072
	412	—	Manganese and its compounds	66	42	0	0	0	502	2,116
	—	—	(Total amount of substances not subject to administrative reporting)	24	0	0	0	0	0	1,107
			Subtotal	9,749	67	0	0	0	918	13,985
			Total	29,240	9,490	0	0	0	16,087	97,622

Data collection period: April 2020–March 2021

Environmental Data ⑦

Energy consumption in the Group [1]

(MWh)

	FY2017	FY2018	FY2019	FY2020	FY2021
Development and design	198,634	191,117	183,581	185,884	176,401
Factory production	160,546	152,163	147,498	128,198	138,269
Construction	104,197	95,054	90,525	174,647	40,247 [2]
Demolition	6,088	5,709	5,647	3,949	—
Total	469,464	444,043	427,252	492,678	354,917

1. Konoike Construction included from FY2020
2. We changed the method for recognizing CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group to Scope 3 Category 1 in FY2021. Therefore, energy used by partner companies during construction is not included in the energy data above. Energy consumption was 160,399 MWh when calculated using the conventional method.

Energy consumption intensity [1]

(kWh/million yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Development and design	92	88	76	76	68
Factory production	74	70	61	52	53
Construction	48	44	37	71	16 [2]
Demolition	3	3	2	2	—
Total	217	205	176	201	137

1. Konoike Construction included from FY2020
2. We changed the method for recognizing CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group to Scope 3 Category 1 in FY2021. Therefore, energy used by partner companies during construction is not included in the energy data above. Energy consumption was 66 kWh/million yen when calculated using the conventional method.

Purchased renewable energy (electricity)

(MWh)

		FY2017	FY2018	FY2019	FY2020	FY2021
Purchased electricity (total)*		117,493	112,547	106,720	115,039	109,068
	Of which, renewable energy	1,440	1,440	2,368	6,609	29,946

* Konoike Construction included from FY2020

Energy consumption by factory (breakdown by type)

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Electricity	MWh	49,613	47,155	45,610	39,198	43,027
Natural gas	thous. m^3	2,576	4,067	3,920	3,337	3,592
LPG	t	3,835	2,055	1,982	1,729	1,796
LNG	t	1,523	1,439	1,437	1,333	1,471
Kerosene	kl	234	223	214	186	182
Light oil	kl	76	73	64	55	61
Gasoline	kl	37	33	29	21	20
Heavy oil	kl	0	0	0	0	0
Hot water	GJ	0	0	0	0	0

Amount of materials input into production

(thous. tonnes)

	FY2017	FY2018	FY2019	FY2020	FY2021
Metal	300	276	271	239	264
Concrete	264	246	243	213	235
Glass and ceramics	255	237	229	198	215
Lumber	153	145	139	124	135
Other	86	80	78	69	76
Total	1,058	984	960	843	924

Water use in the Group

(thous. m^3)

		FY2017	FY2018	FY2019	FY2020	FY2021
Municipal water		666	645	634	597	598
	At production facilities	146	149	140	130	134
Groundwater		478	529	446	462	457
	At production facilities	478	529	446	462	457
Industrial-use water (reclaimed water)		30	32	32	24*	22
	At production facilities	30	32	32	24*	22
Total		1,174	1,206	1,112	1,083	1,076
	At production factories	654	710	618	616	612

* Data is under review to improve accuracy.

Ratio of green procurement, etc.

(%)

	FY2017	FY2018	FY2019	FY2020	FY2021
Green procurement ratio	93.0	92.7	91.7	89.5	91.2
Recycled copy paper usage ratio	99.5	99.7	99.8	99.7	99.9

Note: On a non-consolidated basis

Environmental Data ⑧

Trends in GHG emissions (Scope 1, 2, 3)[1]

(thous. t-CO_2)

Scope			FY2017	FY2018	FY2019	FY2020	FY2021[2]
Scope 1, 2	Scope 1	CO_2 emissions from use of primary fuels	77	73	71	86	53
	Scope 2	CO_2 emissions associated with purchased electricity and heat	63	58	51	49	35
		Total of Scope 1, 2	140	131	121	135	88
Scope 3	Category 1	Purchased goods and services (raw materials)	1,582	1,561	1,538	2,040	1,834
	Category 2	Capital goods	26	99	51	75	135
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	17	17	15	18	16
	Category 4	Upstream transportation and distribution (transport)	34	32	31	30	31
	Category 5	Waste generated in operations (business waste)	111	95	98	131	128
	Category 6	Business travel	7	7	7	6	6
	Category 7	Employee commuting	2	2	2	19	22
	Category 8	Upstream leased assets[3]	—	—	—	—	—
	Category 9	Downstream transportation and distribution	—	—	—	—	—
	Category 10	Processing of sold products	—	—	—	—	—
	Category 11	Use of sold products (occupancy)	3,944	3,817	3,605	2,792	2,749
	Category 12	End-of-life treatment of sold products (product waste)	185	137	152	155	157
	Category 13	Downstream leased assets	13	11	6	6	5
	Category 14	Franchise	—	—	—	—	—
	Category 15	Investment	—	—	—	—	—
		Total of Scope 3	5,921	5,778	5,505	5,272	5,082
		Total of Scope 1, 2, 3	6,061	5,909	5626	5,407	5,170

1. Konoike Construction included from FY2020
2. We changed the method for recognizing CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group to Scope 3 Category 1 in FY2021. Scope 1 emissions were 80,000 t-CO_2, Scope 2 emissions were 40,000 t-CO_2, total Scope 1 and 2 emissions were 120,000 t-CO_2, Scope 3 Category 1 emissions were 1,802,000 t-CO_2, and Scope 3 Category 3 emissions were 18,000 t-CO_2 when calculated using the conventional method.
3. CO_2 emissions from leased vehicles (Company vehicles) are included in Scope 1.

Environmental Data ⑨

Trends in GHG emissions (Scope 1, 2)

(thous. t-CO_2)

	FY2017	FY2018	FY2019	FY2020	FY2021
Development and design	63	60	54	51	46
Factory production	47	44	42	34	29
Construction	29	26	25	49	13*
Demolition	2	1	1	1	—
Total	141	131	122	135	88

* We changed the method for recognizing CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group to Scope 3 Category 1 in FY2021. Scope 1 and 2 emissions from construction were 45,000 t-CO_2, and total Scope 1 and 2 emissions were 120,000 t-CO_2 when calculated using the conventional method.

GHG emission intensity (Scope 1, 2)

(kg-CO_2/million yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Development and design	29.4	27.6	22.3	20.7	17.7
Factory production	21.7	20.4	17.2	14.0	11.3
Construction	13.2	12.1	10.4	19.9	5.0*
Demolition	0.7	0.7	0.6	0.4	—
Total	65.0	60.8	50.5	55.0	34.0

* We changed the method for recognizing CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group to Scope 3 Category 1 in FY2021. GHG emission intensity from construction was 17.3kg-CO_2/million yen and total GHG emission intensity was 46.3kg-CO_2/million yen when calculated using the conventional method.

GHG emission intensity at production factories (business operation) (Scope 1, 2)

(kg-CO_2/m^2*)

	FY2017	FY2018	FY2019	FY2020	FY2021
Factory production	13.9	14.1	13.7	12.8	10.0

* Total floor area of buildings from which materials, etc. are shipped

Emissions and transfer of PRTR-listed substances

(tonnes)

	FY2017	FY2018	FY2019	FY2020	FY2021
Emissions and transfers	103.9	78.6	81.0	63.9	54.8

Note: Fiscal years in which administrative reports were made (e.g., FY2021 results are reported in FY2020)

Volume of waste generated

(thous. tonnes)

		FY2017	FY2018	FY2019	FY2020	FY2021
Volume of waste generated*		678.6	638.4	619.8	1,107.4	1,021.4
Breakdown	Non-recyclable waste	22.3	17.9	16.3	33.4	31.0
	Recyclable waste	656.3	620.4	603.6	1,074.0	990.4
		96.7%	97.2%	97.4%	97.0%	97.0%

* Konoike Construction included from FY2020.

Release of hazardous waste

(thous. tonnes)

	FY2017	FY2018	FY2019	FY2020	FY2021
Release of industrial waste subject to special controls*	0.081	0.1037	0.1627	0.962	0.612

* Konoike Construction included from FY2020.

Wastewater volume by discharge destination

(thous. m^3)

		FY2017	FY2018	FY2019	FY2020	FY2021
Sewers		485	459	455	443	472
	At production facilities	13	9	9	8	8
Rivers		325	362	342	345	302
	At production facilities	325	362	342	345	302
Rivers		810	821	797	788	774
	At production facilities	338	371	351	353	310

Biological oxygen demand (BOD)

(tonnes)

	FY2017	FY2018	FY2019	FY2020	FY2021
Tohoku Factory	0.070	0.069	0.071	0.053	0.061
Kanto Factory	0.359	0.340	0.653	0.755	0.771
Shizuoka Factory	0.103	0.077	0.057	0.088	0.094
Hyogo Factory	0.511	0.380	0.170	0.043	0.056
Yamaguchi Factory	0.391	0.364	0.303	0.238	0.279
Total	1.435	1.230	1.255	1.178	1.261

Chemical oxygen demand (COD)

(tonnes)

	FY2017	FY2018	FY2019	FY2020	FY2021
Kanto Factory	1.980	1.717	2.482	2.187	1.918
Hyogo Factory	0.383	0.311	0.174	0.061	0.085
Yamaguchi Factory	0.920	0.897	0.920	0.753	0.835
Total	3.284	2.925	3.577	3.001	2.839

Note: Data on other factories are not available as they are not regulated, with no discharge into bodies of seawater.

SOx and NOx emissions (factories in Japan)

(tonnes)

	FY2017	FY2018	FY2019	FY2020	FY2021
Sulfur oxides (SOx)	0.058	0.063	0.061	0.055	0.057
Nitrogen oxides (NOx)	5.57	5.36	4.65	3.44	5.67

Environmental Data ⑩

The Sekisui House Group's five domestic factories (Tohoku, Kanto, Shizuoka, Hyogo, and Yamaguchi) have compiled data and reported on their energy consumption, emissions, water quality management status and other environmental activities at the production stage for FY2021.

Steel frames and panels are manufactured and wood is processed in Tohoku, Kanto, Shizuoka and Yamaguchi; high-performance DYNE CONCRETE exterior-wall panels in Hyogo and Kanto; and ceramic exterior walls (Bellburn) for the SHAWOOD wooden-frame houses in Tohoku and Shizuoka. All these factories have a stringent quality control system in place for monitoring and controlling emissions into the atmosphere and discharge into waters for environmental conservation purposes, according to self-imposed standards that go beyond legal requirements. No serious accidental releases of chemical substances, oil or fuels were reported in FY2021.

Data in the Site Report is a compilation of figures from the production stage at the five domestic factories mentioned above. Excluded from the scope of reporting are the Recycling Centers, which handle waste from construction sites.



Tohoku Factory



Kanto Factory



Shizuoka Factory



Hyogo Factory



Yamaguchi Factory

Environmental Data ⑪ (Site Report)

Tohoku Factory



Location: 8 Ohara, Shikama-cho, Kami-gun, Miyagi
Establishment: August 1997
Total factory area: 121,458 m²
Factory floor area: 60,420 m²
Max. production 300 houses/month

Major energy and material consumption

Energy and resources	Unit	Consumption
Electricity	MWh/year	5,263.7
Kerosene	kl/year	0.4
Light oil	kl/year	3.2
LPG	t/year	1,037.9
Municipal water	thous. m³/year	17.2

Amount of waste generated and recycling rates

Tohoku Factory	Amount (t)	Recycling rate	Material recycling rate
Glass/ceramics	1,837.5	100%	100%
Metal	301.3	100%	100%
Sludge	87.8	100%	100%
Wood	8.9	100%	0%
Other	54.4	100%	49.4%
Total	2,289.9	100%	98.4%

Discharge into waters (by destination)

Emissions	Unit	Rivers	Sewers	Total
Amount discharged	thous. m³	17.6	—	17.6

Air analysis results

Emissions	Unit	Measured value	Mandatory regulations	Voluntary standard value
NOx	ppm	Less than 15	180	60
SOx	Nm³/h	Less than 0.04	17.5	0.175
Soot and dust	g/Nm³	0.005	0.25	0.025

Water analysis results

Emissions	Unit	Measured value	Regulatory value under Water Pollution Control Law	Mandatory/ industrial regulations	Voluntary standard value
pH	—	7.3	5.8–8.6	5.8–8.6	5.9–8.5
Total chromium	mg/l	Less than 0.1	2	—	1
Copper	mg/l	Less than 0.1	3	—	1.5
Phenol	mg/l	Less than 0.1	5	—	2.5
n-Hex	mg/l	Less than 0.5	5	5	3
Manganese	mg/l	Less than 0.1	10	—	5
Iron	mg/l	Less than 0.1	10	—	5
Fluorine	mg/l	Less than 0.2	8	—	4
Phosphorus	kg/day	—	—	—	—
Nitrogen	kg/day	—	—	—	—
COD	kg/day	—	—	—	—
BOD	mg/l	3.5	120	20	20
SS	mg/l	6.1	150	150	60
E. coli	count/cm³	153	3,000	3,000	1,500
Other	—	—	—	—	—
Zinc	mg/l	0.3	2	—	1

Initiatives to reduce CO_2 emissions from production (production at factories plus shipping and transportation)

To reduce CO_2 emissions from production, we worked on energy conservation to bolster production efficiency that will in turn improve the manufacturing yield of materials. We also conserved energy by updating air conditioners and other equipment. In addition, we reduced the amount of LPG used as a heat source for the drying furnace by capturing and utilizing the exhaust heat generated in the firing furnace during the manufacturing process for ceramic Bellburn exterior wall panels. In addition, we focused on improving loading efficiency for both trunk line and regional deliveries to reduce the number of trucks and CO_2 emissions. In particular, we are consolidating shipping dates for large properties so trucks can travel fully loaded.



Waste heat utilization (drying furnace)

Resource recycling initiatives

A portion of Bellburn inventories are transferred to the Shizuoka Factory for recycling into sound insulation filler for floors. We are continuing to improve the manufacturing yield of materials and boost production efficiency for every manufacturing process. Our recycling centers ensure detailed traceability. At the same time, we are continuing to inspect waste materials from new construction sites, and are working to investigate key materials and provide detailed feedback to our branches to make more system improvements and to reduce waste.

Rehabilitation of ecosystem networks and contribution to society

To contribute to the local community, we held a "clean walk" to improve the health of our employees. To prevent the spread of COVID-19, in FY2021 this event was held at three locations in Miyagi Prefecture: Shikama-cho, Kami-gun; Furukawahonami, Osaki City; and Akaishidai, Tomiya City. We will continue contributing to local communities based on social conditions.



Clean walk (Shikama-cho)



Clean walk (Furukawahonami)



Clean walk (Akaishidai)

Environmental Data ⑫ (Site Report)

Kanto Factory



Location: 2 Kitatone, Koga, Ibaraki
Establishment: August 1970
Total factory area: 309,547 m²
Factory floor area: 114,243 m²
Max. production 870 houses/month

Major energy and material consumption

Energy and resources	Unit	Consumption
Electricity	MWh/year	14,247
Kerosene	kl/year	11.4
Light oil	kl/year	29.5
LPG	t/year	114
Natural gas	thous. m³/year	2,598
Municipal water	thous. m³/year	15.0
Groundwater	thous. m³/year	439.7

Amount of waste generated and recycling rates

Kanto Factory	Amount (t)	Recycling rate	Material recycling rate
Glass/ceramics	878.6	100%	100%
Metal	1,869.3	100%	100%
Sludge	858.6	100%	100%
Wood	391.8	100%	38.7%
Other	238.6	100%	76.1%
Total	4,236.9	100%	93.0%

Discharge into waters (by destination)

Emissions	Unit	Rivers	Sewers	Total
Amount discharged	thous. m³	190.0	—	190.0

Air analysis results

Emissions	Unit	Measured value	Mandatory regulations	Voluntary standard value
NOx	ppm	Less than 34	230	150
SOx	(K value)	Less than 0.11	14.5	7.0
Soot and dust	g/Nm³	Less than 0.004	0.20	0.10

Water analysis results

Factory 1

Emissions	Unit	Measured value	Regulatory value under Water Pollution Control Law	Mandatory/ industrial regulations	Voluntary standard value
pH	—	8.1	5.8–8.6	5.8–8.6	6.0–8.4
Total chromium	mg/l	0.1	2	1	0.5
Copper	mg/l	0.1	3	3	1.5
Phenol	mg/l	0.1	5	1	0.5
n-Hex	mg/l	0.5	5	5	2.5
Manganese	mg/l	0.1	10	1	1
Iron	mg/l	0.1	10	10	5
Fluorine	mg/l	1.1	8	8	6
Phosphorus	mg/l	0.3	16	16	8
Nitrogen	mg/l	6.5	120	120	90
COD	mg/l	4.3	—	—	—
BOD	mg/l	1.7	160	25	15
SS	mg/l	1.2	200	40	20
E. coli	count/cm³	1.0	3,000	3,000	1,000
Zinc	mg/l	0.1	2	2	1.5
Concentrations of boron and its compounds	mg/l	0.1	10	10	5
Concentrations of ammonia, ammonium compounds, nitrites and nitrates	mg/l	4.2	100	100	50.0
Organic carbon	mg/l	2.8	—	—	—
ATU-BOD	mg/l	1.5	—	—	—
1.4-Dioxane	mg/l	0.005	0.5	0.05	—
Vinyl chloride monomer	mg/l	0.0002	—	—	—
1,2-Dichloroethylene	mg/l	0.004	—	—	—

Please see below for details regarding the water analysis results at the DYNE Panel factory.

Water Analysis Results at the DYNE Panel Factory

Initiatives to reduce CO_2 emissions from production (production at factories plus shipping and transportation)

We promoted activities that reduce CO_2 emissions, focusing on improving the efficiency of combustion and steam generation. In particular, changes in the heat source for drying furnaces in the antirust coating process for exterior wall materials and better recovery and reuse of boiler drains resulted in a substantial reduction in the amount of fuel we used.



Change of the heat source for drying furnaces from boiler heat to burners



Boiler drain recovery and reuse

Resource recycling initiatives

To reduce CO_2 emissions from shipping and transportation, we improved methods for loading trucks to reduce number of vehicles used for shipments. For example, we changed the method for loading steel-frame pillar members onto truck beds from conventional two-row loading to three-row loading to improve loading efficiency. In addition, the base trestle was converted to increase the number of tiers per pile and to increase the number of units loaded together at multiple sites to improve loading efficiency. This is another way that we are reducing the number of trucks used.



From two-row loading to three-row loading

Rehabilitation of ecosystem networks and contribution to society

In addition to cleaning up the roads around the factory, which we continue to do every year, we are reducing CO_2 emissions by cutting back on the number of employee cars driven to work, participating in blood donation drives, and purchasing products to support reconstruction in disaster-affected areas. We also sell local dishes (during lunchtime) made with ingredients from disaster areas and collect bell marks, used stamps, and foreign currencies as well as unused storage containers (tableware) for donation to the Japan Council of Social Welfare.



Cleanup of roads surrounding the factory



Local food items using ingredients from disaster-affected areas



Donations to the Social Welfare Council

Environmental Data ⑬ (Site Report)

Shizuoka Factory



Location: 1100 Naka, Kakegawa, Shizuoka
Establishment: August 1980
Total factory area: 246,098 m²
Factory floor area: 124,347 m²
Max. production 800 houses/month

Major energy and material consumption

Energy and resources	Unit	Consumption
Electricity	MWh/year	13,913
Kerosene	kl/year	0.5
Light oil	kl/year	0.3
LPG	t/year	120
LNG	thous. m³/year	1,471
Municipal water	thous. m³/year	36.0
Industrial-use water	thous. m³/year	21.5

Amount of waste generated and recycling rates

Shizuoka Factory	Amount (t)	Recycling rate	Material recycling rate
Glass/ceramics	865.4	100%	100%
Metal	1,639.4	100%	100%
Sludge	619.1	100%	77.2%
Wood	304.7	100%	100%
Other	331.3	100%	57.1%
Total	3,759.9	100%	92.4%

Discharge into waters (by destination)

Emissions	Unit	Rivers	Sewers	Total
Amount discharged	thous. m³	47.2	2.5	49.7

Air analysis results

Emissions	Unit	Measured value	Mandatory regulations	Voluntary standard value
NOx	cm³/Nm³	41	230	42
SOx	Nm³/h	0.03	1.77	0.62
Soot and dust	g/Nm³	Less than 0.032	0.2	0.1

Water analysis results

Emissions	Unit	Measured value	Regulatory value under Water Pollution Control Law	Mandatory/ industrial regulations	Voluntary standard value
pH	—	7.8	5.8–8.6	5.8–8.6	6.0–8.0
Total chromium	mg/l	Less than 0.1	2	2	—
Copper	mg/l	Less than 0.05	3	1	—
Phenol	mg/l	Less than 0.05	5	5	—
n-Hex	mg/l	Less than 0.1	5	3	2
Manganese	mg/l	Less than 0.1	10	10	—
Iron	mg/l	Less than 0.1	10	10	3
Fluorine	mg/l	Less than 0.2	8	0.8	—
Phosphorus	kg/day	—	—	—	—
Nitrogen	kg/day	—	—	—	—
COD	kg/day	—	—	—	—
BOD	mg/l	2.0	160	20	10
SS	mg/l	1.9	160	30	10
E. coli	count/cm³	0	3,000	3,000	100
Other	—	—	—	—	—
Ammonia, ammonium compounds, nitrites and nitrates	mg/l	2.9	100	10	5
Zinc concentration	mg/l	0.05	2	1	0.5

Reduction of CO_2 emissions from production (production at the factories, shipping and transportation)

In addition to the activities started at the end of FY2020, compressors in the woodworking plant were upgraded, tank pumps for receiving water got inverter controls, and factory panel lighting was switched to LEDs. In addition, energy-saving methods were used after looking for process areas where there was room for reductions, such as stopping pumps used for treating exhaust in the electrodeposition process and changing the heating method for electrodeposition coating materials. For transportation, we worked to reduce CO_2 emissions by shortening shipping distances by selecting optimal bases and improving loading efficiency to reduce the number of deliveries.



Switching to LED lighting at the panel factory



Upgrading compressors at the woodworking plant

Resource recycling initiatives

To reduce factory waste, we worked to improve the yield of wooden pillars and reduce dehydrated sludge by improving wastewater treatment facilities. Initiatives started in December 2020 to recycle rejected Bellburn ceramic exterior wall panels for use in fillers for sound insulation floors produced significant results in FY2021 as well.

Rehabilitation of ecosystem networks and contribution to society

In addition to focusing on maintaining and improving the greening of the site based on a greening plan, we participated, as a social contribution activity, in the Kakegawa Shiosai No Mori tree planting festival organized by Kakegawa City in May 2021. Although the number of participants was limited to prevent the spread of COVID-19, four employees participated in tree planting for coastal disaster prevention forests, with the aim of reducing tsunami damage. In addition, in November 2021, we collaborated with the Tokinosu Forest Club, a certified NPO, and volunteered for tree planting in the Tokinosu Forest north of Kakegawa City. Forty-four employees and their family members participated. They worked to remove dirt from landslides along roads and streams.



Tree planting (May 22)



Removing dirt from landslides (November 27)



Group photo of the participants (November 27)

Environmental Data ⑭ (Site Report)

Hyogo Factory



Location: 786-36 Ishitani, Yokodani, Kato, Hyogo
Establishment: July 1985
Total factory area: 59,970 m²
Factory floor area: 20,651 m²
Max. production 380 houses/month

Major energy and material consumption

Energy and resources	Unit	Consumption
Electricity	MWh/year	2,376
Light oil	kl/year	11.2
LPG	t/year	35
Natural gas	thous. m³/year	993
Municipal water	thous. m³/year	28.0
Groundwater	thous. m³/year	3.7

Amount of waste generated and recycling rates

Hyogo Factory	Amount (t)	Recycling rate	Material recycling rate
Glass/ceramics	775.7	100%	100%
Metal	63.4	100%	100%
Sludge	49.7	100%	100%
Wood	4.7	100%	100%
Other	87.7	100%	100%
Total	981.2	100%	100%

Discharge into waters (by destination)

Emissions	Unit	Rivers	Sewers	Total
Amount discharged	thous. m³	6.4	6.0	12.4

Air analysis results

Emissions	Unit	Measured value	Mandatory regulations	Voluntary standard value
NOx	ppm	37	150	75
SOx	Nm³/h	0.0043	1.5	0.01
Soot and dust	g/Nm³	0.0012	0.1	0.01

Water analysis results

Emissions	Unit	Measured value	Regulatory value under Water Pollution Control Law	Mandatory/ industrial regulations	Voluntary standard value
pH	—	7.5	—	—	6.2–8.2
Total chromium	mg/l	—	—	—	—
Copper	mg/l	—	—	—	—
Phenol	mg/l	—	—	—	—
n-Hex	mg/l	≤1	—	—	2
Manganese	mg/l	—	—	—	—
Iron	mg/l	—	—	—	—
Fluorine	mg/l	—	—	—	—
Phosphorus	kg/day	—	—	—	—
Nitrogen	kg/day	—	—	—	—
COD	mg/l	13.38	—	—	70
BOD	mg/l	8.75	—	—	70
SS	mg/l	4.85	—	—	25
E. coli	count/cm³	17.25	—	—	1,500
Other	—	—	—	—	—
Ammonia and ammonium compounds	mg/l	—	—	—	—
Zinc	mg/l	0.03	—	—	2

Note: The Water Pollution Control Law does not apply to the Hyogo Factory.

Initiatives to reduce CO_2 emissions from production (production at factories plus shipping and transportation)

We reduced CO_2 emissions from factory production by switching to LEDs for factory ceiling and outdoor lighting and upgrading the compressors that provide power to production lines for high efficiency. We also addressed transportation emissions by reducing the number of trucks and CO_2 emissions by introducing a new 25-tonne trailer while improving 20-tonne trailer operating rates.



Introduced 25-tonne trucks



Upgraded to high-efficiency compressors

Resource recycling initiatives

The amount of concrete waste was reduced by about 50 tonnes annually by recycling the cutting dust from the production of lightweight foam DYNE CONCRETE panels into a raw material.

Rehabilitation of ecosystem networks and contribution to society

We clean up around the factory every month, and a total of 240 employees participated in cleaning up the Tojo area of Kato City in March, June, September, and December to beautify the neighborhood. Another social contribution activity involves food drives sponsored by the Kato City Social Welfare Council. We donated 550 servings of processed quick-cooking rice for disasters along with 33 food items donated by employees.



We donated 550 servings of processed quick-cooking rice.



Employees donated 33 food items

Environmental Data ⑮ (Site Report)

Yamaguchi Factory



Location: 5000 Suzenji, Yamaguchi
Establishment: August 1973
Total factory area: 228,667 m²
Factory floor area: 88,148 m²
Max. production 450 houses/month

Major energy and material consumption

Energy and resources	Unit	Consumption
Electricity	MWh/year	6,235
Kerosene	kl/year	167.8
Light oil	kl/year	1.8
LPG	t/year	490
Municipal water	thous. m³/year	32.2
Groundwater	thous. m³/year	13.3

Amount of waste generated and recycling rates

Yamaguchi Factory	Amount (t)	Recycling rate	Material recycling rate
Glass/ceramics	5.7	100%	100%
Metal	653.9	100%	100%
Sludge	149.5	100%	100%
Wood	320.7	100%	53.7%
Other	103.0	100%	38.3%
Total	1,232.8	100%	82.8%

Discharge into waters (by destination)

Emissions	Unit	Rivers	Sewers	Total
Amount discharged	thous. m³	41.0	—	41.0

Air analysis results

Emissions	Unit	Measured value	Mandatory regulations	Voluntary standard value
NOx	ppm	27	250	125
SOx	Nm³/h	0.6	3.43	1.72
Soot and dust	g/Nm³	0.006	0.3	0.25

Water analysis results

Emissions	Unit	Measured value	Regulatory value under Water Pollution Control Law	Mandatory/ industrial regulations	Voluntary standard value
pH	—	7	5.8–8.6	5.8–8.6	6.0–8.0
Total chromium	mg/l	0	2	2	*
Copper	mg/l	0	3	3	0.1
Phenol	mg/l	0	5	5	2.5
n-Hex	mg/l	0	5	5	2.5
Manganese	mg/l	1.3	10	10	5
Iron	mg/l	0	10	10	5
Fluorine	mg/l	1.4	8	8	5
Phosphorus	kg/day	0.3	1.56	—	1.5
Nitrogen	kg/day	1.6	11.88	—	6
COD	mg/l	3.5	10.4	—	10
BOD	mg/l	6.8	160	160	60
SS	mg/l	3.6	200	200	75
E. coli	count/cm³	1.5	3,000	3,000	1,500
Ammonia and ammonium compounds	mg/l	6.9	100	—	50
Zinc	mg/l	0.70	2	—	1.8

* Should not be detected

Initiatives to reduce CO_2 emissions from production (production at factories plus shipping and transportation)



Switch to LED ceiling lighting at a panel factory

To use energy more efficiently, we are continuing to promote initiatives by upgrading to high-efficiency equipment and by boosting productivity. In FY2021, approximately 220 ceiling lights were replaced with LED lighting, cutting approximately 28,000 kWh annually. Approximately 65% of the ceiling lights have been switched to LED lighting. We have been promoting the use of electric forklifts when replacing old forklifts, and one forklift was replaced with an electric forklift in FY2021.

Resource recycling initiatives

We have reduced material waste from paint, wood, and steel raw materials and are promoting waste reduction programs. As wood prices soared due to the wood shock and procurement became difficult, we increased the material yield by improving material removal from raw wood. We changed the material used at the site for wooden pallets to cypress wood, which is stronger, and have reduced wood waste by approximately 2 tonnes annually by repairing pallets.

Rehabilitation of ecosystem networks and contribution to society



Cleanup at Minogahama Seaside Plaza



Foodstuffs collected and donated by employees

We have continued our regular cleanups of roads around our factories, and 230 employees participated in these cleanup drives in 2021. We also cooperate with various activities organized by local governments, and a total of 153 people, including employees' families and employees of affiliated companies, participated in these activities. While the activities for the ecosystem preservation initiative organized by the Fushino River Estuary and Tidal Flats Nature Restoration Committee were cancelled due to the spread of COVID-19, we recently began participating in the Minogahama Seaside Plaza cleanup in FY2021. The work to collect plastic trash that has washed up on the beach provided an opportunity to reaffirm our awareness of the problems caused by marine plastics. We plan to continue participating in this activity in the future.
In addition, we supported Food Bank Yamaguchi, a nonprofit organization that works to reduce food waste, by collecting and donating food from employees' households that would otherwise have been thrown out. The donated foodstuffs were delivered to families that applied for the program as the Children Support Home Delivery Service.

Social Data ①

Themes	KPI	Unit	2017 Results	2018 Results	2019 Results	2020 Results	2021 Targets	2021 Results	2022 Targets
Customer initiatives, technology development and new business creation	Detached house customer satisfaction rate (from questionnaire one year after moving in)	%	95.6	95.8	95.9	96.1	95.0% or higher	96.0	95.0% or higher
Supply chain management	CSR procurement, human rights and labor scores	Points	86.2	87.6	85.2	90.1	90.4	90.9	90.9
	CSR procurement, human rights and labor coverage [1]	%	—	—	—	—	—	93.8	90.0
Coexisting with local communities	Percentage of employees joining employee-company joint donation programs (Sekisui House Matching Program employee participation rate)	%	18	21	25	27	30	31	35
	Trip Base *Michi-no-Eki* Stations Project, a project for regional revitalization (total numbers since start of project)	—	—	—	—	4 prefectures: 8 buildings 596 rooms	5 prefectures: 14 buildings 1,053 rooms	5 prefectures: 14 buildings 1,053 rooms	9 prefectures: 20 buildings 1,582 rooms
Developing human resources	Cumulative number of workers who have acquired major qualifications required for a position	Persons	20,632	21,516	22,176	22,534	22,700	22,940	22,900
Diversity and inclusion	Number of female directors of the Board (non-consolidated basis)	Persons	—	1	1	1	3	3	3 or more
	Number of female managers (Group basis) [2]	Persons	158 (2.94%)	176 (3.10%)	206 (3.44%)	236 (3.79%)	240 (—)	273 (4.31%)	260 (—)
	Percentage of full-time female employees [2]	%	25.1 (5,426 persons)	25.8 (5,687 persons)	26.5 (5,957 persons)	27.3 (6,225 persons)	27.5 (—)	28.1 (6,454 persons)	28.0 (—)
	Percentage of female new graduates hired (Group basis) [2]	%	40.3 (266 persons)	37.7 (250 persons)	42.0 (281 persons)	41.6 (305 persons)	41.1 (—)	41.2 (278 persons)	42.0 (—)
	Employment rate of persons with disabilities (non-consolidated basis) [3]	%	2.38	2.53	2.61	2.76	2.61	2.90	2.61 [4]
	Take-up rate for eligible male employee childcare leave (%) (non-consolidated basis)	%	95.0	100	100	100	100	100	100
Happiness health management	Rate of employees opting for the secondary medical checkup [5]	%	89.9	91.2	85.5	87.0	89.0	97.8	98.0
Respecting human rights	Monthly average working hours per person [6]	Hours	168.32	170.26	168.17	176.71	176.00	177.64	175.50
Occupational health and safety	Frequency rate of accidents in the construction division that result in lost worktime [7]	—	1.89	2.42	2.92	2.27	2.15	2.49	2.13
	Occupational illness frequency rate in the construction division [7]	—	0.20	0.63	0.43	0.37	0.33	0.20	0.31

1. Ratio of CSR assessments related to human rights and labor to all suppliers (procurement value basis; includes major raw material manufacturers)
2. Consolidated (Sekisui House, Sekisui House Real Estate, Sekiwa Grand Mast. Ltd., Sekiwa Construction, SEKISUI HOUSE noie, Sekisui House Remodeling)
3. Calculation based on the exclusion rate system (construction industry 20%)
4. Regarding the number of employees with disabilities, we plan to achieve our 2022 target on a non-consolidated basis and satisfy the statutory requirement on a consolidated basis.
5. Results for FY2020 and FY2021 and targets for FY2021 and FY2022 are for non-consolidated sales divisions only.
6. Starting from FY2020, the aggregation method was changed to include managers and exclude employees on leave.
7. Scope of aggregation: (FY2017-2019) Contractors of Sekisui House, (from FY2020 onward) Contractors of Sekisui House, Sekisui House noie, and Konoike Construction Co., Ltd.

Social Data ②

Index		Unit	2017 Results	2018 Results	2019 Results	2020 Results	2021 Results
Number of female directors/Total number	Consolidated	Persons	—	—	1/150 (0.67%)	1/119 (0.84%)	4/90 (4.44%)
			—	—	Of which, 1/3 are external	Of which, 1/4 are external	Of which, 3/4 are external
	Non-consolidated	Persons	—	—	1/11 (9.09%)	1/12 (8.33%)	3/10 (30.00%)
			—	—	Of which, 1/3 are external	Of which, 1/4 are external	Of which, 3/4 are external
Number of female Audit and Supervisory Board members/Total number	Consolidated	Persons	—	—	1/8 (12.50%)	1/8 (12.50%)	2/8 (25.00%)
			—	—	Of which, 1/6 are external	Of which, 1/6 are external	Of which, 1/6 are external
	Non-consolidated	Persons	—	—	1/6 (16.67%)	1/6 (16.67%)	2/6 (33.33%)
			—	—	Of which, 1/4 are external	Of which, 1/4 are external	Of which, 1/4 are external
Number of female executive officers/Total number	Consolidated	Persons	—	—	3/26 (11.54%)	4/28 (14.29%)	3/40 (7.50%)
	Non-consolidated		—	—	1/18 (5.56%)	1/18 (5.56%)	2/28 (7.14%)
Number of female managers by job type	Sales positions	Persons	84 (4.26%)	88 (4.26%)	95 (5.09%)	105 (5.49%)	113 (5.86%)
	Technical positions		44 (1.74%)	50 (1.87%)	58 (2.31%)	64 (2.41%)	79 (3.00%)
	Administrative positions		30 (3.47%)	38 (4.06%)	50 (4.73%)	65 (6.05%)	79 (7.10%)
Female managers [1]			—	—	3	2 (0.34%)	2 (0.36%)
Returning rate from childcare leave [2]	Male	%	100	100	100	100	99.9
	Female		100	95.3	97.5	97.3	97.1
Retention rate per year after returning from childcare leave [2]	Male	%	98.6	98.9	98.1	100	99.9
	Female		100	100	98.2	98.7	98.9
Number of employees who have taken childcare leave [3]	Male	Persons	597	818	1,054	642	549
	Female		241	282	264	334	270

1. Job classification was changed in February 2019.
2. On a non-consolidated basis
3. On a consolidated basis (Sekisui House, Sekisui House Real Estate, Sekiwa Grand Mast. Ltd., Sekiwa Construction, Sekisui House noie, Sekisui House Remodeling)

* Our diversity-related initiatives and achievements are also disclosed in the Ministry of Health, Labour and Welfare's Database on Companies Promoting Women's Active Participation (Japanese only).

Database on Companies Promoting Women's Active Participation (Japanese only)

Social Data ③

Index		Unit	2017 Results	2018 Results	2019 Results	2020 Results	2021 Results
Number of employees [1]	Male	Persons	11,455	11,469	11,512	11,354	11,222
	Female		3,027	3,147	3,289	3,717	3,795
Average years of service [1]	Male	Years	17.29	17.53	17.76	17.97	18.12
	Female		11.62	11.88	12.16	11.96	12.36
Average age [1]	Male	Age	44.04	44.35	44.70	45.00	45.28
	Female		35.33	35.79	36.14	36.80	37.28
Number of new graduates hired [2]	Male	Persons	308	314	281	284	277
	Female		199	173	189	176	159
Amount invested in training [3]		Millions of yen	873	848	887	543	623
Annual paid leave take-up rate and number of days taken [4]		%	39.7	42.2	56.1	46.5	52.7
		Days	7.1	7.4	9.8	8.4	9.5
Average annual salary [2]		Yen	8,184,794	8,188,632	8,021,888	7,927,285	7,995,230

1. On a non-consolidated basis, contract employees (excluding part-time workers) have been included from FY2020 onward.
2. On a non-consolidated basis
3. On a non-consolidated basis until FY2018
4. Aggregation method has been changed (to include managers) since FY2020.

Charitable contributions (Type of donations)

Total amount			¥1,411,488,303
	Cash donations		¥1,365,695,662
	[Types of major donation recipients]	Sports-related	¥200,628,800
		School/education-related	¥100,010,895
		Environmental	¥16,047,825
	Time donations		¥0*
	In-kind donations		¥45,792,641

* Reconstruction support activities by new employees had been counted as time donations, but this was canceled in FY2021 due to the COVID-19 pandemic.

Governance Data

Board of Directors Composition (as of April 27, 2022)

Directors	Of which are outside directors	Percentage of independent outside directors	Percentage of female directors	Age			Average age	Headcount limit	Chairperson
				Under 50	50 to 59	60 and above			
10 (seven male, three female)	5 (two male, three female)	50.0%	30.0%	0	3	7	61.8	Up to 12	Toshifumi Kitazawa, Independent Outside Director of the Board

Audit and Supervisory Board Composition (as of April 27, 2022)

Audit and Supervisory Board members	Of which are outside members	Percentage of independent outside Audit and Supervisory Board members	Percentage of female Audit and Supervisory Board members	Age			Average age	Headcount limit
				Under 50	50 to 59	60 and above		
5 (four male, one female)	3 (three male)	60.0%	20.0%	0	0	5	66.4	Up to 7

Composition of Board of Directors, Audit and Supervisory Board (as of April 27, 2022)

Board of Directors, Audit and Supervisory Board	Of which, independent outside officers	Percentage of independent outside officers	Percentage of female officers
15 (eleven male, four female)	8 (five male, three female)	53.3%	26.7%

Number of Board of Directors Meetings and Average Attendance Rate

	2017	2018	2019	2020	2021
No. of Board of Directors meetings	13	12	12	13	12
Average attendance rate	97.1%	98.0%	99.0%	99.5%	100%
Of which, outside directors of the Board	81.8%	96.2%	96.9%	100%	100%
Of which, outside Audit and Supervisory Board members	87.2%	93.3%	97.9%	98.6%	100%

Frequency of Meetings of Board of Directors Advisory Bodies

	Chairperson (as of April 27, 2022)	Members	Number of meetings held in FY2021
Personnel Affairs and Remuneration Committee	Yukiko Yoshimaru, Independent Outside Director of the Board	5 (2 inside directors and 3 outside directors)	11
Risk Management Committee	Satoshi Tanaka, Representative Director of the Board, Executive Vice President, Executive Officer	10 (2 inside directors, 3 managing officers, and 5 executive officers and others)	10

Number of Consultations Received by the Internal Consultation Services

	2017	2018	2019	2020	2021
Sexual and power harassment hotline (Of which, harassment-related consultations)	127 (50)	190 (81)	161 (90)	167 (92)	169 (97)
Personnel related hotline (Consultations on general labor management)	5	16	9	9	15

Independent Third-Party Assurance Report

KPMG AZSA Sustainability Co., Ltd. was engaged to provide assurance on Sekisui House, Ltd.'s Value Report 2022 (Japanese version) 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 items stated in the original of the assurance report below have been converted to digital form and the original is maintained separately by Sekisui House Ltd.

This is an English translation of the "Independent Assurance Report" dated May 24, 2022 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the "Value Report 2022" published in Japanese by Sekisui House, Ltd.

Independent Assurance Report

May 24, 2022

KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan

Sekisui House, Ltd.
Mr. Yoshihiro Nakai, Representative Director of the Board, President, Executive Officer, CEO

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, 2021 to January 31, 2022 (the "Indicators") included in its Value Report 2022 published in Japanese (the "Report") for the fiscal year ended January 31, 2022.

Indicators and pages in the Report

Indicators	pages
Accidents resulting in lost worktime, Occupational-illness frequency rates	159
Energy (total amount and itemized details by energy source) and Water (total amount and itemized details by water source) of Factory production in Input	174
Amount of CO_2 emissions, Waste (total amount and itemized details by waste category) in Output	174
"Scope 1 CO_2, HFC", "Scope 2 CO_2", "Total of Scope 1,2 CO_2, HFC" in Scope 1,2 Greenhouse gases emissions and Category 1, Category 4, Category 5, Category 11 and Category 12 in Scope 3 Greenhouse gases emissions	176

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 Report.

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' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board.

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.
- Making inquiries and reviewing materials including documented evidence of one of the domestic factory and one construction site managed by one of the Company's subsidiaries selected on the basis of a risk analysis, as alternative procedures to site visits.
- 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 Report.

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.

10-Year Highlights (Consolidated)

Financial Data

(Millions of yen)

(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business performance										
Net sales	1,613,816	1,805,102	1,912,721	1,858,879	2,026,931	2,159,363	2,160,316	2,415,186	2,446,904	**2,589,579**
Gross profit	299,503	358,499	368,446	373,867	418,297	445,082	444,596	478,036	473,511	**528,877**
Gross profit margin (%)	18.6	19.9	19.3	20.1	20.6	20.6	20.6	19.8	19.4	**20.4**
Selling, general and administrative expenses	213,306	226,569	221,851	224,222	234,132	249,541	255,373	272,780	286,992	**298,716**
Operating income	86,196	131,930	146,595	149,645	184,164	195,540	189,223	205,256	186,519	**230,160**
Operating margin (%)	5.3	7.3	7.7	8.1	9.1	9.1	8.8	8.5	7.6	**8.9**
Ordinary income	91,767	137,794	156,426	160,589	190,989	203,678	195,190	213,905	184,697	**230,094**
Profit attributable to owners of parent	46,458	79,801	90,224	84,302	121,853	133,224	128,582	141,256	123,542	**153,905**
Return on investment										
ROE (%) [1]	6.0	9.2	9.0	7.9	11.3	11.6	10.8	11.5	9.5	**11.0**
ROA (%) [2]	6.0	8.2	8.4	8.3	9.4	9.0	8.3	8.8	7.3	**8.6**
Assets and interest-bearing debt										
Total assets	1,539,272	1,769,005	1,929,409	2,029,794	2,184,895	2,419,012	2,413,035	2,634,748	2,625,861	**2,801,189**
Net assets	814,063	941,415	1,079,064	1,068,428	1,118,264	1,208,121	1,196,923	1,306,850	1,368,887	**1,520,959**
Equity capital	806,406	930,944	1,068,423	1,057,696	1,103,359	1,194,975	1,182,808	1,266,195	1,326,535	**1,473,940**
Equity capital ratio (%)	52.39	52.63	55.38	52.11	50.50	49.40	49.02	48.06	50.52	**52.62**
Interest-bearing debt	268,622	289,860	351,731	426,013	491,017	622,084	639,510	586,891	562,966	**549,862**
Debt/Equity ratio (%) [3]	33.3	31.1	32.9	40.3	44.5	52.1	54.1	46.4	42.4	**37.3**
Asset turnover ratio (Times)	1.08	1.09	1.03	0.94	0.96	0.94	0.89	0.96	0.93	**0.95**

1. Profit attributable to owners of parent ÷ Equity capital ×100
2. (Operating income + Interest income + Dividend income + Equity in earnings of affiliates) ÷ Total assets ×100
3. Excluding hybrid bonds

10-Year Highlights (Consolidated)

(Millions of yen)

(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Cash flows										
Net cash from operating activities	82,582	78,073	117,358	45,884	115,820	165,355	125,088	363,766	191,972	**118,034**
Net cash from investing activities	(58,124)	(80,637)	(128,529)	(76,166)	(107,397)	(76,150)	(70,184)	(65,229)	(95,504)	**(113,706)**
Net cash from financing activities	(17,289)	(782)	19,611	32,084	5,511	30,154	(31,030)	(148,160)	(77,614)	**(111,701)**
Cash and cash equivalents at end of period	179,242	181,324	195,008	192,338	204,701	324,693	342,898	583,297	600,234	**515,174**
Investments										
Capital expenditure	60,915	130,243	121,550	81,258	98,277	68,799	58,680	73,255	96,609	**89,512**
Depreciation	19,015	22,581	25,692	24,438	23,125	21,983	22,155	21,518	21,726	**24,069**
Research and development expenses	4,318	4,507	4,726	4,772	4,991	5,181	6,041	7,313	9,665	**9,478**
Corporate value										
Market capitalization at end of period	680,946	985,007	1,067,964	1,329,946	1,297,656	1,379,985	1,123,051	1,630,703	1,382,375	**1,584,699**
Stock price at end of period (Yen)	1,006.0	1,434.0	1,526.0	1,874.0	1,828.5	1,998.0	1,626.0	2,361.0	2,019.0	**2,314.5**
Per-share information										
EPS: Net income (earnings) per share (Yen)	69.17	118.63	130.91	120.16	175.48	193.06	186.53	205.79	181.18	**227.37**
BPS: Book value per share (Yen)	1,200.63	1,358.60	1,527.52	1,508.81	1,598.90	1,731.60	1,718.82	1,852.62	1,948.12	**2,184.36**
Dividends per share (Yen)	28.00	43.00	50.00	54.00	64.00	77.00	79.00	81.00	84.00	**90.00**
Dividend payout ratio (%)	40.5	36.2	38.2	44.9	36.5	39.9	42.4	39.4	46.4	**39.6**
Stock price										
PER: Stock price at end of period ÷ Net income per share (Times)	14.54	12.09	11.66	15.60	10.42	10.35	8.72	11.47	11.14	**10.18**
PBR: Stock price at end of period ÷ Shareholders' equity per share (Times)	0.84	1.06	1.00	1.24	1.14	1.15	0.95	1.27	1.04	**1.06**

10-Year Highlights (Consolidated)

Key Performance Indicators

(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
New Housing Starts in Japan (Units)[4]										
Owner-occupied houses	311,589	354,772	285,270	283,366	292,287	284,283	283,235	288,738	261,088	**285,575**
Built for sale houses	246,810	263,931	237,428	241,201	250,532	255,191	255,263	267,696	240,268	**243,944**
Condominiums	123,203	127,599	110,475	115,652	114,570	114,830	110,510	117,803	107,884	**101,292**
Detached houses	122,590	134,888	125,421	123,624	133,739	138,189	142,393	147,522	130,753	**141,094**
Rented houses	318,521	356,263	362,191	378,718	418,543	419,397	396,404	342,289	306,753	**321,376**
Corporate houses	5,877	5,059	7,372	6,014	5,875	5,770	7,468	6,400	7,231	**5,589**
Total	882,797	980,025	892,261	909,299	967,237	964,641	942,370	905,123	815,340	**856,484**
Number of Houses Built by Sekisui House (Units)										
Custom detached houses	13,945	15,049	13,104	11,248	11,105	10,617	9,822	10,663	8,411	**8,349**
Built for sale houses	2,246	2,368	2,162	2,364	2,071	2,677	2,336	2,589	1,958	**2,261**
Rental houses	27,869	30,414	34,709	32,631	35,156	32,937	30,078	27,981	26,033	**25,321**
Condominiums (for sale)	1,038	1,921	1,250	2,002	1,231	1,184	1,499	2,081	1,510	**2,320**
Total	45,098	49,752	51,225	48,245	49,563	47,415	43,735	43,314	37,912	**38,251**
Sekisui House's market share in Japan (%)	5.1	5.1	5.7	5.3	5.1	4.9	4.6	4.8	4.6	**4.5**
Total number of houses built	2,135,437	2,185,189	2,236,414	2,284,659	2,334,222	2,381,637	2,425,372	2,468,686	2,506,598	**2,544,849**
Trends in Housing Built by Sekisui House										
Built-to-order detached houses										
Sales per detached house (Thousands of yen)	33,442	34,503	35,659	37,002	37,292	38,074	38,753	39,935	41,388	**42,656**
Floor area per detached house (Square meters)	139.93	141.09	140.25	140.43	138.63	137.94	138.03	137.68	135.91	**135.04**
Built-to-order low-rise apartments										
Sales per building (Thousands of yen)	55,196	61,284	68,549	76,771	83,612	93,959	100,194	102,415	117,962	**126,566**
Floor area per building (Square meters)	301.67	324.95	346.64	366.10	385.19	418.35	432.28	427.67	470.83	**485.52**
Trends in Sekisui House Real Estate Block Leasing Operation										
Occupancy rate (%)[5]	96.0	96.2	96.4	96.5	96.5	96.7	97.8	97.7	97.7	**97.9**
Number of units under management (Units)	506,353	526,276	545,757	565,471	584,096	601,582	619,494	639,780	657,190	**674,125**

4. Calendar year basis
5. Presentation changed to monthly data from month-end data as of FY2018

10-Year Highlights (Consolidated)

Non-Financial Data

(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Technology										
Customer satisfaction level (%)	95.0	95.1	95.3	95.3	95.4	95.6	95.8	95.9	96.1	**96.0**
Green First ZERO [6] net zero energy house contracts (%)	—	49	62	71	74	76	79	87	91	**92**
Human Resources/Labor										
Number of employees	21,476	22,379	22,913	23,089	23,299	24,391	24,775	27,397	28,362	**28,821**
Number of new graduates hired	594	880	823	680	570	660	664	669	734	**675**
Number of new female graduates hired (in above)	215	291	331	276	237	266	250	281	305	**278**
Ratio to number of new graduates hired (%)	36.2	33.1	40.2	40.6	41.6	40.3	37.7	42.0	41.6	**41.2**
Average age (Years) [7]	39.9	40.3	40.7	41.2	41.8	42.2	42.5	42.8	43.0	**43.3**
Average years of service [7]	15.5	15.3	15.4	15.6	16.0	16.1	16.3	16.5	16.5	**16.7**
Ratio of persons with disabilities (%) [7]	1.89	1.97	2.08	2.21	2.20	2.38	2.53	2.61	2.76	**2.90**
Average number of days of annual paid leave taken per person [8, 9]	4.4	4.4	5.0	5.8	6.2	7.1	7.4	9.8	8.4	**9.5**
Annual paid leave take-up rate (%)	23.6	23.6	27.0	32.8	35.0	39.7	42.2	56.1	46.5	**52.7**
Frequency rate of accidents in the construction division that result in lost worktime (%) [10]	—	—	—	2.42	2.57	1.89	2.42	2.92	2.27	**2.49**
Average monthly work hours per person [11]	—	—	—	171.4	170.0	168.3	170.3	168.2	176.7	**177.6**
Average monthly overtime work hours per person [8]	28.3	28.2	26.9	28.0	28.2	25.9	24.6	23.3	22.0	**23.9**
Training investment (Millions of yen) [12]	583	649	692	734	704	873	848	887	543	**623**
Diversity and Inclusion										
Number of female employees in managerial positions (Group-wide)	53	65	101	114	141	158	176	206	236	**273**
Ratio of female employees in managerial positions (Group-wide) (%)	1.58	1.52	2.26	2.43	2.79	2.94	3.10	3.44	3.79	**4.31**
Number of full-time female employees	4,333	4,547	4,767	4,954	5,148	5,426	5,687	5,957	6,225	**6,454**
Ratio of full-time female employees to total employees (%)	21.5	21.3	21.8	23.6	24.3	25.1	25.8	26.5	27.3	**28.1**
Number of female officers (directors of the Board, Audit and Supervisory Board members and executive officers) [7]	—	—	—	—	—	—	3	3	3	**7**
Take-up rate for eligible male employee childcare leave (%) [7]	2.0	3.0	19.0	23.0	70.0	95.0	100	100	100	**100**
Rate of return to the job after childcare leave (%) [7]										
Male employees	100	100	100	100	100	100	100	100	100	**99.9**
Female employees	94.1	93.0	93.3	93.5	95.8	100	95.3	97.5	97.3	**97.1**

6. From FY2018, data for the period from April 1st to March 31st of the following year
7. On a non-consolidated basis
8. On a non-consolidated basis until FY2014
9. Calculation method changed from FY2020 to include managers
10. Scope of data: Contractors of Sekisui House from FY2015 to FY2019; contractors of Sekisui House, Sekisui House noie and Konoike Construction from FY2020
11. Calculation method changed from FY2020 to include managers and exclude employees on leave
12. On a non-consolidated basis until FY2018

Financial Analysis

Operating Results

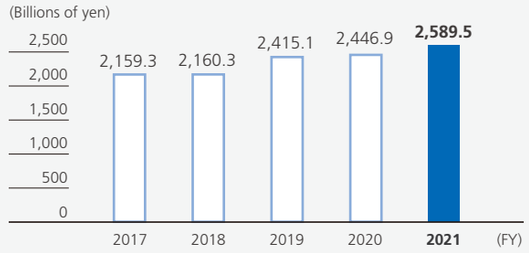
Consolidated net sales increased ¥142.6 billion year on year, or 5.8%, to a record high ¥2,589.5 billion, due to increased sales from all business models.

Consolidated operating income increased ¥43.6 billion year on year, or 23.4%, to a record of high ¥230.1 billion, due to increased income in the overseas business resulting from housing sales and progress in property sales in the United States, as well as contributions from the built-to-order business and the supplied housing business.

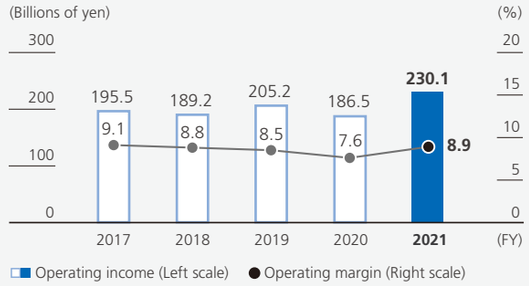
Consolidated ordinary income increased ¥45.3 billion year on year, or 24.6%, to a record high of ¥230.0 billion, mainly due to the increase in operating income.

Profit attributable to owners of parent increased ¥30.3 billion, or 24.6%, to ¥153.9 billion, another record high.

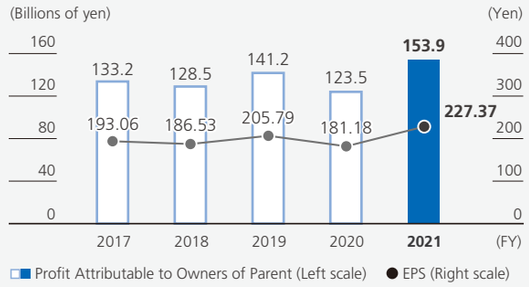
Net Sales



Operating Income and Operating Margin



Profit Attributable to Owners of Parent and EPS



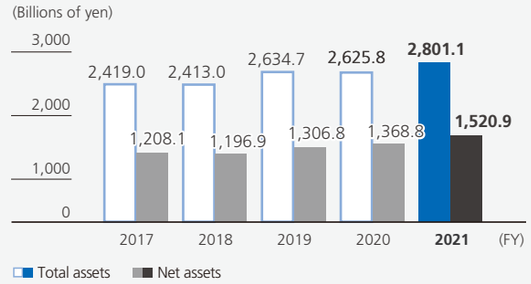
Financial Position

Total assets as of January 31, 2022 increased 6.7% from a year earlier to ¥2,801.1 billion. Current assets increased 9.7% to ¥1,952.7 billion, primarily due to an increase in real estate for sale. Non-current assets increased 0.4% to ¥848.4 billion due to an increase in property, plant and equipment and other factors.

Total liabilities increased 1.9% from a year earlier to ¥1,280.2 billion, mainly due to an increase in borrowings and income taxes payable, despite a decrease resulting from the redemption of bonds.

Net assets increased 11.1% from a year earlier to ¥1,520.9 billion, mainly due to an increase in retained earnings resulting from the ¥153.9 billion in profit attributable to owners of parent.

Total Assets and Net Assets



Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities decreased ¥73.9 billion to ¥118.0 billion due to factors including profit before income taxes of ¥234.3 billion.

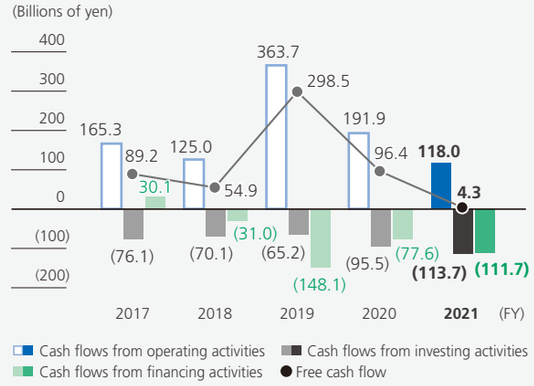
Cash Flows from Investing Activities

Net cash used in investing activities increased ¥18.2 billion year on year to ¥113.7 billion. Purchases of property, plant and equipment, including real estate for lease, decreased ¥4.5 billion to ¥82.9 billion.

Cash Flows from Financing Activities

Net cash used in financing activities increased ¥34.0 billion year on year to ¥111.7 billion. Cash dividends paid decreased ¥3.1 billion to ¥55.6 billion.

Cash Flows

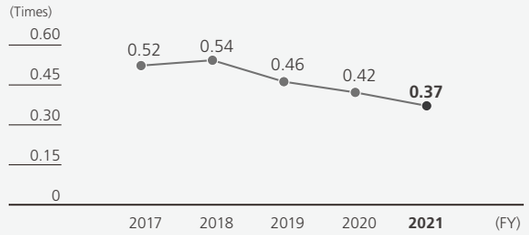


Financial Analysis

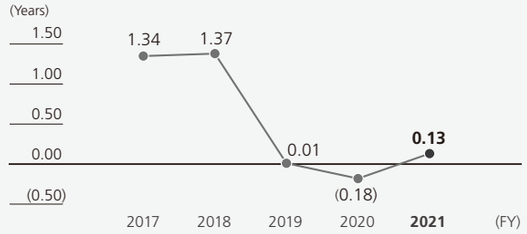
Financial Resources for Capital and Liquidity of Funds

The Group mainly requires funds for working capital as well as for investments such as the acquisition and development of real estate (including inventories). Working capital comes from internal funds, borrowings or short-term bonds (commercial paper), while funds for investment are mainly raised through bonds and loans. By selecting the most suitable funding method from these diverse options, we ensure a stable source of funds and reduce financing costs. In addition, to maintain financial soundness we have set medium-term targets for the D/E ratio and debt repayment term (Net debt ÷ EBITDA) of 0.45 or less and one year or less, respectively, premised on maintaining an AA credit rating from domestic rating agencies. We have also entered into commitment line and overdraft contracts with multiple financial institutions, thereby ensuring ample liquidity.

D/E Ratio



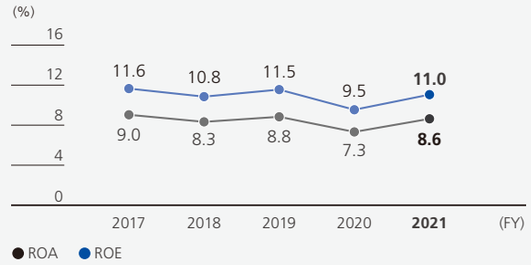
Debt Repayment Term



Targeted Performance Indicators

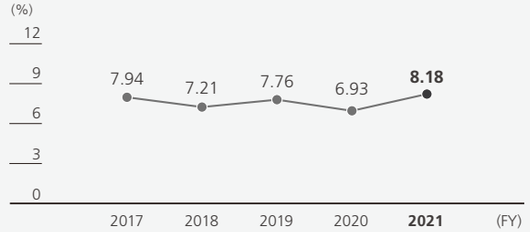
In order to promote business efficiency, we aim to strengthen our balance sheet and raise asset efficiency in each of our businesses. As a result of these initiatives, we aim to achieve ROA of 10% and keep ROE above 10%. In FY2021, ROA was 8.6% and ROE was 11.0%.

ROA/ROE

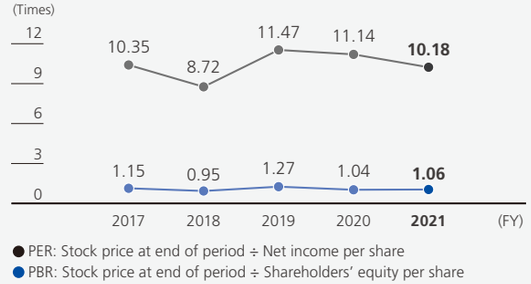


(Other performance indicators, etc.)

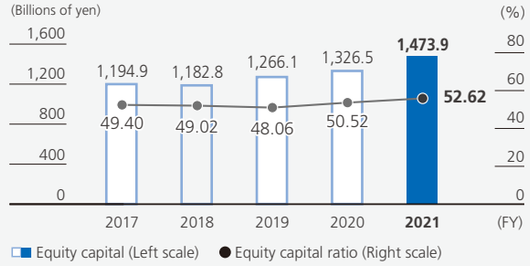
Return on Invested Capital (ROIC)



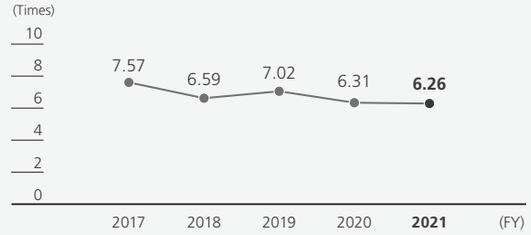
PER/PBR



Equity Capital/Equity Capital Ratio



Enterprise Multiple (EV/EBITDA)



Financial Analysis

Results by Segment

Built-to-Order Business

The built-to-order business posted increases in both sales and income.

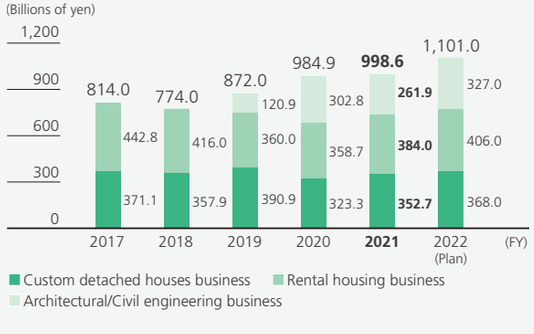
The custom detached houses business concentrated on the promotion of mid- to high-end products. The favorable order trend continued as a result of high-added-value proposals including Family Suite *Ouchi* Premium for new lifestyles to address diverse residential needs and changes in lifestyles during the COVID-19 pandemic and Green First ZERO for net Zero energy houses (ZEH) that reached an adoption rate of 92% in FY2021, as well as stable construction progress.

The rental housing business engaged in full-scale area-specific marketing focused on urban districts while concentrating on the promotion of three- and four-story rental housing. As a result, the percentage of three- and four-story properties reached 79%. In addition, our Sha Maison ZEH rental housing has been well received as a new option for ethical housing that helps realize a decarbonized society and offers merits to owners and tenants. We received orders for about 8,500 units during the year, significantly more than in the previous fiscal year. Sekisui House Real Estate companies succeeded in property management, sustaining a favorable upward trend in orders for rental housing management, including corporate housing. However, orders for small hotels and other non-residential properties remained sluggish due to the COVID-19 pandemic.

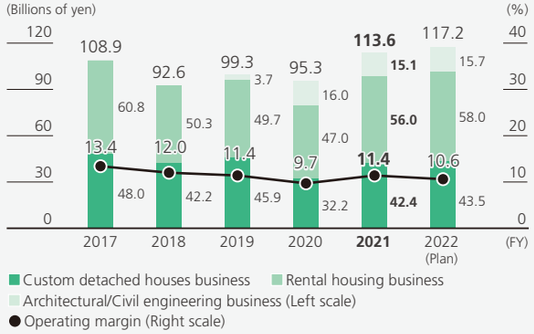
Earnings from the architectural/civil engineering business declined due to factors including a rebound from the sale of several large properties in the previous fiscal year by Konoike Construction, a consolidated subsidiary, and the impact of the COVID-19 pandemic. The pandemic continued to have a substantial negative impact on orders for hotels and other commercial facilities.

Built-to-order business sales totaled ¥998.6 billion, up ¥13.7 billion, or 1.4% year on year, and operating income was ¥113.6 billion, up ¥18.3 billion, or 19.2% year on year.

Sales



Operating Income and Operating Margin



Supplied Housing Business

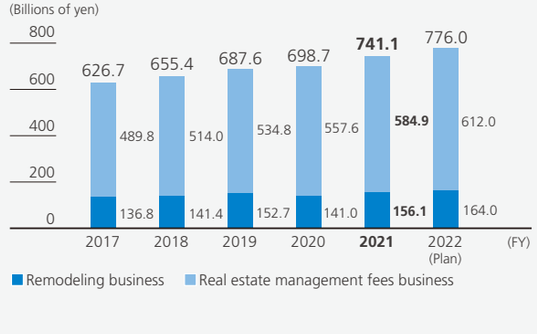
The supplied housing business posted increases in both sales and income.

The remodeling business achieved a high level of orders due to the popularity of remodeling proposals such as Family Suite Renovation adapted to growing interest in more comfortable living spaces and lifestyle changes, *Idocoro Dan-netsu* (location-based insulation upgrades) that upgrades thermal insulation primarily in the living room and other living spaces, renovations for energy generation, and other such environment-based remodeling. The high level of orders continued mainly as a result of large-scale projects.

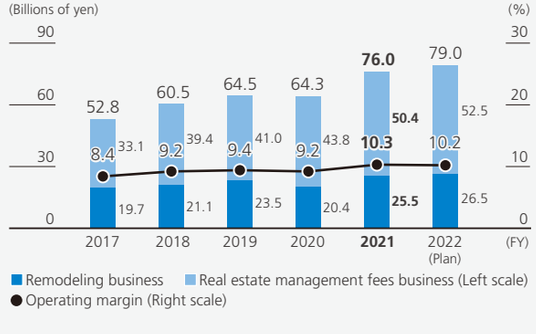
The real estate management fees business steadily increased the number of housing units under management through the supply of Sha Maison high-quality and high-performance rental housing built in prime locations. High-quality building management and services enhancing the lives of residents maintained high occupancy rates and rents, which in turn contributed to higher earnings. We also established Sekisui House Real Estate Holdings as an intermediate holding company to oversee the Sekisui House Real Estate Group with a broader view on expanding the business domain.

Supplied housing business sales totaled ¥741.1 billion, up ¥42.4 billion, or 6.1% year on year, and operating income was ¥76.0 billion, up ¥11.6 billion, or 18.1% year on year.

Sales



Operating Income and Operating Margin



Financial Analysis

Development Business

The development business posted increases in both sales and income.

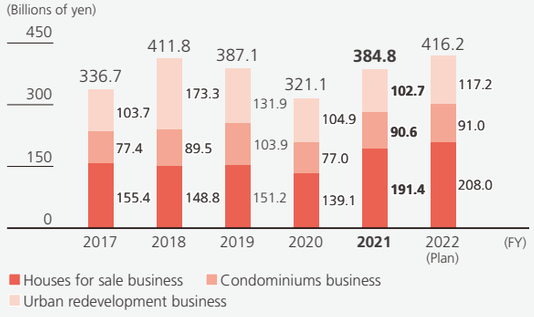
The houses for sale business actively continued to acquire prime land and strengthened its sales system to respond to higher demand. These efforts strongly drove orders from customers considering the purchase of land to develop build a home.

The condominiums business engaged in the development of high-added-value condominiums employing a comprehensive area-specific strategy and proposals for environmental performance and lifestyle features developed for custom detached housing.

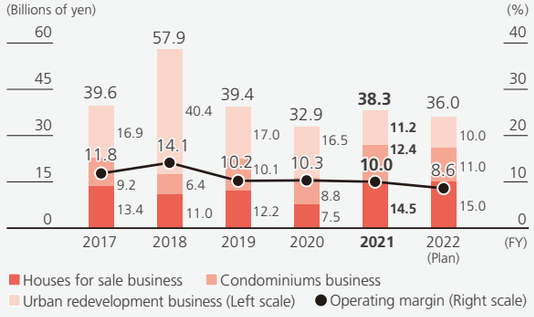
The urban redevelopment business steadily increased the occupancy rate of Sekisui House Group properties, such as the office buildings and Prime Maison rental housing developed by Sekisui House. The sale of properties to Sekisui House Reit proceeded as planned. However, hotel revenue has fallen with the decline in travelers and other factors resulting from the COVID-19 pandemic.

Development business sales totaled ¥384.8 billion, up ¥63.6 billion, or 19.8% year on year, and operating income was ¥38.3 billion, up ¥5.3 billion, or 16.2% year on year.

Sales



Operating Income and Operating Margin



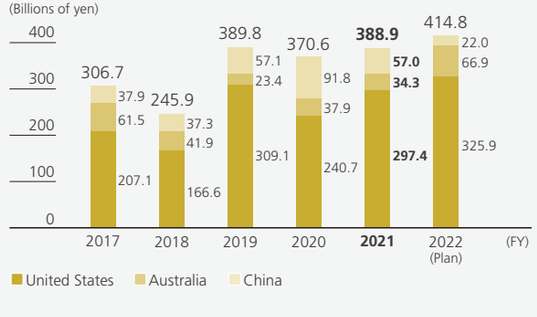
Overseas Business

The overseas business posted increases in both sales and income.

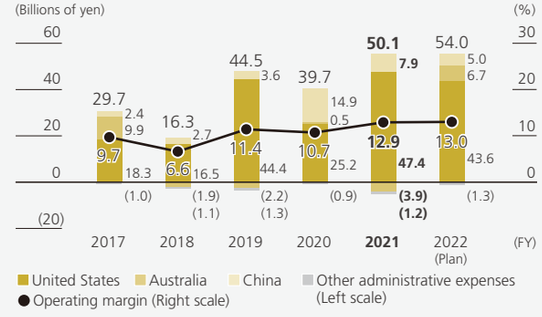
In the United States, the master-planned community business and Woodside Homes homebuilding business continued to perform strongly with historically low mortgage rates. The multifamily business increased its sales with the completion of deliveries as planned. In Australia, sales declined due to delayed recovery in the real estate market and the effects of the COVID-19 pandemic. In China, our businesses moved forward with deliveries as planned, but sales dropped due to the concentration of closings for condominiums in Suzhou during the previous fiscal year.

Overseas business sales totaled ¥388.9 billion, up ¥18.2 billion, or 4.9% year on year, and operating income was ¥50.1 billion, up ¥10.4 billion, or 26.3% year on year.

Sales



Operating Income and Operating Margin



Note: The Singapore and United Kingdom businesses are reported as equity in earnings of affiliates.

Sales and Operating Income by Segment

(Millions of yen)

	(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sales	**Built-to-Order Business**										
	Custom detached houses	465,149	517,691	427,044	393,786	383,129	371,171	357,944	390,995	323,332	**352,732**
	Rental housing	303,712	356,202	398,483	400,601	440,312	442,845	416,062	360,026	358,745	**384,022**
	Architectural/Civil engineering	—	—	—	—	—	—	—	120,986	302,837	**261,930**
	Subtotal	768,862	873,894	825,527	794,388	823,442	814,017	774,006	872,008	984,915	**998,685**
	Supplied Housing Business										
	Remodeling	111,548	125,046	134,166	134,458	133,498	136,843	141,416	152,729	141,090	**156,167**
	Real estate management fees	393,978	408,403	428,227	448,751	469,132	489,891	514,035	534,876	557,632	**584,969**
	Subtotal	505,527	533,450	562,393	583,210	602,631	626,735	655,452	687,606	698,722	**741,136**
	Development Business										
	Houses for sale	127,810	133,405	118,730	137,484	142,014	155,481	148,880	151,268	139,151	**191,488**
	Condominiums	52,538	63,083	56,699	81,470	66,125	77,497	89,581	103,984	77,091	**90,612**
	Urban redevelopment	45,528	42,428	178,344	93,038	130,491	103,777	173,391	131,920	104,953	**102,736**
	Subtotal	225,877	238,917	353,774	311,993	338,631	336,756	411,853	387,173	321,195	**384,837**
	Overseas Business										
	Subtotal	54,844	85,392	79,835	89,522	182,127	306,716	245,953	389,866	370,686	**388,936**
	Other	58,704	73,447	91,190	79,764	80,099	75,137	73,050	78,531	71,384	**75,984**
	Total	**1,613,816**	**1,805,102**	**1,912,721**	**1,858,879**	**2,026,931**	**2,159,363**	**2,160,316**	**2,415,186**	**2,446,904**	**2,589,579**
Operating Income	**Built-to-Order Business**										
	Custom detached houses	48,800	65,813	48,894	47,208	49,514	48,043	42,255	45,942	32,231	**42,475**
	Rental housing	27,547	36,492	45,825	51,918	60,832	60,883	50,376	49,710	47,052	**56,047**
	Architectural/Civil engineering	—	—	—	—	—	—	—	3,730	16,051	**15,146**
	Subtotal	76,347	102,306	94,719	99,127	110,347	108,926	92,632	99,383	95,335	**113,668**
	Supplied Housing Business										
	Remodeling	11,542	14,037	14,997	15,847	17,544	19,760	21,109	23,535	20,479	**25,546**
	Real estate management fees	17,039	20,064	23,405	26,819	31,278	33,133	39,407	41,054	43,869	**50,480**
	Subtotal	28,582	34,101	38,402	42,667	48,823	52,893	60,516	64,589	64,348	**76,027**
	Development Business										
	Houses for sale	1,580	8,143	8,491	11,919	8,822	13,460	11,088	12,259	7,586	**14,548**
	Condominiums	1,004	3,978	4,738	8,031	2,248	9,229	6,478	10,134	8,817	**12,486**
	Urban redevelopment	9,787	8,561	25,802	24,747	23,414	16,994	40,403	17,045	16,565	**11,276**
	Subtotal	12,372	20,683	39,032	44,698	34,485	39,684	57,970	39,439	32,969	**38,311**
	Overseas Business										
	Subtotal	4,247	8,581	4,419	(5,673)	25,172	29,761	16,340	44,551	39,708	**50,147**
	Other	(445)	1,690	3,123	2,511	726	1,234	(44)	(273)	(2,480)	**(1,208)**
	Eliminations and adjustments	(34,907)	(35,434)	(33,102)	(33,686)	(35,390)	(36,960)	(38,192)	(42,434)	(43,363)	**(46,786)**
	Total	**86,196**	**131,930**	**146,595**	**149,645**	**184,164**	**195,540**	**189,223**	**205,256**	**186,519**	**230,160**

Note: Architectural/Civil engineering became a reportable segment as of FY2020. The figures for FY2019 have been restated.

Company Information (As of January 31, 2022)

Corporate Profile

Corporation Name	Sekisui House, Ltd.
Head Office	Umeda Sky Building Tower East, 1-1-88, Oyodonaka, Kita-ku, Osaka, 531-0076, Japan
Date of Establishment	August 1, 1960
Number of Employees	28,821 (consolidated basis) 15,017 (non-consolidated basis)
Capital Stock	¥202,591.2 million
Production Bases	Five locations in Japan (in Miyagi, Ibaraki, Shizuoka, Hyogo and Yamaguchi prefectures)
Research Institutes	Comprehensive Housing R&D Institute and Human Life R&D Institute
Sales and Service Offices	Sales Offices: 116 Customer Service Centers: 30 Display House Locations: 315
Affiliated Companies	Consolidated Subsidiaries 335 companies (55 in Japan, 280 overseas) Sekisui House Real Estate: 6 companies* Sekisui House Remodeling, Ltd. Sekiwa Construction: 15 companies Sekisui House noie Limited Konoike Construction Co., Ltd. Sekisui House Asset Management, Ltd. Other Equity-method Affiliates 34 companies (12 in Japan, 22 overseas)

* Effective February 1, 2022, the Sekisui House Real Estate Group, centered on six companies, was reorganized through an absorption-type company split into an intermediate holding company structure headed by Sekisui House Real Estate Holdings, Ltd., a wholly owned subsidiary established on November 1, 2021. Effective the same date, businesses under the jurisdiction of the Company's Broking and Leasing Business Headquarters were also transferred to Sekisui House Real Estate Holdings through the absorption-type company split.

Locations

In Japan

Sekisui House, Ltd. Head Office

Hyogo Factory

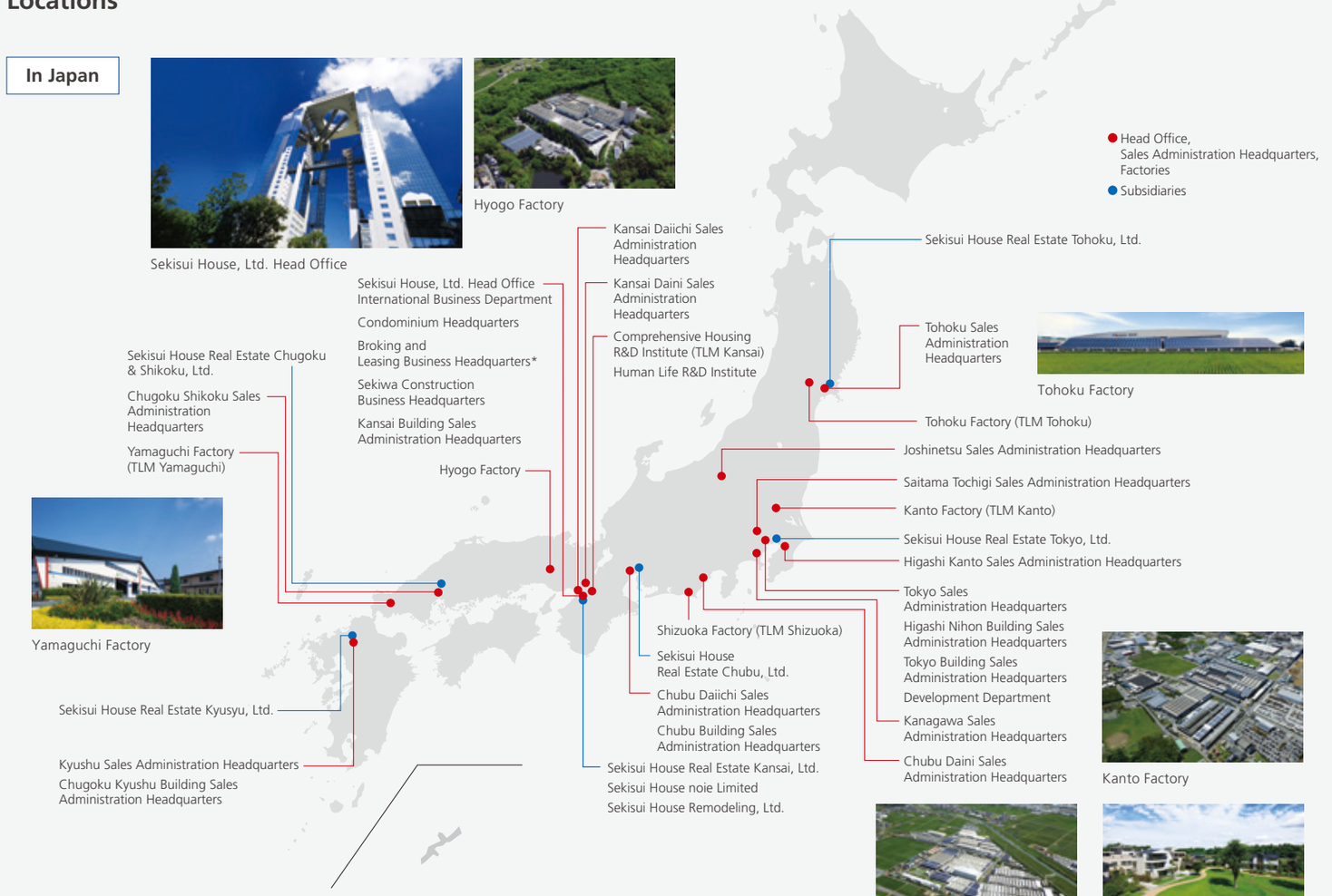
Yamaguchi Factory

Tohoku Factory

Kanto Factory


Shizuoka Factory


TLM Kanto
(TLM: Tomorrow's Life Museum)



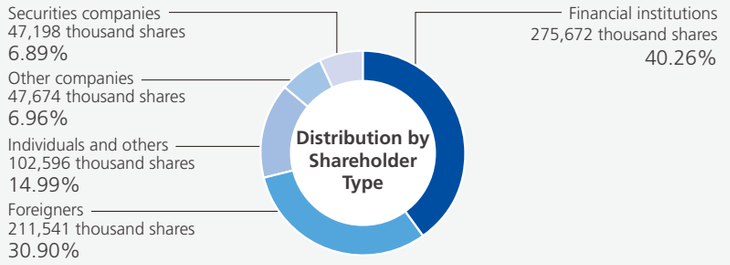
Overseas

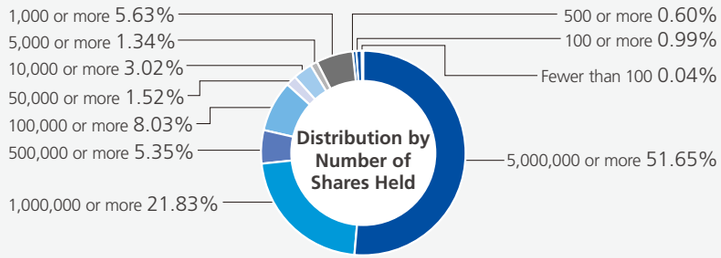
▶Please see Section 4 for details.
» Page 65: Overseas Business Regions and Major Projects

Share Information (As of January 31, 2022)

Total number of shares authorized	1,978,281,000
Total number of shares issued	684,683,466 (including 9,740,876 treasury shares)
Trading unit	100 shares
Total number of shareholders	90,711

Share Distribution





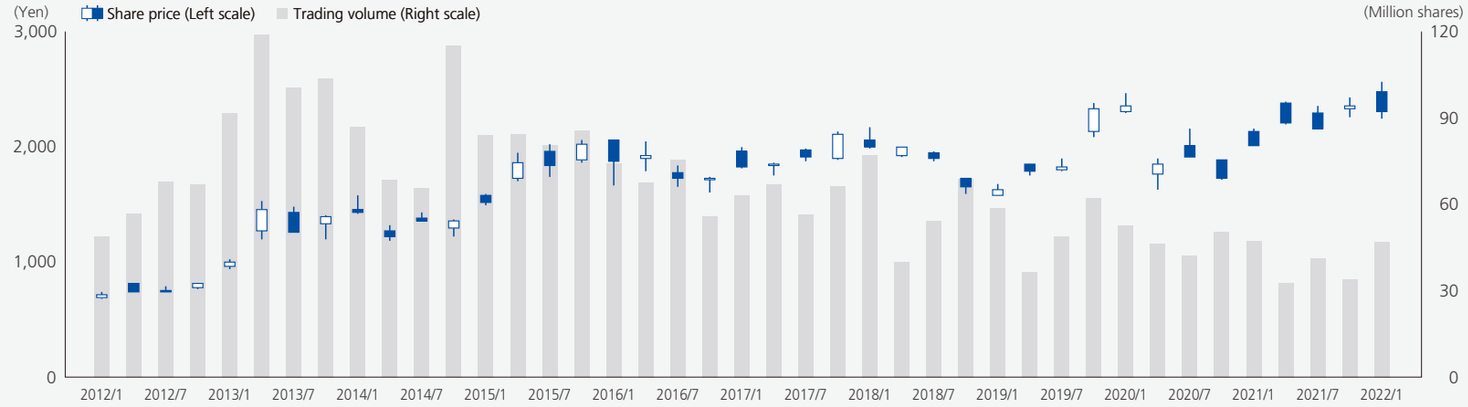
Note: 9,740 thousand treasury shares are included in "Individuals and others"

Major Shareholders (Top 10)

Name	Number of Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	121,998	18.08%
Custody Bank of Japan, Ltd. (Trust Account)	38,703	5.73%
SMBC Nikko Securities Inc.	22,506	3.33%
Sekisui Chemical Co., Ltd.	22,168	3.28%
Employees' Stockholding	18,961	2.81%
State Street Bank West Client - Treaty 505234	12,232	1.81%
MUFG Bank, Ltd.	10,899	1.61%
The Dai-ichi Life Insurance Company, Limited	10,828	1.60%
JP Morgan Chase Bank 385781	7,483	1.11%
STATE STREET BANK AND TRUST COMPANY 505103	7,256	1.08%

Notes:
1. Employees' Stockholding is the Company employee stockholders association.
2. The Company holds 9,740 thousand shares of treasury stock. These shares are excluded from the above list of major shareholders. The shareholding ratio is calculated by dividing the number of shares held by the total number of shares issued, excluding treasury shares.

Stock Price and Trading Volume



Total Shareholder Return

Fiscal Year	2017	2018	2019	2020	2021
Sekisui House	113.5%	97.5%	142.1%	128.0%	149.1%
TOPIX (including dividends)	123.3%	107.5%	118.5%	130.3%	139.5%

Sekisui House, Ltd. and Subsidiaries Consolidated Financial Statements

Year ended January 31, 2022

Previous financial statements were prepared using terminology unique to our *Annual Report* and *Integrated Report*. As of FY2021 *(Value Report 2022)*, the financial statements are prepared in conformance with the taxonomy of account titles published by the Financial Services Agency of Japan using a translation corresponding to the content of the Company's Securities Report (*Yuka Shoken Hokokusho*). As a result, some line item names are different from the account titles used until FY2020 (*Integrated Report 2021*).

205 Financial Information
206 Consolidated Balance Sheet
208 Consolidated Statement of Income
Consolidated Statement of Comprehensive Income
209 Consolidated Statement of Changes in Equity
211 Consolidated Statement of Cash Flows
212 Notes to Consolidated Financial Statements
239 Independent Auditor's Report

Financial Information

1. Basis of preparation of the consolidated financial statements

(1) The consolidated financial statements of Sekisui House, Ltd. (the "Company") are prepared in conformity with the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976, hereinafter, "Regulation on Consolidated Financial Statements") and in accordance with the "Regulation for Enforcement of the Construction Business Act (Ministry of Construction Order No. 14 of 1949).

(2) The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥115.44 to $1, the approximate rate of exchange at January 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. In addition, this annual report is literally translated from the consolidated financial statements in Annual Securities Report year ended January 31, 2022.

2. Note on independent audit

Pursuant to Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022) were audited by Ernst & Young ShinNihon LLC.

3. Special efforts to ensure fair presentation of consolidated financial statements, etc.

The Company has taken special efforts to ensure the fair presentation of the consolidated financial statements. Specifically, the Company has joined the Financial Accounting Standards Foundation and attends seminars held by the foundation in order to properly understand details of accounting standards and other rules and establish a system that enables appropriate response to changes in accounting standards and other rules.

Consolidated Balance Sheet

Sekisui House, Ltd. and Subsidiaries
January 31, 2022

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Assets			
Current assets			
Cash and deposits	¥ 600,284	**¥ 515,283**	**$ 4,463,643**
Notes receivable and accounts receivable from completed construction contracts	144,253	**132,471**	**1,147,531**
Costs on construction contracts in progress	16,451	**18,299**	**158,515**
Buildings for sale	*3, *5, *7 341,721	***3, *5, *7 436,973**	***3, *5, *7 3,785,282**
Land for sale in lots	*3, *5, *7 495,950	***3, *5, *7 589,879**	***3, *5, *7 5,109,832**
Undeveloped land for sale	86,290	**149,828**	**1,297,886**
Other inventories	*1 7,333	***1 9,501**	***1 82,302**
Other	*4, *5 89,500	***4, *5 101,672**	***4, *5 880,735**
Allowance for doubtful accounts	(1,073)	**(1,179)**	**(10,213)**
Total current assets	1,780,711	**1,952,729**	**16,915,532**
Non-current assets			
Property, plant and equipment			
Buildings and structures	*3, *5 363,229	***3, *5 365,224**	***3, *5 3,163,756**
Machinery, equipment and vehicles	*3 70,786	***3 71,333**	***3 617,923**
Tools, furniture and fixtures	*3 37,036	***3 37,007**	***3 320,573**
Land	*3, *5 287,307	***3, *5 284,788**	***3, *5 2,466,979**
Leased assets	4,257	**5,157**	**44,673**
Construction in progress	*3 42,516	***3 49,597**	***3 429,634**
Accumulated depreciation	(269,740)	**(272,397)**	**(2,359,641)**
Total property, plant and equipment	535,393	**540,711**	**4,683,914**

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Intangible assets			
Goodwill	1,575	**250**	**2,166**
Industrial property	105	**31**	**269**
Leasehold interests in land	4,172	**2,575**	**22,306**
Software	*3 13,327	***3 14,586**	***3 126,351**
Right to use facilities	*3 168	***3 201**	***3 1,741**
Telephone subscription right	320	**308**	**2,668**
Other	57	**34**	**295**
Total intangible assets	19,727	**17,988**	**155,821**
Investments and other assets			
Investment securities	*2, *5 180,570	***2, *5 190,334**	***2, *5 1,648,770**
Long-term loans receivable	*5 18,952	***5 5,793**	***5 50,182**
Retirement benefit asset	1,381	**7,206**	**62,422**
Deferred tax assets	24,597	**24,091**	**208,688**
Other	*4 65,026	***4 62,626**	***4 542,498**
Allowance for doubtful accounts	(498)	**(294)**	**(2,547)**
Total investments and other assets	290,029	**289,759**	**2,510,040**
Total non-current assets	845,150	**848,459**	**7,349,783**
Total assets	¥2,625,861	**¥2,801,189**	**$24,265,324**

Consolidated Balance Sheet

Sekisui House, Ltd. and Subsidiaries
January 31, 2022

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Liabilities			
Current liabilities			
Notes payable and accounts payable for construction contracts	¥ 104,972	**¥ 111,022**	**$ 961,729**
Electronically recorded obligation	97,780	**96,635**	**837,102**
Short-term borrowings	166,019	**219,218**	**1,898,978**
Current portion of bonds payable	30,000	**—**	**—**
Current portion of long-term borrowings	*5, *7 56,520	***5, *7 16,235**	***5, *7 140,636**
Income taxes payable	29,704	**43,021**	**372,670**
Advances received on construction contracts in progress	208,750	**207,798**	**1,800,052**
Provision for bonuses	26,105	**31,270**	**270,877**
Provision for bonuses for directors (and other officers)	1,258	**1,385**	**11,998**
Provision for warranties for completed construction	3,164	**3,897**	**33,758**
Other	111,485	**137,416**	**1,190,367**
Total current liabilities	835,763	**867,903**	**7,518,217**
Non-current liabilities			
Bonds payable	170,000	**170,000**	**1,472,626**
Long-term borrowings	*5, *7 132,665	***5, *7 136,556**	***5, *7 1,182,918**
Long-term leasehold and guarantee deposits received	*5 59,169	***5 59,079**	***5 511,772**
Deferred tax liabilities	364	**464**	**4,019**
Provision for retirement benefits for directors (and other officers)	857	**864**	**7,484**
Retirement benefit liability	43,011	**30,733**	**266,225**
Other	15,142	**14,626**	**126,698**
Total non-current liabilities	421,211	**412,325**	**3,571,769**
Total liabilities	1,256,974	**1,280,229**	**11,089,995**

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Net assets			
Shareholders' equity			
Share capital	202,591	**202,591**	**1,754,946**
Capital surplus	258,989	**258,989**	**2,243,494**
Retained earnings	839,985	**940,135**	**8,143,928**
Treasury shares	(6,883)	**(20,975)**	**(181,696)**
Total shareholders' equity	1,294,682	**1,380,740**	**11,960,672**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	40,174	**41,488**	**359,390**
Deferred gains or losses on hedges	(45)	**141**	**1,221**
Foreign currency translation adjustment	2,355	**47,245**	**409,260**
Remeasurements of defined benefit plans	(10,631)	**4,323**	**37,448**
Total accumulated other comprehensive income	31,852	**93,199**	**807,337**
Share acquisition rights	508	**186**	**1,611**
Non-controlling interests	41,842	**46,832**	**405,683**
Total net assets	1,368,887	**1,520,959**	**13,175,321**
Total liabilities and net assets	¥2,625,861	**¥2,801,189**	**$24,265,324**

* See notes to consolidated financial statements.

Consolidated Statement of Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net sales	¥2,446,904	**¥2,589,579**	**$22,432,251**
Cost of sales	*1, *5 1,973,393	***1, *5 2,060,702**	***1, *5 17,850,849**
Gross profit	473,511	**528,877**	**4,581,402**
Selling, general and administrative expenses			
Selling expenses	*2 54,576	***2 56,031**	***2 485,369**
General and administrative expenses	*2, *5 232,416	***2, *5 242,684**	***2, *5 2,102,252**
Total selling, general and administrative expenses	286,992	**298,716**	**2,587,630**
Operating profit	186,519	**230,160**	**1,993,763**
Non-operating income			
Interest income	2,970	**2,604**	**22,557**
Dividend income	1,969	**1,904**	**16,493**
Foreign exchange gains	—	**1,134**	**9,823**
Share of profit of entities accounted for using equity method	619	**—**	**—**
Other	3,308	**3,446**	**29,851**
Total non-operating income	8,867	**9,088**	**78,725**
Non-operating expenses			
Interest expenses	2,769	**3,836**	**33,229**
Share of loss of entities accounted for using equity method	—	**1,238**	**10,724**
Foreign exchange losses	3,575	**—**	**—**
Other	4,343	**4,080**	**35,343**
Total non-operating expenses	10,688	**9,155**	**79,305**
Ordinary profit	184,697	**230,094**	**1,993,191**
Extraordinary income			
Gain on liquidation of subsidiaries and affiliates	—	**3,088**	**26,750**
Gain on sale of shares of subsidiaries and affiliates	—	**2,246**	**19,456**
Gain on sale of investment securities	3,594	**1,166**	**10,100**
Total extraordinary income	3,594	**6,501**	**56,315**
Extraordinary losses			
Loss on sale and retirement of non-current assets	*4 1,319	***4 1,629**	***4 14,111**
Impairment losses	*3 356	***3 539**	***3 4,669**
Loss on sale of investment securities	16	**51**	**442**
Loss on valuation of investment securities	490	**21**	**182**
Loss related to COVID-19	*6 615	***6 19**	***6 165**
Total extraordinary losses	2,798	**2,261**	**19,586**
Profit before income taxes	185,494	**234,334**	**2,029,920**
Income taxes—current	57,091	**75,789**	**656,523**
Income taxes—deferred	(1,021)	**(5,470)**	**(47,384)**
Total income taxes	56,070	**70,319**	**609,139**
Profit	129,423	**164,015**	**1,420,781**
Profit attributable to non-controlling interests	5,881	**10,109**	**87,569**
Profit attributable to owners of parent	¥ 123,542	**¥ 153,905**	**$ 1,333,203**

* See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Profit	¥129,423	**¥164,015**	**$1,420,781**
Other comprehensive income			
Valuation difference on available-for-sale securities	(196)	**862**	**7,467**
Foreign currency translation adjustment	(8,219)	**40,766**	**353,136**
Remeasurements of defined benefit plans, net of tax	8,724	**15,103**	**130,830**
Share of other comprehensive income of entities accounted for using equity method	(602)	**4,315**	**37,379**
Total other comprehensive income	*1 (294)	***1 61,048**	***1 528,829**
Comprehensive income	¥129,129	**¥225,063**	**$1,949,610**
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥123,707	**¥215,253**	**$1,864,631**
Comprehensive income attributable to non-controlling interests	5,421	**9,810**	**84,979**

* See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2022

Millions of yen

Fiscal year ended January 31, 2021	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	¥202,591	¥258,994	¥786,591	¥(13,668)	¥1,234,509	¥39,894	¥ (60)	¥11,174	¥(19,322)	¥31,686	¥ 609	¥40,044	¥1,306,850
Changes during period													
Dividends of surplus	—	—	(58,726)	—	(58,726)	—	—	—	—	—	—	—	(58,726)
Profit attributable to owners of parent	—	—	123,542	—	123,542	—	—	—	—	—	—	—	123,542
Purchase of treasury shares	—	—	—	(5,010)	(5,010)	—	—	—	—	—	—	—	(5,010)
Disposal of treasury shares	—	—	(99)	472	373	—	—	—	—	—	—	—	373
Cancellation of treasury shares	—	—	(11,323)	11,323	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	(3)	—	—	(3)	—	—	—	—	—	—	—	(3)
Change in ownership interest of parent due to transactions with non-controlling interests	—	(1)	—	—	(1)	—	—	—	—	—	—	—	(1)
Net changes in items other than shareholders' equity	—	—	—	—	—	279	14	(8,819)	8,691	165	(100)	1,797	1,863
Total changes during period	—	(4)	53,393	6,784	60,173	279	14	(8,819)	8,691	165	(100)	1,797	62,036
Balance at end of period	¥202,591	¥258,989	¥839,985	¥ (6,883)	¥1,294,682	¥40,174	¥ (45)	¥ 2,355	¥(10,631)	¥31,852	¥ 508	¥41,842	¥1,368,887

Fiscal year ended January 31, 2022													
Balance at beginning of period	**¥202,591**	**¥258,989**	**¥839,985**	**¥ (6,883)**	**¥1,294,682**	**¥40,174**	**¥ (45)**	**¥ 2,355**	**¥(10,631)**	**¥31,852**	**¥ 508**	**¥41,842**	**¥1,368,887**
Changes during period													
Dividends of surplus	—	—	**(55,608)**	—	**(55,608)**	—	—	—	—	—	—	—	**(55,608)**
Profit attributable to owners of parent	—	—	**153,905**	—	**153,905**	—	—	—	—	—	—	—	**153,905**
Purchase of treasury shares	—	—	—	**(15,015)**	**(15,015)**	—	—	—	—	—	—	—	**(15,015)**
Disposal of treasury shares	—	—	**(361)**	**923**	**562**	—	—	—	—	—	—	—	**562**
Cancellation of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	**2,214**	—	**2,214**	—	—	—	—	—	—	—	**2,214**
Purchase of shares of consolidated subsidiaries	—	**(0)**	—	—	**(0)**	—	—	—	—	—	—	—	**(0)**
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	**1,314**	**187**	**44,890**	**14,955**	**61,347**	**(322)**	**4,989**	**66,014**
Total changes during period	—	**(0)**	**100,149**	**(14,091)**	**86,057**	**1,314**	**187**	**44,890**	**14,955**	**61,347**	**(322)**	**4,989**	**152,072**
Balance at end of period	**¥202,591**	**¥258,989**	**¥940,135**	**¥(20,975)**	**¥1,380,740**	**¥41,488**	**¥141**	**¥47,245**	**¥ 4,323**	**¥93,199**	**¥ 186**	**¥46,832**	**¥1,520,959**

* See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2022

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income							
Fiscal year ended January 31, 2022	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	**$1,754,946**	**$2,243,494**	**$7,276,377**	**$ (59,624)**	**$11,215,194**	**$348,008**	**$ (390)**	**$ 20,400**	**$ (92,091)**	**$275,918**	**$ 4,401**	**$362,457**	**$11,857,995**
Changes during period													
Dividends of surplus	—	—	**(481,705)**	—	**(481,705)**	—	—	—	—	—	—	—	**(481,705)**
Profit attributable to owners of parent	—	—	**1,333,203**	—	**1,333,203**	—	—	—	—	—	—	—	**1,333,203**
Purchase of treasury shares	—	—	—	**(130,068)**	**(130,068)**	—	—	—	—	—	—	—	**(130,068)**
Disposal of treasury shares	—	—	**(3,127**	**7,995**	**4,868**	—	—	—	—	—	—	—	**4,868**
Cancellation of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	**19,179**	—	**19,179**	—	—	—	—	—	—	—	**19,179**
Purchase of shares of consolidated subsidiaries	—	**(0)**	—	—	**(0)**	—	—	—	—	—	—	—	**(0)**
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	**11,383**	**1,620**	**388,860**	**129,548**	**531,419**	**(2,789)**	**43,217**	**571,847**
Total changes during period	—	**(0)**	**867,542**	**(122,063)**	**745,470**	**11,383**	**1,620**	**388,860**	**129,548**	**531,419**	**(2,789)**	**43,217**	**1,317,325**
Balance at end of period	**$1,754,946**	**$2,243,494**	**$8,143,928**	**$(181,696)**	**$11,960,672**	**$359,390**	**$1,221**	**$409,260**	**$ 37,448**	**$807,337**	**$ 1,611**	**$405,683**	**$13,175,321**

* See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash flows from operating activities			
Profit before income taxes	¥185,494	**¥234,334**	**$2,029,920**
Depreciation	21,726	**24,069**	**208,498**
Impairment losses	356	**539**	**4,669**
Increase (decrease) in retirement benefit liability	1,355	**3,382**	**29,297**
(Increase) decrease in retirement benefit asset	4,919	**158**	**1,369**
Interest and dividend income	(4,939)	**(4,508)**	**(39,051)**
Interest expenses	2,769	**3,836**	**33,229**
Share of (profit) loss of entities accounted for using equity method	(619)	**1,238**	**10,724**
(Gain) loss on sale of investment securities	(3,578)	**(1,114)**	**(9,650)**
(Gain) loss on valuation of investment securities	490	**21**	**182**
(Gain) loss on sale of shares of subsidiaries and affiliates	—	**(2,246)**	**(19,456)**
(Increase) decrease in trade receivables	(10,246)	**13,462**	**116,615**
(Increase) decrease in inventories	71,847	**(85,515)**	**(740,774)**
Increase (decrease) in trade payables	(14,672)	**17,640**	**152,807**
Increase (decrease) in advances received on construction contracts in progress	(32,906)	**(7,059)**	**(61,149)**
Other, net	26,857	**(19,089)**	**(165,359)**
Subtotal	248,853	**179,149**	**1,551,880**
Interest and dividends received	5,192	**8,151**	**70,608**
Interest paid	(3,574)	**(4,530)**	**(39,241)**
Income taxes paid	(58,499)	**(64,735)**	**(560,767)**
Net cash provided by (used in) operating activities	191,972	**118,034**	**1,022,471**

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash flows from investing activities			
Purchase of property, plant and equipment	(87,490)	**(82,951)**	**(718,564)**
Proceeds from sale of property, plant and equipment	1,183	**727**	**6,298**
Purchase of investment securities	(12,427)	**(11,487)**	**(99,506)**
Proceeds from sale and redemption of investment securities	6,927	**3,670**	**31,791**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 **(35,701)**	*2 **(309,260)**
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	**87**	**754**
Loan advances	(1,902)	**(2,187)**	**(18,945)**
Proceeds from collection of loans receivable	2,776	**11,669**	**101,083**
Other, net	(4,571)	**2,467**	**21,370**
Net cash provided by (used in) investing activities	(95,504)	**(113,706)**	**(984,979)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	8,968	**33,219**	**287,760**
Proceeds from long-term borrowings	28,666	**26,748**	**231,705**
Repayments of long-term borrowings	(32,351)	**(64,168)**	**(555,856)**
Redemption of bonds	(15,000)	**(30,000)**	**(259,875)**
Dividends paid	(58,726)	**(55,608)**	**(481,705)**
Purchase of treasury shares	(5,010)	**(15,015)**	**(130,068)**
Purchase of treasury shares of subsidiaries	(2)	**—**	**—**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(773)	**(0)**	**(0)**
Other, net	(3,386)	**(6,876)**	**(59,563)**
Net cash provided by (used in) financing activities	(77,614)	**(111,701)**	**(967,611)**
Effect of exchange rate change on cash and cash equivalents	(1,917)	**20,124**	**174,324**
Net increase (decrease) in cash and cash equivalents	16,936	**(87,248)**	**(755,787)**
Cash and cash equivalents at beginning of period	583,297	**600,234**	**5,199,532**
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	**2,188**	**18,954**
Cash and cash equivalents at end of period	*1 ¥600,234	*1 **¥515,174**	*1 **$4,462,699**

* See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Significant accounting policies for preparation of consolidated financial statements)

1. Scope of consolidation

335 consolidated subsidiaries

64 companies were newly included in the scope of consolidation through new establishments and acquisitions, etc. In addition, nine companies were excluded due to merger, liquidation or sale, etc.

Names of major non-consolidated subsidiaries

Otori Insurance Service Co., Ltd. and three other subsidiaries

Reason for exclusion from the scope of consolidation

Non-consolidated subsidiaries are excluded from the scope of consolidation, because they are all small in scale, and any total amount in terms of their total assets, net sales and profit or loss (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others does not significantly affect the consolidated financial statements.

2. Application of equity method

34 companies accounted for using equity method (All of them are affiliates of the Company)

Three companies to which the equity method is applied were newly added as investments. In addition, two companies were excluded due to their liquidation.

Names of principal non-consolidated subsidiaries and affiliates not accounted for using the equity method

Non-consolidated subsidiaries and affiliates: Otori Insurance Service Co., Ltd. and 4 other companies

Reason for not applying equity method

Non-consolidated subsidiaries and affiliates not accounted for using the equity method are excluded from the scope of application of the equity method, because such exclusion has only an immaterial effect on the consolidated financial statements in terms of each company's profit or loss (amount corresponding to the Company's ownership interest) and retained earnings (amount corresponding to the Company's ownership interest), and they are not significant as a whole.

The names of other companies not recognized as affiliates even though the Company holds at least 20% and up to 50% of the voting rights on its own account.

Shiei Community Service Co., Ltd. and one other company

Reason for not being included in affiliates

As the Company indirectly holds at least 20% and up to 50% of voting rights of the companies above but because they have no material impact, they are excluded from the scope of affiliates.

3. Fiscal years of consolidated subsidiaries

The end of the fiscal year is March 31 for three consolidated subsidiaries, May 31 for one consolidated subsidiary, and November 30 for one consolidated subsidiary. For those consolidated subsidiaries, when preparing the consolidated financial statements, the Company performs tentative annual closing as of January 31, and uses their financial statements.

For four consolidated subsidiaries whose fiscal year ends on November 30 and 289 consolidated subsidiaries whose fiscal year ends on December 31, when preparing the consolidated financial statements, the Company uses their financial statements as of their respective fiscal year-end. For material transactions during the respective fiscal year-end and the consolidated balance sheet date, necessary adjustments have been implemented.

4. Accounting policies

(1) Basis and methods of valuation for significant assets

(a) Securities

(i) Bonds held to maturity

Stated at amortized cost (straight-line method)

(ii) Available-for-sale securities

Securities with market value

Stated at fair value based on the market price on the consolidated balance sheet date

(Valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving-average method)

Securities without market value

Stated at cost determined by the moving-average method

(b) Derivatives

Stated at fair value

(c) Inventories

Stated at cost (the carrying amounts are determined based on the method of writing down the book value based on a decline in profitability)

The moving-average method is used for semi-finished goods, raw materials, and work in process and supplies, while the individual cost method is used for costs on construction contracts in progress, buildings for sale, land for sale in lots and undeveloped land for sale.

Notes to Consolidated Financial Statements

(2) Accounting methods for depreciation and amortization of significant depreciable assets

(a) Property, plant and equipment (excluding leased assets)

The Company applies the straight-line method to buildings (excluding attached structures) and facilities attached to buildings and structures acquired on and after April 1, 2016, and applies the declining-balance method for other property, plant and equipment.

(b) Intangible assets (excluding leased assets)

Amortized by the straight-line method

(c) Leased assets

Leased assets in finance lease transactions that do not transfer ownership are depreciated using the straight-line method assuming that lease periods are useful lives and residual values are zero.

(3) Accounting policy for significant provisions

(a) Allowance for doubtful accounts

To prepare for credit losses on receivables, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

(b) Provision for bonuses

To provide payment of bonuses to employees, the estimated amount to cover the bonus payment for services provided by employees during the fiscal year is recognized.

(c) Provision for bonuses for directors (and other officers)

To provide payment of bonuses to directors (and other officers), the amount expected to be paid as of the consolidated balance sheet date is recognized.

(d) Provision for warranties for completed construction

Provisions for losses and guarantee expenses due to defects recognized after delivery are recorded based on historical repair and other costs arising from completed structures and buildings for sale.

(e) Provision for retirement benefits for directors (and other officers)

To provide for retirement payments for directors (and other officers), the Company provides the required amount at the end of the fiscal year based on internal regulations.

(4) Accounting methods for retirement benefits

(a) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year on a benefit formula basis.

(b) Method of amortizing actuarial gains and losses and past service cost

Actuarial gains and losses are amortized from the fiscal year following the fiscal year in which they are incurred using the straight-line method over 5 to 14 years. Past service cost is amortized using the straight-line method over 5 to 13 years from the fiscal year in which such cost is incurred.

(5) Accounting policy for recognition of significant revenues and expenses

(a) Recognition of net sales and cost of sales of completed construction contracts

(i) Construction activity whose outcome is deemed to be definite for the progress of the activity by the end of the current fiscal year

Percentage-of-completion method (the cost-to-cost method is used to estimate the percentage of completion)

(ii) Other construction activities

Completed-contract method

(b) Recognition of revenue related to finance lease transactions

The Company recognizes net sales and cost of sales related to finance lease transactions at the time of receipt of the lease payments.

(6) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are recognized in profit or loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the balance sheet date of overseas subsidiaries, and their revenue and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences are included in foreign currency translation adjustment and non-controlling interests under net assets.

(7) Method of significant hedge accounting

(a) Hedge accounting

Deferred hedge accounting is applied. Transactions involving forward foreign exchange contracts are booked in Japanese yen by translation at the foreign exchange rate stipulated in the contract if the requirements for such treatment are satisfied.

(b) Hedging instruments and hedged items

(i) The Company hedges monetary receivables and payables in foreign currencies and forward transactions with forward foreign exchange contracts.

(ii) The Company hedges loans with interest-rate swaps.

(c) Hedging policy

The Company uses derivative transactions with the aim of avoiding losses from fluctuations in exchange and interest rates. The use of forward foreign exchange contracts does not exceed the amount of foreign currency transactions. The assumed principal balance subject to interest-swap transactions does not exceed the relevant interest-bearing debts outstanding.

(d) Method of assessing hedge effectiveness

The Company assesses if the percentage changes of hedging instruments and hedged items approximately range from 80% to 125%. However, it does not assess the effectiveness of hedging for transactions under forward foreign exchange contracts, since the main conditions match with regard to the relevant transactions and hedge targets, and where the cash flow is fixed.

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(8) Accounting method and period for amortization of goodwill

Goodwill is amortized over five years using the straight-line method, beginning in the fiscal year in which it arises, except for cases where the useful life can be estimated, in which case it is amortized over the estimated useful life based on a substantive analysis by the Company. Goodwill is charged to income as incurred if immaterial.

(9) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and deposits (excluding time deposits with maturities of more than three months) and short-term investments that are redeemable within three months from the acquisition date and that are easily converted into cash and only subject to insignificant risk in terms of price fluctuations.

(10) Other significant matters for preparing consolidated financial statements

(a) Accounting for consumption taxes

Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes in the consolidated statement of income.

Non-deductible consumption taxes subject to non-current assets at consolidated subsidiaries whose main business is real estate for leasing are recorded in "Other" under the "Investments and other assets" on the balance sheets and are amortized by the straight-line method over five years. Other non-deductible consumption taxes are expensed in the consolidated fiscal year in which they arise.

(b) Inclusion of interest expenses in acquisition cost

Overseas consolidated subsidiaries include interest expenses with regard to borrowed funds for the real estate development business in acquisition cost in conformity with the accounting standards of their countries. For the fiscal year ended January 31, 2022, interest expenses in the amount of ¥7,872 million ($68,191 thousand), ¥9,295 million ($80,518 thousand) and ¥430 million ($3,725 thousand) are included in "Buildings for sale," "Land for sale in lots" and "Undeveloped land for sale," respectively. For the fiscal year ended January 31, 2021, interest expenses in the amount of ¥6,913 million, ¥9,827 million and ¥436 million are included in "Buildings for sale," "Land for sale in lots" and "Undeveloped land for sale," respectively.

(Significant accounting estimates)

(1) Valuation of real estate for sale

1) Amounts stated in the consolidated financial statements as of January 31, 2022

	Millions of yen	Thousands of U.S. dollars
Buildings for sale	**¥436,973**	**$3,785,282**
Land for sale in lots	**589,879**	**5,109,832**
Undeveloped land for sale	**149,828**	**1,297,886**
Loss on valuation (cost of sales)	**10,032**	**86,902**

2) Information on significant accounting estimates for the identified item

(i) Calculation method for the amount stated in the consolidated financial statements as of January 31, 2022

If the net selling price for real estate for sale at the end of the fiscal year is below the book value, the book value is reduced to the net selling price and the difference is recorded as loss on valuation. When calculating the net selling price, estimates are made in accordance with the sales price for each individual property and future business plans, etc.

(ii) Key assumptions

Key assumptions used in calculating the net selling price are future earnings and construction costs, with the business plans estimated in light of factors such as the project location, size, marketability, examples of transactions in similar real estate and the real estate market.

(iii) Impact on the consolidated financial statements for the next fiscal year

If the key assumptions have changed in the next fiscal year due to economic or market deterioration, additional loss on valuation may need to be recorded.

(2) Valuation of non-current assets

1) Amounts stated in the consolidated financial statements as of January 31, 2022

	Millions of yen	Thousands of U.S. dollars
Total property, plant and equipment	**¥540,711**	**$4,683,914**
Total intangible assets	**17,988**	**155,821**
Impairment losses	**539**	**4,669**

2) Information on significant accounting estimates for the identified item

(i) Calculation method for the amount stated in the consolidated financial statements as of January 31, 2022

The Company groups the assets of investment properties by project and groups other assets by operating unit, which allows us to manage gains and losses in a rational manner. Based on the grouping, impairment can be determined for assets or asset groups that show indications of impairment due to factors such as continuous operating loss and negative cash flows, a pronounced drop in market price or change in usage. In the event that we determine that impairment losses should be recognized, the book value is written down to the recoverable value and this decrease is recorded as impairment loss. Note that the recoverable value is the net selling value or the value in use, whichever is higher. The net selling value is calculated for major investment properties by obtaining the appraised value from a real estate appraiser, while the net selling value for other assets are calculated by the estimate amount from the appraisal value calculated by equivalent methods as present value to the Real Estate Appraisal Standard, etc. less cost of disposal. In addition, value in use is calculated at present value by discounting the estimated future cash flows.

(ii) Key assumptions

Key assumptions in estimating future cash flows and calculating the recoverable value are rent, ADR (Average Daily Rate for guest rooms), vacancy rate, operating ratio, discount rate and cap rate. Rent, ADR, vacancy rate and operating ratio are determined with comprehensive consideration to factors such as market trends, examples of

Notes to Consolidated Financial Statements

transactions in similar real estate and past performance. The discount rate is determined in light of examples of similar transactions and interest rate movements, etc. In addition, the cap rate for major investment properties is obtained from an independent real estate appraiser and used. Our estimates are based on the assumption that the impact from the spread of COVID-19 will continue to some extent in the next fiscal year, but gradually be mitigated.

(iii) Impact on the consolidated financial statements for the next fiscal year

If the key assumptions have changed in the next fiscal year due to economic or market deterioration, additional impairment losses may need to be recorded.

(Accounting standards issued but not yet effective)

"Accounting Standard for Revenue Recognition," etc.

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 issued by IASB and Topic 606 issued by FASB) in May 2014. Considering the situation that the application of IFRS 15 is effective from the fiscal year beginning on or after January 1, 2018 and the application of Topic 606 is effective from the fiscal year beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with its implementation guidance.

The ASBJ's basic policy in developing the accounting standard for revenue recognition was to incorporate the basic principles of IFRS 15 as a starting point to establish the accounting standard, from the viewpoint of comparability between financial statements, which is one of the benefits of consistency with IFRS 15, and to add alternative accounting treatments, but to the extent not impairing comparability, where consideration should be given to practices that have been conducted to date in Japan.

(2) Scheduled date of adoption

The accounting standard and relevant ASBJ regulations will be adopted effective from the beginning of the fiscal year ending January 31, 2023.

(3) Impact of the adoption of the accounting standards, etc.

Impact from the adoption of the "Accounting Standard for Revenue Recognition" and relevant ASBJ regulations on the consolidated financial statements are insignificant.

"Accounting Standard for Fair Value Measurement," etc.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In light of the situation in which the IASB and the U.S. FASB have established detailed guidance on fair value measurement with almost the same content (IFRS 13 "Fair Value Measurement" in International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 "Fair Value Measurement" in the US GAAP), the ASBJ worked to ensure consistency of the Japanese GAAP with international accounting standards mainly for guidance and disclosures on fair value of financial instruments and issued the "Accounting Standard for Fair Value Measurement" and relevant ASBJ regulations.

The ASBJ's basic policy in developing the accounting standard for fair value measurement is to incorporate, in principle, all the provisions of IFRS 13 from the perspective of increasing comparability of financial statements among companies in Japan and overseas by using the unified measurement method, and to establish other treatments of individual items to the extent that consideration is given to practices that have been conducted to date in Japan and comparability among financial statements is not impaired largely.

(2) Scheduled date of adoption

These accounting standards and relevant ASBJ regulations will be adopted effective from the beginning of the fiscal year ending January 31, 2023.

(3) Impact of the adoption of the accounting standards, etc.

Impact from the adoption of the "Accounting Standard for Fair Value Measurement" and relevant ASBJ regulations on the consolidated financial statements are currently under evaluation.

"Leases"

Overseas subsidiaries applying the US GAAP

- "Leases" (ASU No. 2016-02, February 25, 2016)

(1) Overview

This accounting standard requires lessees, in principle, to recognize all leases as assets and liabilities.

Notes to Consolidated Financial Statements

(2) Scheduled date of adoption

This accounting standard will be adopted effective from the beginning of the fiscal year ending January 31, 2023.

(3) Impact of the adoption of the accounting standards, etc.

Impact from the adoption of the "Leases" on the consolidated financial statements are currently under evaluation.

(Changes in presentation)

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements at the end of the current fiscal year, and notes concerning significant account estimates are described in the consolidated financial statements.

However, in accordance with the transitional treatment pursuant to the proviso in paragraph 11 of such accounting standard, the note does not disclose details relating to the fiscal year ended January 31, 2021.

(Additional information)

(Impact of COVID-19 in making accounting estimates)

The prolonged impact from COVID-19 has a certain impact on the business activities of the Company and its consolidated subsidiaries (collectively, the "Group"), but no major impact has arisen. The determination of the collectability of deferred tax assets and the recognition of impairment losses is estimated based on the assumption that the impact of COVID-19 will continue in the next fiscal year to a certain extent, but gradually be mitigated based on information available when preparing the consolidated financial statements.

(Consolidated balance sheet)

*1. The breakdown of "Other inventories" is as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Semi-finished goods	¥3,362	**¥4,415**	**$38,245**
Work in process	730	**871**	**7,545**
Raw materials and supplies	3,240	**4,214**	**36,504**
Total	¥7,333	**¥9,501**	**$82,302**

*2. Assets pertaining to affiliates are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Investment securities	¥67,479	**¥78,120**	**$676,715**

*3. Change in holding purpose

As of January 31, 2021

As of January 31, 2020, ¥481 million of real estate for sale recorded as "Buildings for sale" and "Land for sale in lots" has been reclassified as "Buildings and structures" and "Land." In addition, as of January 31, 2020, ¥41,468 million of investment properties, etc. recorded as "Buildings and structures" and "Land" has been reclassified as "Buildings for sale" and "Land for sale in lots."

As of January 31, 2022

As of January 31, 2021, ¥1,096 million ($9,494 thousand) of real estate for sale recorded as "Buildings for sale" and "Land for sale in lots" has been reclassified as "Buildings and structures" and "Land." In addition, as of January 31, 2021, ¥53,869 million ($466,641 thousand) of investment properties, etc. recorded under "Buildings and structures" and "Land" has been reclassified under "Buildings for sale" and "Land for sale in lots."

*4. Assets deposited in accordance with the provisions of the "Act on Assurance of Performance of Specified Housing Defect Warranty" are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Other (current assets)	¥ 285	**¥ 257**	**$ 2,226**
Other (investments and other assets)	8,594	**8,365**	**72,462**
Total	¥8,880	**¥8,622**	**$74,688**

*5. Collateralized assets and secured liabilities

Collateralized assets are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Buildings for sale	¥30,356	**¥33,917**	**$293,806**
Land for sale in lots	50,728	**44,751**	**387,656**
Other (current assets) (*Note*)	0	**0**	**0**
Buildings and structures	1,546	**1,551**	**13,436**
Land	5,186	**5,129**	**44,430**
Investment securities (*Note*)	1,363	**335**	**2,902**
Long-term loans receivable (*Note*)	2	**2**	**17**
Total	¥89,184	**¥85,686**	**$742,256**

(Note) Other (current assets), investment securities and long-term loans receivable are provided as collateral against liabilities of subsidiaries.

Notes to Consolidated Financial Statements

Secured liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Current portion of long-term borrowings	¥28,572	**¥ 8,966**	**$ 77,668**
Long-term borrowings	24,638	**51,001**	**441,797**
Long-term leasehold and guarantee deposits received	999	**965**	**8,359**

6. Contingent liabilities

(1) Guarantees for borrowings of clients from financial institutions are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Housing purchasers, etc. using housing mortgages	¥105,202 [3,414 originations]	**¥116,912 [3,751 originations]**	**$1,012,751**
Subsidiaries and affiliates	28,698	**30,489**	**264,111**
West Plaza Nagano Co., Ltd.	86	**64**	**554**

(2) The guarantees for repayment of deposit on sales contracts of condominium of clients are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
1 company	¥474	**¥—**	**$—**

*7. Non-recourse debts

(1) Non-recourse debts are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Current portion of long-term borrowings	¥19,938	**¥ 7,991**	**$ 69,222**
Long-term borrowings	16,886	**26,256**	**227,443**
Total	¥36,825	**¥34,248**	**$296,674**

(2) Assets corresponding to non-recourse debts are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Buildings for sale	¥30,356	**¥33,917**	**$293,806**
Land for sale in lots	41,469	**17,060**	**147,782**
Total	¥71,825	**¥50,977**	**$441,589**

The above amounts are included in the amounts in "*5 Collateralized assets and secured liabilities."

8. Commitment line contracts

The Group has entered into commitment line contracts with 19 financial institutions for effective funding to working capital.

The amount of borrowings in accordance with this contract not yet borrowed is as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Total amount of commitment lines	¥429,292	**¥437,237**	**$3,787,569**
Amount borrowed	165,319	**209,936**	**1,818,572**
Net amount	¥263,973	**¥227,301**	**$1,968,997**

(Consolidated statement of income)

*1. The amount of inventories at the end of the fiscal year is evaluated after writing down due to decline in profitability and the following loss on revaluation of inventories is included in cost of sales.

Millions of yen		Thousands of U.S. dollars
Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
¥9,423	**¥10,032**	**$86,902**

*2. The items and amounts of selling, general and administrative expenses are mainly as follows.

(1) Selling expenses

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Advertising expenses	¥23,920	**¥23,616**	**$204,574**
Promotion expenses	30,548	**32,316**	**279,938**
Provision of allowance for doubtful accounts	106	**98**	**849**

(2) General and administrative expenses

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Employees' salaries and bonuses	¥101,187	**¥107,984**	**$935,412**
Provision for bonuses	15,030	**16,988**	**147,159**
Provision for bonuses for directors (and other officers)	1,081	**1,154**	**9,997**
Retirement benefit expenses	10,417	**8,828**	**76,473**
Provision for retirement benefits for directors (and other officers)	229	**220**	**1,906**

Notes to Consolidated Financial Statements

*3. Impairment losses

The Group recorded impairment losses for the following asset groups.

Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)

Location	Usage	Type
Kanagawa-ku, Yokohama City, Kanagawa Prefecture, etc.	Real estate for leasing, etc.	Buildings and land, etc.

The Group groups investment properties by project and groups other assets by operating unit which allows us to manage gains and losses in a rational manner and considers recognition of impairment losses. For real estate for leasing, etc., the book value was written down to the recoverable value as of January 31, 2021 and the amount of the decrease was recorded as impairment losses under extraordinary losses.

(Breakdown of impairment losses)

Type	Amount (Millions of yen)
Buildings and structures	¥163
Machinery, equipment and vehicles	20
Land	172
Total	¥356

The recoverable value of such assets was calculated mainly on the net selling value. The net selling value is appraised by equivalent methods to the "Real Estate Appraisal Standard," etc.

Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)

Location	Usage	Type
Kizugawa City, Kyoto Prefecture, etc.	Training facilities, etc.	Land, etc.

The Group groups investment properties by project and groups other assets by operating unit which allows us to manage gains and losses in a rational manner and considers recognition of impairment losses. For training facilities, etc., the book value was written down to the recoverable value as of January 31, 2022 and the amount of the decrease was recorded as impairment losses under extraordinary losses.

(Breakdown of impairment loss)

Type	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Machinery, equipment and vehicles	**¥ 61**	**$ 528**
Land	**466**	**4,037**
Other, net	**11**	**95**
Total	**¥539**	**$4,669**

The recoverable value of such assets was calculated mainly on the net selling value. The net selling value is appraised by equivalent methods to the "Real Estate Appraisal Standard," etc.

*4. The breakdown of loss on sale and retirement of non-current assets is as follows.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Buildings and structures	¥ 980	**¥1,065**	**$ 9,226**
Machinery, equipment and vehicles	34	**169**	**1,464**
Land	124	**24**	**208**
Other, net	180	**369**	**3,196**
Total	¥1,319	**¥1,629**	**$14,111**

*5. The total amount of research and development expenses included in general and administrative expenses and manufacturing costs for period

Millions of yen		Thousands of U.S. dollars
Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
¥9,665	**¥9,478**	**$82,103**

*6. Loss related to COVID-19

Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)

The major components of loss related to COVID-19 are fixed costs such as rent paid and depreciation that arose during the period when hotels, etc. were temporarily closed.

Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)

The major components of loss related to COVID-19 are fixed costs such as depreciation that arose during the period when operating facilities were temporarily closed.

Notes to Consolidated Financial Statements

(Consolidated statement of comprehensive income)

*1. Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Valuation difference on available-for-sale securities:			
Amount that arose in the current period	¥ 2,810	**¥ 2,207**	**$ 19,118**
Reclassification adjustment amount	(2,927)	**(1,114)**	**(9,650)**
Before adjustment for tax effect	(116)	**1,092**	**9,459**
Amount of tax effect	(79)	**(229)**	**(1,984)**
Valuation difference on available-for-sale securities	(196)	**862**	**7,467**
Foreign currency translation adjustment:			
Amount that arose in the current period	(8,903)	**46,526**	**403,032**
Reclassification adjustment amount	2,151	**(6,814)**	**(59,026)**
Before adjustment for tax effect	(6,752)	**39,711**	**343,997**
Amount of tax effect	(1,467)	**1,054**	**9,130**
Foreign currency translation adjustment	(8,219)	**40,766**	**353,136**
Remeasurements of defined benefit plans, net of tax:			
Amount that arose in the current period	4,722	**16,314**	**141,320**
Reclassification adjustment amount	7,833	**5,425**	**46,994**
Before adjustment for tax effect	12,556	**21,739**	**188,314**
Amount of tax effect	(3,832)	**(6,636)**	**(57,484)**
Remeasurements of defined benefit plans, net of tax	8,724	**15,103**	**130,830**
Share of other comprehensive income of entities accounted for using equity method:			
Amount that arose in the current period	(593)	**4,656**	**40,333**
Reclassification adjustment amount	(9)	**(341)**	**(2,954)**
Share of other comprehensive income of entities accounted for using equity method	(602)	**4,315**	**37,379**
Total other comprehensive income	¥ (294)	**¥61,048**	**$528,829**

(Consolidated statement of changes in equity)

Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)

1. Matters concerning the class and total number of issued shares and the type and number of treasury shares

	Number of shares as of February 1, 2020 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares as of January 31, 2021 (Shares)
Issued shares				
Ordinary shares (*Note*)	690,683,466	—	6,000,000	684,683,466
Total	690,683,466	—	6,000,000	684,683,466
Treasury shares				
Ordinary shares (*Note*)	7,222,070	2,787,881	6,256,229	3,753,722
Total	7,222,070	2,787,881	6,256,229	3,753,722

(Note) Description of the reasons for the change

Breakdown of the number of increased shares is as follows.

Increase due to the acquisition of treasury shares based on the provisions of the Articles of Incorporation pursuant to Article 165, paragraph (2) of the Companies Act	2,782,400 shares
Increase due to repurchase of fractional shares	5,403 shares
The Company's portion of treasury shares acquired by companies accounted for using equity method	78 shares

Breakdown of the number of decreased shares is as follows.

Decrease due to requests for additional purchases of fractional shares	301 shares
Decrease due to exercise of share options	110,000 shares
Decrease due to disposal of treasury shares as restricted share awards	134,400 shares
Decrease due to the cancellation of treasury shares	6,000,000 shares
The Company's portion of treasury shares sold by companies accounted for using equity method	11,528 shares

2. Share acquisition rights

Company name	Breakdown	Class of shares issued on exercise of share acquisition rights	Number of shares issued on exercise of share acquisition rights (Thousands of shares)				Balance as of January 31, 2021 (Millions of yen)
			As of February 1, 2020	Increase	Decrease	As of January 31, 2021	
Reporting company	Share acquisition rights as share options	—	$—	$—	$—	$—	¥508
Total			$—	$—	$—	$—	¥508

3. Dividends

(1) Dividends paid

Resolution	Classes of shares	Total amount of dividends (Millions of yen)	Dividend paid per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on April 23, 2020	Ordinary shares	¥28,029	¥41.00	January 31, 2020	April 24, 2020
Board of Directors meeting held on September 10, 2020	Ordinary shares	30,696	45.00	July 31, 2020	September 30, 2020

Notes to Consolidated Financial Statements

(2) Dividends whose record date falls in the fiscal year ended January 31, 2021 but whose effective date falls in the next fiscal year

Resolution	Classes of shares	Total amount of dividends (Millions of yen)	Source of funds for dividends	Dividend paid per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on April 27, 2021	Ordinary shares	¥26,562	Retained earnings	¥39.00	January 31, 2021	April 28, 2021

Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)

1. Matters concerning the class and total number of issued shares and the type and number of treasury shares

	Number of shares as of February 1, 2021 (Shares)	Increase (Shares)	Decrease (Shares)	**Number of shares as of January 31, 2022 (Shares)**
Issued shares				
Ordinary shares (*Note*)	684,683,466	—	—	**684,683,466**
Total	684,683,466	—	—	**684,683,466**
Treasury shares				
Ordinary shares (*Note*)	3,753,722	**6,608,461**	**448,590**	**9,913,593**
Total	3,753,722	**6,608,461**	**448,590**	**9,913,593**

(Note) Description of the reasons for the change
Breakdown of the number of increased shares is as follows.

Increase due to the acquisition of treasury shares based on the provisions of the Articles of Incorporation pursuant to Article 165, paragraph (2) of the Companies Act	**6,599,800 shares**
Increase due to repurchase of fractional shares	**6,791 shares**
Increase due to acquisition of restricted shares	**1,800 shares**
The Company's portion of treasury shares acquired by companies accounted for using equity method	**70 shares**

Breakdown of the number of decreased shares is as follows.

Decrease due to requests for additional purchases of fractional shares	**90 shares**
Decrease due to exercise of share options	**343,000 shares**
Decrease due to disposal of treasury shares as restricted share awards	**105,500 shares**

2. Share acquisition rights

Company name	Breakdown	Class of shares issued on exercise of share acquisition rights	Number of shares issued on exercise of share acquisition rights (Thousands of shares)				**Balance as of January 31, 2022**	
			As of February 1, 2021	Increase	Decrease	**As of January 31, 2022**	(Millions of yen)	(Thousands of U.S. dollars)
Reporting company	Share acquisition rights as share options	—	—	—	—	—	**¥186**	**$1,611**
	Total		—	—	—	—	**186**	**1,611**

3. Dividends

(1) Dividends paid

Resolution	Classes of shares	Total amount of dividends (Millions of yen)	Total amount of dividends (Thousands of U.S. dollars)	Dividend paid per share (Yen)	Dividend paid per share (U.S. dollars)	Record date	Effective date
Ordinary General Meeting of Shareholders held on April 27, 2021	Ordinary shares	**¥26,562**	**$230,094**	**¥39.00**	**$0.34**	January 31, 2021	April 28, 2021
Board of Directors meeting held on September 9, 2021	Ordinary shares	**29,045**	**251,603**	**43.00**	**0.37**	July 31, 2021	September 30, 2021

(2) Dividends whose record date falls in the fiscal year ended January 31, 2022 but whose effective date falls in the next fiscal year

Resolution	Classes of shares	Total amount of dividends (Millions of yen)	Total amount of dividends (Thousands of U.S. dollars)	Source of funds for dividends	Dividend paid per share (Yen)	Dividend paid per share (U.S. dollars)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on April 26, 2022	Ordinary shares	**¥31,722**	**$274,792**	Retained earnings	**¥47.00**	**$0.41**	January 31, 2022	April 27, 2022

(Consolidated statement of cash flows)

*1. Reconciliation of ending balance of cash and cash equivalents with account balances per consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Cash and deposits	¥600,284	**¥515,283**	**$4,463,643**
Time deposits with maturities of more than three months	(50)	**(109)**	**(944)**
Cash and cash equivalents	¥600,234	**¥515,174**	**$4,462,699**

Notes to Consolidated Financial Statements

*2. Major components of assets and liabilities of consolidated subsidiaries acquired by purchase of shares during the fiscal year ended January 31, 2022

The breakdown of the assets and liabilities when consolidation commenced due to the consolidation of THE HOLT GROUP, INC., etc. through the acquisition of shares, etc. as well as the relationship between the acquisition price of the shares and the expenditures (net) for the acquisition are as follows.

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 57,191**	**$ 495,418**
Non-current assets	**27**	**234**
Current liabilities	**(3,904)**	**(33,818)**
Non-current liabilities	**(13,658)**	**(118,313)**
Acquisition price	**39,656**	**343,520**
Cash and cash equivalents of subsidiary	**(3,405)**	**(29,496)**
Accounts payable	**(549)**	**(4,756)**
Net: Expenditures for the acquisition	**¥ 35,701**	**$ 309,260**

*3. Description of significant transactions not requiring use of cash or cash equivalents

Acquisition of shares through contribution-in-kind (debt-equity swap)

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Decrease in long-term loans receivable through a debt-equity swap	¥16,323	**¥4,656**	**$40,333**
Decrease in accounts receivable—other through a debt-equity swap	628	**—**	**—**
Increase in investment securities through a debt-equity swap	¥16,951	**¥4,656**	**$40,333**

(Leases)

(As Lessee)

1. Finance leases

Finance lease transactions that do not transfer ownership

(i) Details of leased assets

(a) Property, plant and equipment

Mainly business use vehicles and business use servers

(b) Intangible assets

Software

(ii) Method of depreciation for leased assets

As described in significant accounting policies for preparation of consolidated financial statements "4. Accounting policies (2) Accounting methods for depreciation of significant depreciable assets."

2. Operating leases

Future minimum lease payments under non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Due within one year	¥ 7,983	**¥ 6,379**	**$ 55,258**
Due after one year	53,206	**62,023**	**537,275**
Total	¥61,189	**¥68,403**	**$592,542**

(As Lessor)

1. Finance leases

(1) Breakdown of investments in leases

Current assets

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Lease receivables	¥11,764	**¥11,650**	**$100,918**
Residual value	—	**—**	**—**
Unearned interest income	(3,744)	**(3,653)**	**(31,644)**
Investments in leases	8,019	**7,996**	**69,265**

(2) The scheduled collection amount of lease payments receivables related to lease receivables and investments in leases following the fiscal year-end

Current assets

Millions of yen

	As of January 31, 2021					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	¥234	¥221	¥220	¥221	¥221	¥4,363
Investments in leases	472	472	472	472	472	9,404

Millions of yen

	As of January 31, 2022					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	**¥221**	**¥220**	**¥221**	**¥221**	**¥222**	**¥4,140**
Investments in leases	**495**	**495**	**495**	**495**	**495**	**9,170**

Thousands of U.S. dollars

	As of January 31, 2022					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	**$1,914**	**$1,906**	**$1,914**	**$1,914**	**$1,923**	**$35,863**
Investments in leases	**4,288**	**4,288**	**4,288**	**4,288**	**4,288**	**79,435**

Notes to Consolidated Financial Statements

2. Operating leases

Future minimum lease payments under non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Due within one year	¥ 4,408	**¥ 3,932**	**$ 34,061**
Due after one year	33,426	**28,769**	**249,212**
Total	¥37,834	**¥32,701**	**$283,273**

3. Investments in leases and lease obligations under sublease transactions that are recorded in the consolidated balance sheet before interest deductions

(1) Investments in leases

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Current assets	¥4,567	**¥4,356**	**$37,734**

(2) Lease obligations

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Current liabilities	¥ 227	**¥ 227**	**$ 1,966**
Non-current liabilities	4,573	**4,350**	**37,682**

(Financial instruments)

1. Matters related to the state of financial instruments

(1) Policy with regard to financial instruments activities

The Group limits fund management only to highly stable financial assets. The Group uses indirect financing of borrowings from financial institutions and direct financing of issuing bonds, etc. With regard to derivative transactions, the Group does not engage in transactions for speculative or trading purposes.

(2) Description of financial instruments and their risks

Notes receivable, accounts receivable from completed construction contracts, etc. are exposed to customers' credit risk.

Securities and investment securities, primarily stock and investments in special purpose companies (SPC) and partnerships, are exposed to the risk associated with issuing entities' credit and market value fluctuations.

Notes payable, electronically recorded obligations—operating, accounts payable for construction contracts, etc. are due mainly within one year.

We use borrowings and bonds to finance operations and capital investment. Borrowings, which are mainly financed with variable interest rates, are exposed to the risk associated with interest rate fluctuations.

With regard to derivative transactions, the Group uses forward foreign exchange contracts and currency swaps with the aim of hedging the risk associated with monetary receivables and payables in foreign currencies of export and import transactions and investment for overseas subsidiaries. The Group also uses interest rate swaps to hedge interest rate fluctuation risk related to borrowings. With regard to hedging instruments and hedged items, hedging policy, and method of assessing hedge effectiveness, please refer to significant accounting policies for preparation of consolidated financial statements "4. Accounting policies (7) Method of significant hedge accounting."

(3) Risk management system for financial instruments

(i) Management of credit risk (counterparties' default risk)

Accounting and Finance Departments of the Company, responsible accounting division of each subsidiary and management division of each branch monitor the collection, due dates and outstanding balances by customer. Also they make efforts to identify at earliest and mitigate risks of default possibilities because of deterioration of financial condition, etc.

The Group executes and manages derivative transactions within the limits of established internal rules and regulations and reduces credit risk by diversifying its transactions among financial institutions with high credit ratings.

(ii) Management of market risk (fluctuation risk of stock price, interest rate and the like)

With regard to securities and investment securities, the Group manages this risk by periodically examining market prices and financial condition of the issuing entities.

(iii) Management of financing liquidity risk (the risk that the Group cannot pay its debt on the due date of payment)

Based on reports from each division of the Group's branch, Finance Department of the Company and responsible finance division of each subsidiary prepare and update their cash flow plans on a timely basis and maintain appropriate liquidity levels to manage liquidity risk. They also have multiple methods of stable financing, such as entering into commitment line contracts or providing the overdraft. In addition, the Group has funding systems, such as the cash management system, to supply funds to the subsidiaries flexibly.

(4) Supplemental information on the fair value of financial instruments

The Group calculates the fair value of financial instruments based on market prices or by using reasonable estimates when market prices are not available. Since these estimates include variable factors, estimated value is subject to fluctuation due to changes in the underlying assumptions.

In addition, the contract amounts, etc. for derivative transactions in "2. Matters related to the fair value of financial instruments" do not indicate the market risk relating to derivative transactions.

Notes to Consolidated Financial Statements

2. Matters related to the fair value of financial instruments

Amounts stated in the consolidated balance sheet, fair values and their differences are as follows. Financial instruments whose fair value is extremely difficult to determine are not included in the following table (Please refer to Note 2).

	As of January 31, 2021 Millions of yen		
	Amount stated in consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	¥600,284	¥600,284	¥ —
(2) Notes receivable and accounts receivable from completed construction contracts	144,253		
Allowance for doubtful accounts [1]	(308)		
	143,945	143,945	—
(3) Securities and investment securities			
(i) Securities of subsidiaries and affiliates	2,539	1,401	(1,138)
(ii) Available-for-sale securities	103,394	103,394	—
Total assets	850,163	849,025	(1,138)
(1) Notes payable and accounts payable for construction contracts	104,972	104,972	—
(2) Electronically recorded obligations	97,780	97,780	—
(3) Short-term borrowings	166,019	166,019	—
(4) Bonds payable	200,000	200,553	553
(5) Long-term borrowings	189,186	190,860	1,674
Total liabilities	757,958	760,186	2,227
Derivative transactions [2]	¥ 0	¥ 0	¥ —

1. Allowance for doubtful accounts is deducted from notes receivable and accounts receivable from completed construction contracts.
2. Net receivables and payables arising from derivative transactions are shown at net value.

	As of January 31, 2022 Millions of yen		
	Amount stated in consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	**¥515,283**	**¥515,283**	**¥ —**
(2) Notes receivable and accounts receivable from completed construction contracts	**132,471**		
Allowance for doubtful accounts [1]	**(440)**		
	132,030	**132,030**	**—**
(3) Securities and investment securities			
(i) Securities of subsidiaries and affiliates	**3,053**	**1,398**	**(1,654)**
(ii) Available-for-sale securities	**102,031**	**102,031**	**—**
Total assets	**752,398**	**750,743**	**(1,654)**
(1) Notes payable and accounts payable for construction contracts	**111,022**	**111,022**	**—**
(2) Electronically recorded obligations—operating	**96,635**	**96,635**	**—**
(3) Short-term borrowings	**219,218**	**219,218**	**—**
(4) Bonds payable	**170,000**	**170,283**	**283**
(5) Long-term borrowings	**152,791**	**153,309**	**517**
Total liabilities	**749,669**	**750,470**	**800**
Derivative transactions	**¥ —**	**¥ —**	**¥ —**

1. Allowance for doubtful accounts is deducted from notes receivable and accounts receivable from completed construction contracts.

	As of January 31, 2022 Thousands of U.S. dollars		
	Amount stated in consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	**$4,463,643**	**$4,463,643**	**$ —**
(2) Notes receivable and accounts receivable from completed construction contracts	**1,147,531**		
Allowance for doubtful accounts [1]	**(3,812)**		
	1,143,711	**1,143,711**	**—**
(3) Securities and investment securities			
(i) Securities of subsidiaries and affiliates	**26,447**	**12,110**	**(14,328)**
(ii) Available-for-sale securities	**883,844**	**883,844**	**—**
Total assets	**6,517,654**	**6,503,318**	**(14,328)**
(1) Notes payable and accounts payable for construction contracts	**961,729**	**961,729**	**—**
(2) Electronically recorded obligations	**837,102**	**837,102**	**—**
(3) Short-term borrowings	**1,898,978**	**1,898,978**	**—**
(4) Bonds payable	**1,472,626**	**1,475,078**	**2,451**
(5) Long-term borrowings	**1,323,553**	**1,328,041**	**4,479**
Total liabilities	**6,494,014**	**6,500,953**	**6,930**
Derivative transactions	**$ —**	**$ —**	**$ —**

1. Allowance for doubtful accounts is deducted from notes receivable and accounts receivable from completed construction contracts.

Notes to Consolidated Financial Statements

(Note 1) Methods for calculating the fair value of financial instruments and matters related to securities and derivatives transactions

Assets

(1) Cash and deposits and (2) Notes receivable and accounts receivable from completed construction contracts
Book value is stated for these items because short-term settlement makes their fair value and book value almost the same.

(3) Securities and investment securities
The fair value stated for shares is the value quoted on exchanges. The fair value stated for bonds is the value quoted on exchanges or the value presented by financial institutions. Please refer to the description in "Notes – Securities" for matters concerning securities classified by purchase of holding.

Liabilities

(1) Notes payable and accounts payable for construction contracts, (2) Electronically recorded obligations, and (3) Short-term borrowings
Book value is stated for these items because short-term settlement makes their fair value and book value almost the same.

(4) Bonds payable
The fair value stated for bonds payable is the value quoted on market.

(5) Long-term borrowings
Book value is stated for long-term borrowings with a floating rate interest because their fair value and book value are almost the same. In addition, the fair value of long-term borrowings with a fixed interest rate is calculated by the present value which is a total of the principal and accumulated interest discounted by the expected interest rate applicable if a similar loan were currently newly raised.

Derivative transactions

Please refer to the description in "Notes—Derivative transactions."

(Note 2) Financial instruments whose fair value is extremely difficult to determine

Categories	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Unlisted shares	¥57,570	**¥68,278**	**$591,459**
Investment in special purpose companies	14,316	**13,126**	**113,704**
Investment in limited partnerships	969	**1,567**	**13,574**
Investment in silent partnerships	659	**1,158**	**10,031**
Preferred securities	999	**999**	**8,654**
Unlisted bonds	120	**120**	**1,040**

These financial instruments have no market price and it is expected that it takes too much cost to estimate future cash flows. Accordingly, these are not included in "Assets (3) Securities and investment securities" since their fair value is extremely difficult to determine.

(Note 3) The scheduled redemption amounts for monetary receivables and securities with fixed maturities following the fiscal year-end

	As of January 31, 2021			
	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥600,284	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts	136,514	5,634	329	1,774
Securities and investment securities				
Bonds held to maturity				
Bonds payable	—	—	—	120
Total	¥736,798	¥5,634	¥329	¥1,894

	As of January 31, 2022			
	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**¥515,283**	**¥ —**	**¥ —**	**¥ —**
Notes receivable and accounts receivable from completed construction contracts	**125,601**	**4,853**	**317**	**1,698**
Securities and investment securities				
Bonds held to maturity				
Bonds payable	**—**	**—**	**—**	**120**
Total	**¥640,884**	**¥4,853**	**¥317**	**¥1,818**

	As of January 31, 2022			
	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**$4,463,643**	**$ —**	**$ —**	**$ —**
Notes receivable and accounts receivable from completed construction contracts	**1,088,020**	**42,039**	**2,746**	**14,709**
Securities and investment securities				
Bonds held to maturity				
Bonds payable	**—**	**—**	**—**	**1,040**
Total	**$5,551,663**	**$42,039**	**$2,746**	**$15,748**

(Note 4) The scheduled repayment amounts for short-term borrowings, bonds payable and long-term borrowings following the fiscal year-end

	As of January 31, 2021					
	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥166,019	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	30,000	—	30,000	—	—	140,000
Long-term borrowings	56,520	64,662	57,740	7,779	200	2,283
Total	¥252,540	¥64,662	¥87,740	¥7,779	¥200	¥142,283

	As of January 31, 2022					
	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	**¥219,218**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds payable	**—**	**30,000**	**—**	**—**	**20,000**	**120,000**
Long-term borrowings	**16,235**	**63,120**	**13,340**	**37,956**	**20,789**	**1,349**
Total	**¥235,454**	**¥93,120**	**¥13,340**	**¥37,956**	**¥40,789**	**¥121,349**

Notes to Consolidated Financial Statements

	As of January 31, 2022					
	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	**$1,898,978**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds payable	**—**	**259,875**	**—**	**—**	**173,250**	**1,039,501**
Long-term borrowings	**140,636**	**546,778**	**115,558**	**328,794**	**180,085**	**11,686**
Total	**$2,039,622**	**$806,653**	**$115,558**	**$328,794**	**$353,335**	**$1,051,187**

(Note 5) The amounts stated in the consolidated balance sheet and fair value relating to bonds payable and long-term borrowings include the current portion of bonds payable and the current portion of long-term borrowings.

(Securities)

1. Bonds held to maturity

As of January 31, 2021

Not applicable

As of January 31, 2022

Not applicable

2. Available-for-sale securities

	As of January 31, 2021			
	Millions of yen			
	Type	Amount stated in consolidated balance sheet	Acquisition cost	Difference
Securities with book values exceeding acquisition costs	Equity securities	¥ 98,083	¥34,971	¥63,111
	Subtotal	98,083	34,971	63,111
Securities with book values not exceeding acquisition costs	Equity securities	5,311	6,675	(1,364)
	Subtotal	5,311	6,675	(1,364)
Total		¥103,394	¥41,647	¥61,747

	As of January 31, 2022			
	Millions of yen			
	Type	Amount stated in consolidated balance sheet	Acquisition cost	Difference
Securities with book values exceeding acquisition costs	Equity securities	**¥ 98,564**	**¥35,242**	**¥63,321**
	Subtotal	**98,564**	**35,242**	**63,321**
Securities with book values not exceeding acquisition costs	Equity securities	**3,467**	**4,022**	**(555)**
	Subtotal	**3,467**	**4,022**	**(555)**
Total		**¥102,031**	**¥39,264**	**¥62,766**

	As of January 31, 2022			
	Thousands of U.S. dollars			
	Type	Amount stated in consolidated balance sheet	Acquisition cost	Difference
Securities with book values exceeding acquisition costs	Equity securities	**$853,812**	**$305,284**	**$548,519**
	Subtotal	**853,812**	**305,284**	**548,519**
Securities with book values not exceeding acquisition costs	Equity securities	**30,033**	**34,841**	**(4,808)**
	Subtotal	**30,033**	**34,841**	**(4,808)**
Total		**$883,844**	**$340,125**	**$543,711**

3. Sales of available-for-sale securities

	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)		
	Millions of yen		
Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities	¥6,929	¥3,594	¥16

	Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)		
	Millions of yen		
Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities	**¥3,588**	**¥1,166**	**¥51**

	Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)		
	Thousands of U.S. dollars		
Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities	**$31,081**	**$10,100**	**$442**

4. Write-down of securities

In the fiscal year ended January 31, 2021, write-downs of securities (equity securities classified as available-for-sale securities) amounted to ¥490 million.

In the fiscal year ended January 31, 2022, write-downs of securities (equity securities classified as available-for-sale securities) amounted to ¥21 million ($182 thousand).

Notes to Consolidated Financial Statements

(Derivatives)

1. Derivative transactions to which the hedge accounting method is not applied

As of January 31, 2021

Currency-related

		Millions of yen			
Categories	Transaction type	Contract amount, etc.	Contract amount, etc. due after one year	Fair value	Loss (gain) on valuation
Off-market transactions	Transactions under forward foreign exchange contracts				
	Purchase				
	Euro	¥27	¥—	¥0	¥0
Total		¥27	¥—	¥0	¥0

(Note) Methods for calculating the fair value
Fair value is calculated based on prices quoted by counterparty financial institutions

As of January 31, 2022

Not applicable

2. Derivative transactions to which the hedge accounting method is applied

As of January 31, 2021

Not applicable

As of January 31, 2022

Not applicable

(Retirement benefits)

1. Overview of the adopted retirement benefits plan

The Company and its subsidiaries have defined benefit plans, which consist of corporate pension funds and lump-sum payment retirement plan and defined contribution pension plans.

Some consolidated subsidiaries calculate the retirement benefit liability and retirement benefit expenses with the simplified method.

Additional retirement benefits may also be paid when employees retire.

2. Defined benefit plans

(1) Reconciliation of retirement benefit obligations at the beginning and end of period

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Retirement benefit obligations at the beginning of period	¥326,372	**¥331,621**	**$2,872,670**
Service expenses	13,339	**13,227**	**114,579**
Interest expenses	2,599	**2,658**	**23,025**
Unrecognized net actuarial gain or loss incurred	(283)	**(791)**	**(6,852)**
Payments of retirement benefits	(10,406)	**(11,020)**	**(95,461)**
Net change as a result of change in the scope of consolidation	—	**96**	**832**
Retirement benefit obligations at the end of period	¥331,621	**¥335,790**	**$2,908,784**

(Note) Includes plans applying the simplified method.

(2) Reconciliation of pension assets at the beginning and end of period

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Pension assets at the beginning of period	¥278,460	**¥289,991**	**$2,512,050**
Expected returns on pension assets	6,764	**7,045**	**61,027**
Unrecognized net actuarial gain or loss incurred	4,438	**15,523**	**134,468**
Contributions paid by the employer	8,958	**8,845**	**76,620**
Payments of retirement benefits	(8,632)	**(9,141)**	**(79,184)**
Pension assets at the end of period	¥289,991	**¥312,263**	**$2,704,981**

(Note) Includes plans applying the simplified method.

(3) Reconciliation of retirement benefit obligations and pension assets at the end of period and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Funded retirement benefit obligations	¥ 301,699	**¥ 305,229**	**$ 2,644,049**
Pension assets	(289,991)	**(312,263)**	**(2,704,981)**
Subtotal	11,707	**(7,034)**	**(60,932)**
Unfunded retirement benefit obligations	29,922	**30,561**	**264,735**
Net amount of liability and asset recorded in the consolidated balance sheet	41,629	**23,527**	**203,803**
Retirement benefit liability	43,011	**30,733**	**266,225**
Retirement benefit asset	(1,381)	**(7,206)**	**(62,422)**
Net amount of liability and asset recorded in the consolidated balance sheet	¥ 41,629	**¥ 23,527**	**$ 203,803**

(Note) Includes plans applying the simplified method.]

Notes to Consolidated Financial Statements

(4) Retirement benefit expenses and the breakdown of amounts

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Service expenses (*Note 1*)	¥13,339	**¥13,227**	**$114,579**
Interest expenses	2,599	**2,658**	**23,025**
Expected returns on pension assets	(6,764)	**(7,045)**	**(61,027)**
Amortization of actuarial gains and losses	7,806	**5,432**	**47,055**
Amortization of past service cost	26	**(7)**	**(61)**
Other (*Note 2*)	532	**595**	**5,154**
Retirement benefit expenses related to the defined benefit plans	¥17,539	**¥14,861**	**$128,734**

(Note) 1. Retirement benefit expenses of consolidated subsidiaries that apply the simplified method are recorded in service expenses.
2. Other is mainly the amount of extra retirement payments.

(5) Remeasurements of defined benefit plans, net of tax

The breakdown of items recorded as remeasurements of defined benefit plans, net of tax (before deducting the tax effect) is as follows.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Past service cost	¥ 26	**¥ (7)**	**$ (61)**
Actuarial gains and losses	12,529	**21,747**	**188,384**
Total	¥12,556	**¥21,739**	**$188,314**

(6) Remeasurements of defined benefit plans

The breakdown of items recorded as remeasurements of defined benefit plans (before deducting the tax effect) is as follows.

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Unrecognized past service cost	¥ 83	**¥ 76**	**$ 658**
Unrecognized actuarial gains and losses	(15,315)	**6,432**	**55,717**
Total	¥(15,231)	**¥6,508**	**$56,376**

(7) Matters concerning pension assets

(i) Major components of pension assets

The proportion of total pension assets by classification is as follows.

	As of January 31, 2021	**As of January 31, 2022**
Bonds	36%	**40%**
Credit	12	**14**
Equity securities	21	**13**
General account	15	**11**
Private equity	5	**10**
Cash and deposits	1	**1**
Other, net	10	**11**
Total	100	**100**

(ii) Method for setting the long-term expected rate of return

The long-term expected rate of return on pension assets is determined based on the current and forecast allocation of pension assets and the current and expected long-term rates of return on various asset classes that make up the pension assets.

(8) Matters concerning the assumptions for actuarial calculations

Principal assumptions for actuarial calculations

	As of January 31, 2021	**As of January 31, 2022**
Discount rate	Mainly 0.8%	**Mainly 0.8%**
Long-term expected rate of return	Mainly 2.5%	**Mainly 2.5%**
Estimated rate of salary increase	Mainly 4.5%	**Mainly 4.5%**

(Note) Estimated rate of salary increase is calculated based on the point system.

3. Defined contribution plan

The required contribution of consolidated subsidiaries to the defined contribution plan was ¥156 million in the previous fiscal year and ¥186 million ($1,611 thousand) in the current fiscal year.

(Share options, etc.)

1. Amount of share option expenses recorded and item names

Not applicable

Notes to Consolidated Financial Statements

2. Outline of share options, scale and change

(1) Outline of share options

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Date of resolution	April 27, 2006	May 17, 2007	May 15, 2008	May 21, 2009
Categories and number of eligible persons	The Company's Directors and Executive Officers: 27	The Company's Directors and Executive Officers: 26	The Company's Directors and Executive Officers: 32	The Company's Directors and Executive Officers: 30
Classes of shares and number granted	Ordinary shares: 48,000 shares	Ordinary shares: 55,000 shares	Ordinary shares: 108,000 shares	Ordinary shares: 106,000 shares
Grant date	April 27, 2006	June 7, 2007	June 6, 2008	June 9, 2009
Requisite service period	Not specified	Not specified	Not specified	Not specified
Exercise period	From April 28, 2006 to April 27, 2026	From June 8, 2007 to June 7, 2027	From June 7, 2008 to June 6, 2028	From June 10, 2009 to June 9, 2029

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Date of resolution	May 20, 2010	May 19, 2011	May 17, 2012	May 16, 2013
Categories and number of eligible persons	The Company's Directors and Executive Officers: 30	The Company's Directors and Executive Officers: 28	The Company's Directors and Executive Officers: 33	The Company's Directors and Executive Officers: 32
Classes of shares and number granted	Ordinary shares: 105,000 shares	Ordinary shares: 130,000 shares	Ordinary shares: 147,000 shares	Ordinary shares: 68,000 shares
Grant date	June 16, 2010	June 14, 2011	June 13, 2012	June 13, 2013
Requisite service period	Not specified	Not specified	Not specified	Not specified
Exercise period	From June 17, 2010 to June 16, 2030	From June 15, 2011 to June 14, 2031	From June 14, 2012 to June 13, 2032	From June 14, 2013 to June 13, 2033

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Date of resolution	May 15, 2014	May 21, 2015	May 19, 2016	May 18, 2017
Categories and number of eligible persons	The Company's Directors and Executive Officers: 34	The Company's Directors and Executive Officers: 34	The Company's Directors and Executive Officers: 35	The Company's Directors and Executive Officers: 35
Classes of shares and number granted	Ordinary shares: 100,000 shares	Ordinary shares: 63,000 shares	Ordinary shares: 66,000 shares	Ordinary shares: 64,000 shares
Grant date	June 13, 2014	June 12, 2015	June 14, 2016	June 14, 2017
Requisite service period	Not specified	Not specified	Not specified	Not specified
Exercise period	From June 14, 2014 to June 13, 2034	From June 13, 2015 to June 12, 2035	From June 15, 2016 to June 14, 2036	From June 15, 2017 to June 14, 2037

Company name	Reporting company
Date of resolution	May 17, 2018
Categories and number of eligible persons	The Company's Directors and Executive Officers: 32
Classes of shares and number granted	Ordinary shares: 69,000 shares
Grant date	June 14, 2018
Requisite service period	Not specified
Exercise period	From June 15, 2018 to June 14, 2038

(2) Number of share options and change

(i) Number of share options

Company name	Reporting company	Reporting company	Reporting company	Reporting company	Reporting company
Date of resolution	April 27, 2006	May 17, 2007	May 15, 2008	May 21, 2009	May 20, 2010
Unvested					
At the beginning of the fiscal year (Shares)	6,000	7,000	19,000	22,000	29,000
Granted (Shares)	—	—	—	—	—
Forfeited (Shares)	—	—	—	—	—
Vested (Shares)	6,000	7,000	19,000	22,000	27,000
Outstanding (Shares)	—	—	—	—	2,000
Vested					
At the beginning of the fiscal year (Shares)	—	—	—	1,000	10,000
Vested (Shares)	6,000	7,000	19,000	22,000	27,000
Exercised (Shares)	6,000	7,000	19,000	22,000	33,000
Forfeited (Shares)	—	—	—	—	—
Exercisable (Shares)	—	—	—	1,000	4,000

Company name	Reporting company	Reporting company	Reporting company	Reporting company	Reporting company
Date of resolution	May 19, 2011	May 17, 2012	May 16, 2013	May 15, 2014	May 21, 2015
Unvested					
At the beginning of the fiscal year (Shares)	38,000	55,000	26,000	55,000	34,000
Granted (Shares)	—	—	—	—	—
Forfeited (Shares)	—	—	—	—	—
Vested (Shares)	35,000	44,000	21,000	38,000	24,000
Outstanding (Shares)	3,000	11,000	5,000	17,000	10,000
Vested					
At the beginning of the fiscal year (Shares)	15,000	16,000	6,000	13,000	8,000
Vested (Shares)	35,000	44,000	21,000	38,000	24,000
Exercised (Shares)	37,000	51,000	20,000	42,000	26,000
Forfeited (Shares)	—	—	—	—	—
Exercisable (Shares)	13,000	9,000	7,000	9,000	6,000

Company name	Reporting company	Reporting company	Reporting company
Date of resolution	May 19, 2016	May 18, 2017	May 17, 2018
Unvested			
At the beginning of the fiscal year (Shares)	38,000	39,000	59,000
Granted (Shares)	—	—	—
Forfeited (Shares)	—	—	—
Vested (Shares)	25,000	24,000	33,000
Outstanding (Shares)	13,000	15,000	26,000
Vested			
At the beginning of the fiscal year (Shares)	9,000	7,000	2,000
Vested (Shares)	25,000	24,000	33,000
Exercised (Shares)	24,000	22,000	34,000
Forfeited (Shares)	—	—	—
Exercisable (Shares)	10,000	9,000	1,000

Notes to Consolidated Financial Statements

(ii) Price information

Company name	Reporting company	Reporting company	Reporting company	Reporting company	Reporting company
Date of resolution	April 27, 2006	May 17, 2007	May 15, 2008	May 21, 2009	May 20, 2010
Exercise price					
(Yen)	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share
(U.S. dollars)	$0.01 per share	$0.01 per share	$0.01 per share	$0.01 per share	$0.01 per share
Average exercise price					
(Yen)	¥2,235	¥2,235	¥2,235	¥2,235	¥2,261
(U.S. dollars)	$19.36	$19.36	$19.36	$19.36	$19.59
Fair value at the grant date					
(Yen)	(*Note*) [1] —	¥1,571	¥876	¥681	¥717
(U.S. dollars)	—	$13.61	$7.59	$5.90	$6.21

Company name	Reporting company	Reporting company	Reporting company	Reporting company	Reporting company
Date of resolution	May 19, 2011	May 17, 2012	May 16, 2013	May 15, 2014	May 21, 2015
Exercise price					
(Yen)	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share
(U.S. dollars)	$0.01 per share	$0.01 per share	$0.01 per share	$0.01 per share	$0.01 per share
Average exercise price					
(Yen)	¥2,245	¥2,290	¥2,268	¥2,283	¥2,265
(U.S. dollars)	$19.45	$19.84	$19.65	$19.78	$19.62
Fair value at the grant date					
(Yen)	¥592	¥495	¥1,071	¥974	¥1,507
(U.S. dollars)	$5.13	$4.29	$9.28	$8.44	$13.05

Company name	Reporting company	Reporting company	Reporting company
Date of resolution	May 19, 2016	May 18, 2017	May 17, 2018
Exercise price			
(Yen)	¥1 per share	¥1 per share	¥1 per share
(U.S. dollars)	$0.01 per share	$0.01 per share	$0.01 per share
Average exercise price			
(Yen)	¥2,287	¥2,271	¥2,265
(U.S. dollars)	$19.81	$19.67	$19.62
Fair value at the grant date			
(Yen)	¥1,356	¥1,415	¥1,283
(U.S. dollars)	$11.75	$12.26	$11.11

(Note) 1. Not disclosed since the share options were granted before the enforcement of the Companies Act.

3. Method of estimating the number of share options vested

Only the actual number of forfeited share options is reflected because it is difficult to rationally estimate the number of share options that will be forfeited in the future.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Deferred tax assets			
Loss on valuation of real estate for sale	¥ 12,796	**¥ 12,640**	**$ 109,494**
Tax loss carry-forward (*Note 2*)	9,430	**10,775**	**93,339**
Provision for bonuses	8,113	**9,661**	**83,688**
Retirement benefit liability	13,481	**9,597**	**83,134**
Accumulated impairment losses	8,437	**7,656**	**66,320**
Unrealized gain on non-current assets	5,611	**5,829**	**50,494**
Accrued enterprise tax	2,030	**2,446**	**21,188**
Loss on valuation of investment securities	1,439	**1,375**	**11,911**
Accrued social insurance premium	1,104	**1,374**	**11,902**
Other, net	14,029	**14,256**	**123,493**
Deferred tax assets subtotal	76,474	**75,613**	**654,998**
Valuation allowance for tax loss carry-forward (*Note 2*)	(7,936)	**(8,984)**	**(77,824)**
Valuation allowance for total deductible temporary differences	(13,286)	**(11,118)**	**(96,310)**
Valuation allowance (*Note 1*)	(21,223)	**(20,102)**	**(174,134)**
Total deferred tax assets	55,251	**55,510**	**480,856**
Deferred tax liabilities			
Valuation difference on available-for-sale securities	(17,912)	**(18,118)**	**(156,947)**
Other, net	(13,106)	**(13,765)**	**(119,239)**
Total deferred tax liabilities	(31,018)	**(31,883)**	**(276,187)**
Net of deferred tax assets and deferred tax liabilities	¥ 24,232	**¥ 23,627**	**$ 204,669**

(Note) 1. The main valuation allowances are loss on valuation of investment securities and accumulated impairment losses on non-current assets that were judged non recoverable.
2. Amount of tax loss carry-forward and deferred tax assets by expiration

	As of January 31, 2021						
	Millions of yen						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carry-forward*	¥ 2,193	¥ 1,999	¥ 1,428	¥ 832	¥ 1,145	¥ 1,831	¥ 9,430
Valuation allowance	(1,537)	(1,698)	(1,135)	(601)	(1,145)	(1,819)	(7,936)
Deferred tax assets	655	301	293	231	—	12	1,493

* Tax loss carry-forwards is the amount multiplied by the statutory tax rate.

Notes to Consolidated Financial Statements

	As of January 31, 2022 (Millions of yen)						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carry-forward*	**¥1,306**	**¥ 1,423**	**¥ 830**	**¥ 1,057**	**¥ 1,125**	**¥ 5,032**	**¥10,775**
Valuation allowance	**(986)**	**(1,277)**	**(830)**	**(1,057)**	**(1,125)**	**(3,706)**	**(8,984)**
Deferred tax assets	**319**	**145**	**—**	**—**	**—**	**1,326**	**1,791**

* Tax loss carry-forwards is the amount multiplied by the statutory tax rate.

	As of January 31, 2022 (Thousands of U.S. dollars)						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carry-forward*	**$11,313**	**$ 12,327**	**$ 7,190**	**$ 9,156**	**$ 9,745**	**$ 43,590**	**$ 93,339**
Valuation allowance	**(8,541)**	**(11,062)**	**(7,190)**	**(9,156)**	**(9,745)**	**(32,103)**	**(77,824)**
Deferred tax assets	**2,763**	**1,256**	**—**	**—**	**—**	**11,486**	**15,515**

* Tax loss carry-forwards is the amount multiplied by the statutory tax rate.

2. A breakdown by major items that cause the difference between the statutory tax rate and the rate of income tax after applying tax effect accounting when it is material

Fiscal year ended January 31, 2021	**Fiscal year ended January 31, 2022**
The description is omitted because the difference between the statutory tax rate and the rate of income tax after applying tax effect accounting is less than 5%.	The description is omitted because the difference between the statutory tax rate and the rate of income tax after applying tax effect accounting is less than 5%.

(Business combinations)

Business combinations through acquisitions

1. Overview of business combinations

(1) Name and description of business of the acquired company

Name of the acquired company: THE HOLT GROUP, INC. and 28 other companies

Description of business: Sales business for custom detached house and development and sales business for residential land

(2) Main reasons for the business combination

Acquired shares, etc. of THE HOLT GROUP, INC., etc. for the purpose of expanding the overseas business by broadening the area for the U.S. business of custom detached house sales to the Northwest of the West Coast.

(3) Date of the business combination

December 22, 2021 (U.S. time)

(4) Legal form of the business combination

Acquisition of shares, etc.

(5) Name of the company after the business combination

No change

(6) Acquired voting rights ratio

100%

(7) Main reason for determining the acquiring company

HOLT GROUP HOLDINGS, LLC, which was newly established as a subsidiary of SH RESIDENTIAL HOLDINGS, LLC, a consolidated subsidiary of the Company, acquired shares, etc. through cash consideration.

2. The period of financial results of the acquiring company included in the Company's consolidated financial statements

With December 31, 2021 as the deemed acquisition date, only the balance sheet as of December 31, the fiscal year end date of the acquired company, was consolidated, and the acquired company's earnings are not included.

3. Acquisition cost for the acquired company and a breakdown of consideration by type

Consideration for the acquisition	Cash (including accounts payable)	**¥39,656 million ($343,520 thousand)**
Acquisition cost		**¥39,656 million ($343,520 thousand)**

(Note) The above is a provisional amount since the acquisition cost had not been finalized as of January 31, 2022.

4. Details and amount of major expenses for the acquisition

Advisory expenses, etc. **¥441 million ($3,820 thousand)**

5. Amount of goodwill generated, reason for generation of goodwill, and method and period of amortization

There is no goodwill or negative goodwill.

(Note) A provisional accounting treatment was performed based on reasonable information available at the time, since the acquisition cost had not been finalized nor had the allocation of acquisition cost been completed as of January 31, 2022.

6. Amounts and major breakdown of assets acquired and liabilities assumed on the date of business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥57,191**	**$495,418**
Non-current assets	**27**	**234**
Total assets	**57,218**	**495,651**
Current liabilities	**3,904**	**33,818**
Non-current liabilities	**13,658**	**118,313**
Total liabilities	**¥17,562**	**$152,131**

Notes to Consolidated Financial Statements

7. The approximate amount of the impact of the business combination on the consolidated statement of income for the current fiscal year assuming the business combination was completed on the beginning date of the current fiscal year and the calculation method

Net sales **¥39,787 million ($344,655 thousand)**
Operating profit **¥ 5,048 million ($ 43,728 thousand)**

(Method for calculating the approximate amount)
Difference between net sales and information of profit and loss calculated assuming the business combination was completed on the beginning date of the current fiscal year and the net sales and information of profit and loss in the Company's consolidated statement of income was used as the approximate amount of the impact.

This note was unaudited.

(Asset retirement obligations)

Asset retirement obligations included in the consolidated balance sheet

a. Overview of such asset retirement obligations

Obligations for restoration related to exhibitor contracts for housing exhibition venues and term leasehold contracts on offices and real estate for lease, etc.

b. Method for calculating the amount of such asset retirement obligations

The expected useful life is estimated for each project and the amount of asset retirement obligations is calculated using the risk free rate at the beginning of the fiscal year as the discount rate.

c. Change in the total amount of such asset retirement obligations

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Balance at beginning of period	¥3,698	**¥3,679**	**$31,869**
Increase due to acquisition of property, plant and equipment	222	**169**	**1,464**
Adjustments due to passage of time	19	**17**	**147**
Decrease due to implementation of asset retirement obligations	(189)	**(119)**	**(1,031)**
Other changes	(72)	**(57)**	**(494)**
Balance at end of period	¥3,679	**¥3,690**	**$31,965**

(Real estate for lease, etc.)

The Company and some of its consolidated subsidiaries own houses, office buildings for leasing and the like in Tokyo and other areas. For the fiscal year ended January 31, 2021, net rental income for such real estate for lease, etc. was ¥5,012 million (rental income is mainly recorded as net sales and rental expenses is mainly recorded as cost of sales) and impairment loss was ¥320 million (recorded as extraordinary loss). For the fiscal year ended January 31, 2022, net rental income for such real estate for lease, etc. was ¥2,804 million ($24,290 thousand) (rental income is mainly recorded as net sales and rental expenses is mainly recorded as cost of sales).

The amounts stated in the consolidated balance sheet, changes of the amounts during the period and fair value of the real estate for lease, etc. are as follows.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Amount stated in consolidated balance sheet			
Balance at beginning of period	¥406,069	**¥433,407**	**$3,754,392**
Change during the period	27,337	**3,539**	**30,657**
Balance at end of period	433,407	**436,946**	**3,785,049**
Fair value at the end of period	¥535,435	**¥519,730**	**$4,502,166**

(Note) 1. The amounts stated in the consolidated balance sheet are calculated by deducting the relevant accumulated depreciation and impairment losses from the acquisition cost.
2. Changes during the fiscal year ended January 31, 2021 mainly resulted from increases due to real estate acquisition (¥76,302 million) and decreases due to transfers with inventories (¥40,767 million) and depreciation (¥7,929 million). Changes during the fiscal year ended January 31, 2022 mainly resulted from increases due to real estate acquisition (¥64,772 million ($561,088 thousand)) and decreases due to transfers with inventories (¥52,515 million ($454,912 thousand)) and depreciation (¥9,134 million ($79,123 thousand)).
3. Fair values at the end of period for major properties are calculated based on real estate appraisal by real estate appraiser. Fair values at the end of period for other properties are calculated by the Company based on the Real Estate Appraisal Standard.

Notes to Consolidated Financial Statements

(Segment information, etc.)

[Segment information]

1. Description of reportable segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is obtainable. These segments are periodically examined by managers for the purpose of deciding the allocation of management resources and evaluating operating results.

The Group has adopted "Make home the happiest place in the world" as its global vision, under the management direction of aiming for deployment of growth strategies focused on the residential business domain and set the goal of becoming a global company that provides tangible and intangible services, plans strategies and undertakes business activities in each business domain.

The Group is comprised of segments by product and services founded on business domains, and excluding business domains under "Other," the reportable segments are "Custom detached houses Business," "Rental housing Business," "Architectural / Civil engineering Business," "Remodeling Business," "Real estate management fees Business," "Houses for sale Business," "Condominiums Business," "Urban redevelopment Business" and "Overseas Business."
The details of each reportable segment are as follows.

Custom detached houses Business:	Contracting of design and construction of custom detached houses
Rental housing Business:	Contracting of design and construction of rental housing, commercial buildings and other properties
Architectural / Civil engineering Business:	Construction of reinforced concrete rental housing and commercial buildings, and contracting of design and construction of civil engineering works
Remodeling Business:	Remodeling and renovation of houses, etc.
Real estate management fees Business:	Subleasing, management, operation and brokerage of real estate, etc.
Houses for sale Business:	Sale of houses and residential land; contracting of design and construction of houses on residential land for sale
Condominiums Business:	Sales of condominiums
Urban redevelopment Business:	Development of office buildings and commercial facilities; management and operation of real estate owned by the Group
Overseas Business:	Contracting of detached houses; sales of ready-built detached houses and residential land; and development and sale of condominiums, commercial facilities, etc. in overseas markets

2. Method for calculating sales, profit (loss), asset, liability, and other items for each reportable segment

The accounting policies for reportable operating segments are the same as noted under "Significant accounting policies for preparation of consolidated financial statements."

3. Information about sales, profit (loss), asset, liability, and other items for each reportable segment

Fiscal year ended January 31, 2021

Millions of yen

	Reportable segments						
	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business	Condominiums Business
Net sales							
(1) Sales to external customers	¥323,332	¥358,745	¥302,837	¥141,090	¥557,632	¥139,151	¥ 77,091
(2) Intersegment sales or transfers	—	3,098	6,580	477	3,209	—	—
Total	323,332	361,844	309,417	141,567	560,841	139,151	77,091
Segment profit (loss)	32,231	47,052	16,051	20,479	43,869	7,586	8,817
Segment assets	53,521	42,719	226,536	16,992	129,178	140,667	153,256
Other items							
Depreciation	3,506	1,782	1,276	108	789	1,113	13
Increase in property, plant and equipment and intangible assets	3,701	1,525	1,904	78	769	994	374

	Reportable segments						
	Urban redevelopment Business	Overseas Business	Total	Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
Net sales							
(1) Sales to external customers	¥104,953	¥370,686	¥2,375,520	¥71,384	¥2,446,904	¥ —	¥2,446,904
(2) Intersegment sales or transfers	140	—	13,506	5,869	19,375	(19,375)	—
Total	105,093	370,686	2,389,026	77,254	2,466,280	(19,375)	2,446,904
Segment profit (loss)	16,565	39,708	232,362	(2,480)	229,882	(43,363)	186,519
Segment assets	542,621	923,676	2,229,171	13,121	2,242,292	383,568	2,625,861
Other items							
Depreciation	7,759	1,474	17,823	683	18,506	3,219	21,726
Increase in property, plant and equipment and intangible assets	79,314	1,124	89,787	25	89,813	6,796	96,609

(Note) 1. Other is mainly the Exterior Business.
2. Adjustments are as follows.
(1) An adjustment of ¥(43,363) million for segment profit (loss) includes an elimination of intersegment transactions of ¥(3,145) million and corporate expenses of ¥(40,217) million that have not been allocated to each segment. Corporate expenses mainly include general and administration expenses and experimentation and research expenses that do not belong to any reportable segments.
(2) An adjustment of ¥383,568 million for segment assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and securities), long-term investment funds (investment securities) and assets of the administration division.
(3) An adjustment of ¥3,219 million for depreciation is depreciation related to corporate assets.
(4) An adjustment of ¥6,796 million for increase in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.
3. Segment profit (loss) is adjusted to correspond to operating profit in the consolidated financial statements.

Notes to Consolidated Financial Statements

	Fiscal year ended January 31, 2022 (Millions of yen)						
	Reportable segments						
	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business	Condominiums Business
Net sales							
(1) Sales from external customers	¥352,732	¥384,022	¥261,930	¥156,167	¥584,969	¥191,488	¥ 90,612
(2) Intersegment sales or transfers	—	3,324	8,846	566	3,538	—	—
Total	352,732	387,347	270,776	156,733	588,507	191,488	90,612
Segment profit (loss)	42,475	56,047	15,146	25,546	50,480	14,548	12,486
Segment assets	53,782	43,486	239,315	17,596	125,055	174,079	226,803
Other items							
Depreciation	3,519	1,765	1,400	110	804	1,271	46
Increase in property, plant and equipment and intangible assets	5,592	2,010	4,050	61	931	1,546	215

	Reportable segments						
	Urban redevelopment Business	Overseas Business	Total	Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
Net sales							
(1) Sales from external customers	¥102,736	¥ 388,936	¥2,513,595	¥75,984	¥2,589,579	¥ —	¥2,589,579
(2) Intersegment sales or transfers	648	—	16,923	6,828	23,752	(23,752)	—
Total	103,384	388,936	2,530,519	82,812	2,613,331	(23,752)	2,589,579
Segment profit (loss)	11,276	50,147	278,155	(1,208)	276,946	(46,786)	230,160
Segment assets	565,506	1,022,182	2,467,808	13,528	2,481,336	319,852	2,801,189
Other items							
Depreciation	9,023	1,573	19,515	661	20,177	3,891	24,069
Increase in property, plant and equipment and intangible assets	67,931	1,477	83,817	76	83,893	5,618	89,512

(Note) 1. Other is mainly the Exterior Business.
2. Adjustments are as follows.
(1) An adjustment of ¥(46,786) million ($(405,284) thousand) for segment profit (loss) includes an elimination of intersegment transactions of ¥(3,484) million ($(30,180) thousand) and corporate expenses of ¥(43,301) million ($(375,095) thousand) that have not been allocated to each segment. Corporate expenses mainly include general and administration expenses and experimentation and research expenses that do not belong to any reportable segments.
(2) An adjustment of ¥319,852 million ($2,770,721 thousand) for segment assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and securities), long-term investment funds (investment securities) and assets of the administration division.
(3) An adjustment of ¥3,891 million ($33,706 thousand) for depreciation is depreciation related to corporate assets.
(4) An adjustment of ¥5,618 million ($48,666 thousand) for increase in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.
3. Segment profit (loss) is adjusted to correspond to operating profit in the consolidated financial statements.

	Fiscal year ended January 31, 2022 (Thousands of U.S. dollars)						
	Reportable segments						
	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business	Condominiums Business
Net sales							
(1) Sales from external customers	$3,055,544	$3,326,594	$2,268,971	$1,352,798	$5,067,299	$1,658,766	$ 784,927
(2) Intersegment sales or transfers	—	28,794	76,629	4,903	30,648	—	—
Total	3,055,544	3,355,397	2,345,599	1,357,701	5,097,947	1,658,766	784,927
Segment profit (loss)	367,940	485,508	131,202	221,292	437,283	126,022	108,160
Segment assets	465,887	376,698	2,073,068	152,426	1,083,290	1,507,961	1,964,683
Other items							
Depreciation	30,483	15,289	12,128	953	6,965	11,010	398
Increase in property, plant and equipment and intangible assets	48,441	17,412	35,083	528	8,065	13,392	1,862

	Reportable segments						
	Urban redevelopment Business	Overseas Business	Total	Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
Net sales							
(1) Sales from external customers	$ 889,951	$3,369,161	$21,774,038	$658,212	$22,432,251	$ —	$22,432,251
(2) Intersegment sales or transfers	5,613	—	146,596	59,148	205,752	(205,752)	—
Total	895,565	3,369,161	21,920,643	717,360	22,638,002	(205,752)	22,432,251
Segment profit (loss)	97,678	434,399	2,409,520	(10,464)	2,399,047	(405,284)	1,993,763
Segment assets	4,898,701	8,854,660	21,377,408	117,186	21,494,595	2,770,721	24,265,324
Other items							
Depreciation	78,162	13,626	169,049	5,726	174,783	33,706	208,498
Increase in property, plant and equipment and intangible assets	588,453	12,795	726,065	658	726,724	48,666	775,398

(Note) 1. Other is mainly the Exterior Business.
2. Adjustments are as follows.
(1) An adjustment of ¥(46,786) million ($(405,284) thousand) for segment profit (loss) includes an elimination of intersegment transactions of ¥(3,484) million ($(30,180) thousand) and corporate expenses of ¥(43,301) million ($(375,095) thousand) that have not been allocated to each segment. Corporate expenses mainly include general and administration expenses and experimentation and research expenses that do not belong to any reportable segments.
(2) An adjustment of ¥319,852 million ($2,770,721 thousand) for segment assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and securities), long-term investment funds (investment securities) and assets of the administration division.
(3) An adjustment of ¥3,891 million ($33,706 thousand) for depreciation is depreciation related to corporate assets.
(4) An adjustment of ¥5,618 million ($48,666 thousand) for increase in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.
3. Segment profit (loss) is adjusted to correspond to operating profit in the consolidated financial statements.

Notes to Consolidated Financial Statements

[Related information]

Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)

1. Information for each product or service

Omitted because similar information is disclosed in segment information.

2. Information for each region

(1) Net sales

Millions of yen			
Japan	United States	Other regions	Total
¥2,069,993	¥240,711	¥136,200	¥2,446,904

(Note) Net sales are classified founded on the region where the business activities are conducted.

(2) Property, plant and equipment

Omitted because the amount of property, plant and equipment located in Japan accounted for more than 90% of property, plant and equipment in the consolidated balance sheet.

3. Information for each of main customer

Omitted because no single customer accounted for 10% or more of total sales of all segments.

Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)

1. Information for each product or service

Omitted because similar information is disclosed in segment information.

2. Information for each region

(1) Net sales

Millions of yen			
Japan	United States	Other regions	Total
¥2,180,221	**¥297,432**	**¥111,925**	**¥2,589,579**

Thousands of U.S. dollars			
Japan	United States	Other regions	Total
$18,886,183	**$2,576,507**	**$969,551**	**$22,432,251**

(Note) Net sales are classified founded on the region where the business activities are conducted.

(Changes in presentation)

Net sales for "United States" included under "Other regions" for the fiscal year ended January 31, 2021 has been classified separately from the fiscal year ended January 31, 2022 due to increased materiality. To reflect this change in presentation, "2. Information for each region (1) Net sales" for the fiscal year ended January 31, 2021 has been restated.

As a result, the ¥376,911 million presented as "Other regions" for the fiscal year ended January 31, 2021 has been restated as ¥240,711 million in "United States" and ¥136,200 million in "Other regions."

(2) Property, plant and equipment

Omitted because the amount of property, plant and equipment located in Japan accounted for more than 90% of property, plant and equipment in the consolidated balance sheet.

3. Information for each of main customer

Omitted because no single customer accounted for 10% or more of total sales of all segments.

[Information about impairment losses on non-current assets for each reportable segment]

Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)

Millions of yen

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Impairment losses	¥43	¥—	¥13	¥—	¥—	¥—

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	¥—	¥278	¥—	¥20	¥—	¥356

Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)

Millions of yen

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Impairment losses	**¥—**	**¥—**	**¥—**	**¥11**	**¥—**	**¥—**

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	**¥—**	**¥—**	**¥—**	**¥61**	**¥466**	**¥539**

Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)

Thousands of U.S. dollars

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Impairment losses	**$—**	**$—**	**$—**	**$95**	**$—**	**$—**

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	**$—**	**$—**	**$—**	**$528**	**$4,037**	**$4,669**

Notes to Consolidated Financial Statements

[Information about amortization and unamortized balance of goodwill for each reportable segment]

Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)

Millions of yen

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Amortization amount for the period	¥—	¥—	¥—	¥—	¥—	¥—
Balance at end of period	—	—	—	—	—	—

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Amortization amount for the period	¥—	—	¥1,391	¥—	¥—	¥1,391
Balance at end of period	—	—	1,575	—	—	1,575

Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)

Millions of yen

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Amortization amount for the period	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Balance at end of period	**—**	**—**	**—**	**—**	**—**	**—**

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Amortization amount for the period	**¥—**	**¥—**	**¥1,433**	**¥—**	**¥—**	**¥1,433**
Balance at end of period	**—**	**—**	**250**	**—**	**—**	**250**

Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)

Thousands of U.S. dollars

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Amortization amount for the period	**$—**	**$—**	**$—**	**$—**	**$—**	**$—**
Balance at end of period	**—**	**—**	**—**	**—**	**—**	**—**

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Amortization amount for the period	**$—**	**$—**	**$12,413**	**$—**	**$—**	**$12,413**
Balance at end of period	**—**	**—**	**2,166**	**—**	**—**	**2,166**

[Information about gain on bargain purchase for each reportable segment]

Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)

Not applicable

Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)

Not applicable

[Information about related parties]

Transactions with related parties

Transactions between the reporting company and related parties

Directors (and other officers) of the reporting company and major shareholders (limited to individuals), etc.

Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)

Type	Name of company, etc. or person	Location	Share capital or investments in capital (Millions of yen)	Description of business or occupation	Percentage of owning (owned) voting rights (%)	Relationship with related parties	Description of transaction	Transaction amount (Millions of yen)	Item	Balance at end of period (Millions of yen)
Directors (and other officers)	Shiro Inagaki	—	¥—	The Company's Vice Chairman & Representative Director	(Owning) Directly 0.00%	Contracting house remodeling	Contracting house remodeling	¥37	—	¥—

(Note) 1. Transaction amounts do not include consumption tax, etc.
2. Transaction terms and policies for determining transaction terms, etc.
The above transactions are determined in the same way as for general transaction terms.

Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)

Not applicable

Notes to Consolidated Financial Statements

(Per share information)

Item	Yen		U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Net assets per share	¥1,948.12	**¥2,184.36**	**$18.92**
Profit per share	181.18	**227.37**	**1.97**
Diluted profit per share	181.02	**227.25**	**1.97**

(Note) Basis for calculation

1. Net assets per share

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2021	**As of January 31, 2022**	**As of January 31, 2022**
Net assets recorded on consolidated balance sheet	¥1,368,887	**¥1,520,959**	**$13,175,321**
Difference between net assets recorded on consolidated balance sheet and net assets attributable to ordinary shares	42,351	**47,018**	**407,294**
[of which, share acquisition rights]	[508]	**[186]**	**[1,611]**
[of which, non-controlling interests]	[41,842]	**[46,832]**	**[405,683]**
Net assets attributable to ordinary shares	1,326,535	**1,473,940**	**12,768,018**
Number of ordinary shares outstanding (1,000 shares)	684,683	**684,683**	
Number of ordinary shares held in treasury (1,000 shares)	3,753	**9,913**	
Number of ordinary shares used to calculate net assets per share (1,000 shares)	680,929	**674,769**	

2. Profit per share and diluted profit per share

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021)	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**	**Fiscal year ended January 31, 2022 (February 1, 2021 to January 31, 2022)**
Profit per share			
Profit attributable to owners of parent	¥123,542	**¥153,905**	**$1,333,203**
Amount not attributable to ordinary shareholders	—	**—**	**—**
Profit attributable to owners of parent related to ordinary shares	123,542	**153,905**	**1,333,203**
Average number of ordinary shares outstanding during the period (1,000 shares)	681,885	**676,884**	
Diluted profit per share			
Adjustment to profit attributable to owners of parent	—	**—**	**—**
Number of ordinary shares increased (1,000 shares)			
Share acquisition rights	558	**264**	
Performance-linked share awards	42	**103**	
Overview of residual securities not included in the calculation of diluted profit per share as they have no dilutive effect	—	**—**	

(Significant subsequent events)

(Share repurchase)

At the Board of Directors meeting held on March 10, 2022, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165, paragraph (3) of the Companies Act, and repurchased shares as follows.

1. Content of the Board of Directors' resolution concerning the repurchase of shares

(1) Reason for share repurchase

To implement flexible capital policies in accordance with the business environment and to improve capital efficiency to increase shareholder value

(2) Type of shares

Ordinary shares of the Company

(3) Aggregate number of shares to be repurchased

Up to 15,000,000 shares

(4) Aggregate amount of shares to be repurchased

Up to ¥30,000 million ($259,875 thousand)

(5) Period for share repurchase

From March 11, 2022 to January 31, 2023

(6) Method of share repurchase

Market purchases (including "Off-Auction Own Share Repurchase Trading [N-NET3]" of the Nagoya Stock Exchange)

2. Share repurchase status as of the end of the month prior to the month of filing the Annual Securities Report

(1) Type of shares repurchased

Ordinary shares of the Company

(2) Aggregate number of shares repurchased

1,567,100 shares

(3) Aggregate amount of shares repurchased

¥3,758 million ($32,554 thousand)

(4) Period for share repurchase

From March 11, 2022 to March 31, 2022

(5) Method of share repurchase

Market purchases on the Tokyo Stock Exchange

Notes to Consolidated Financial Statements

(Annexed consolidated detailed schedules)

[Detailed schedule of bonds]

Company name	Issue	Issue date	Millions of yen: Balance at beginning of period	Millions of yen: Balance at end of period	Thousands of U.S. dollars: Balance at beginning of period	Thousands of U.S. dollars: Balance at end of period	Interest rate (%)	Collateral	Maturity date
Sekisui House, Ltd.	Series 19 unsecured bonds (with limited inter-bond pari passu clause)	July 14, 2016	¥ 30,000 [30,000]	¥ —	$ 259,875 [259,875]	$ —	0.04	Unsecured	July 20, 2021
Sekisui House, Ltd.	Series 20 unsecured bonds (with limited inter-bond pari passu clause)	July 14, 2016	30,000	30,000	259,875	259,875	0.11	Unsecured	July 20, 2023
Sekisui House, Ltd.	Series 21 unsecured bonds (with limited inter-bond pari passu clause)	July 14, 2016	20,000	20,000	173,250	173,250	0.20	Unsecured	July 17, 2026
Sekisui House, Ltd.	Series 1 unsecured bonds with interest deferrable clause and early redemption option (subordinated bond)	August 18, 2017	120,000	120,000	1,039,501	1,039,501	0.81*1	Unsecured	August 18, 2077 *2
Total	—	—	¥200,000 [30,000]	¥170,000	$1,732,502 [259,875]	$1,472,626	—	—	—

(Note) 1. Amounts due to mature within one year are shown in parenthesis.
2. *1. A fixed rate of interest from the day following August 18, 2017 until August 18, 2022, then a variable interest rate from the day following August 18, 2022 (A step up in the interest rate on August 19, 2022)
*2. There is a special clause that gives the Company the option of early redemption on each interest payment date after August 18, 2022
3. Amounts due to mature during the five years following the fiscal year-end are as follows.

Millions of yen

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
¥—	¥30,000	¥—	¥—	¥20,000

Thousands of U.S. dollars

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
$—	$259,875	$—	$—	$173,250

[Detailed schedule of borrowings]

Categories	Millions of yen: Balance at beginning of period	Millions of yen: Balance at end of period	Thousands of U.S. dollars: Balance at beginning of period	Thousands of U.S. dollars: Balance at end of period	Average interest rate (%)	Repayment date
Short-term borrowings	¥166,019	¥219,218	$1,438,141	$1,898,978	1.22	—
Current portion of long-term borrowings	36,582	8,244	316,892	71,414	1.39	—
Current portion of non-recourse long-term borrowings	19,938	7,991	172,713	69,222	0.92	—
Current portion of lease obligations	864	982	7,484	8,507	—	—
Long-term borrowings (excluding current portion)	115,778	110,299	1,002,928	955,466	1.84	2023 to 2029
Non-recourse long-term borrowings (excluding current portion)	16,886	26,256	146,275	227,443	1.15	2023 to 2024
Lease obligations (excluding current portion)	6,896	6,869	59,737	59,503	—	2023 to 2049
Total	¥362,966	¥379,862	$3,144,196	$3,290,558	—	—

(Note) 1. The calculation of the average interest rate is disclosed as the weighted average interest rate for the balance at the end of period based on the interest rate at the end of period.
2. The average interest rate for lease obligations has not been disclosed since the amount before deducting the amount corresponding to interest included in total lease payments is recorded as lease obligation in the consolidated balance sheet.
3. The amounts of long-term borrowings, non-recourse debts and lease obligations (excluding current portions) due for repayment during five years following the fiscal year-end are as follows.

Millions of yen

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	¥45,184	¥5,018	¥37,956	¥20,789
Non-recourse long-term borrowings	17,935	8,321	—	—
Lease obligations	894	647	481	399

Thousands of U.S. dollars

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	$391,407	$43,468	$328,794	$180,085
Non-recourse long-term borrowings	155,362	72,081	—	—
Lease obligations	7,744	5,605	4,167	3,456

[Detailed schedule of asset retirement obligations]

This information is not disclosed pursuant to Article 92-2 of the Regulation on Consolidated Financial Statements since the amount of asset retirement obligations was 1% or less of total liabilities and net assets at the beginning and end of the current fiscal year.

Notes to Consolidated Financial Statements

[Other]

Quarterly information for the fiscal year ended January 31, 2022

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Fiscal year ended January 31, 2022
Net sales				
(Millions of yen)	¥608,590	¥1,223,605	¥1,844,812	¥2,589,579
(Thousands of U.S. dollars)	$5,271,916	$10,599,489	$15,980,700	$22,432,251
Profit before income taxes				
(Millions of yen)	¥55,042	¥111,216	¥173,582	¥234,334
(Thousands of U.S. dollars)	$476,802	$963,410	$1,503,656	$2,029,920
Profit attributable to owners of parent				
(Millions of yen)	¥36,171	¥72,552	¥115,895	¥153,905
(Thousands of U.S. dollars)	$313,332	$628,482	$1,003,941	$1,333,203
Profit per share				
(Yen)	¥53.20	¥106.90	¥171.06	¥227.37
(U.S. dollars)	$0.46	$0.93	$1.48	$1.97

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share				
(Yen)	¥53.20	¥53.71	¥64.22	¥56.33
(U.S. dollars)	$0.46	$0.47	$0.56	$0.49

Independent Auditor's Report

The Board of Directors Sekisui House, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Sekisui House, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at January 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at January 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition on sales of real estate to special purpose companies	
Description of Key Audit Matter	Auditor's Response
For the year ended January 31, 2022, the Group recorded sales of ¥70,130 million related to the urban redevelopment business. This included sales of real estate to special purpose companies. In general, the terms and conditions of real estate sales transactions to special purpose companies are highly specific, and each transaction amount is material. In addition, if the Group has continuing involvement such as providing management services, granting repurchase options, sales and leaseback transactions or the partial holding of equity interest, the judgement as to whether substantially all of the risks and rewards of ownership have been transferred may be complicated. In the event that such judgment is erroneous, revenue from real estate sales transactions to special purpose companies under which substantially all of the risks and rewards of ownership have not been transferred may be recognized. Accordingly, we have determined revenue recognition on sales of real estate to special purpose companies to be a key audit matter.	We conducted the following procedures to assess the judgement as to whether the risks and rewards of ownership regarding real estate sales transactions to special purpose companies have been transferred. • In order to understand the entire transaction scheme, we inspected the minutes of Board of Directors' meetings and management committee meetings, the requests for approval and related documents as well as made inquiries to the department in charge. • In order to assess whether any conditions of continuing involvement exist in relation to the transferred assets, we inspected the minutes of Board of Directors' meetings and management committee meetings, the request for approval and related contracts such as sales contracts. • In order to evaluate transaction amounts, we compared with other transactions in the neighborhood and examined evidence such as contracts and/or cash receipts. • In order to assess whether the assets had actually been transferred, we inspected the evidence such as cash receipts.

Independent Auditor's Report

Valuation of real estate for sale	
Description of Key Audit Matter	Auditor's Response
The Group recorded land held for sales, construction for sale, including projects under construction and land held for development in the amounts of ¥436,973 million, ¥589,879 million and ¥149,828 million, respectively, in the consolidated balance sheet as of January 31, 2022. The Company sometimes holds such assets over long periods of time from the acquisition of land to sale. As described in Note "Significant Accounting Estimates, (1) Valuation of real estate for sale," if net selling price of real estate for sales at the end of the year is less than the carrying value, the carrying value is reduced to its net selling price, and the difference is recognized as loss on impairment. The net selling value was calculated by deducting development cost from revenue earned by future sales. For real estate, which has a long development period, there is high uncertainty in the estimates since future revenue as a key assumption may be significantly affected by the conditions of the real estate market. In addition, it is based on subjective judgments from management since they estimate it taking into consideration the specific condition of each property. Accordingly, we have determined valuation of real estate for sale to be a key audit matter.	We mainly conducted the following procedures to assess valuation of real estate for sale. • In order to understand the business plan, to assess its progress and whether there were any material changes that would significantly lower the net selling value, we made inquiries to the department in charge, and inspected the minutes of the Board of Directors' and management committee meetings, the request for approval and related documents. • In order to evaluate the estimation of future revenue, we compared other transactions in the neighborhood and most recent actual results. • In order to assess the effectiveness of management's estimation process, we analyzed the estimates and actual amounts of sales price in the prior years. • For the foreign subsidiaries assessed as significant components since their valuation of real estate for sale is material, we made inquiries to the component's managements in order to understand the real estate market and competitive environment at their locations and areas, whether there have been any amendments to applicable laws and their business plans. • For the foreign subsidiaries assessed as being significant components since their valuation of real estate for sale is material, we involved the component auditors in order to evaluate the valuation of real estate for sale based on International Financial Reporting Standards or Generally Accepted Accounting Principles in U.S.

Indications of impairment of investment and rental properties	
Description of Key Audit Matter	Auditor's Response
The Group recorded property, plant and equipment in the amount of ¥540,711 million in the consolidated balance sheet as of January 31, 2022. As described in Note "Real estate for lease, etc.," this included investment in rental properties in the amount of ¥436,946 million, which consisted mainly of office buildings, hotels and residential rental properties. As described in the Note, "Significant accounting estimates, (2). Evaluation of property, plant and equipment," whenever there are indications of impairment for an asset or an asset group, the Company determines whether recognition of loss on impairment is necessary. When the Company determines that an asset or an asset group is impaired, the Company reduces the carrying amount to the recoverable amount and recognizes the difference as loss on impairment of fixed assets. Indications of impairment include continuous negative operating results or cashflow, deterioration of the business environment, significant declines in market prices and so on. The recoverable amount is the higher of net selling value or value in use of an asset or an asset group. When the Company calculated market price used to determine if there are any indications of impairment, the Company used cap rate and NOI ("Net Operating Income before depreciation") over a stable operating period. The cap rate for key property was evaluated by real estate appraiser (hereinafter "third party report"). The cap rate and significant factors of NOI including rent, Average Daily Rate ("ADR"), vacancy rate and operating ratio were significant assumptions. Since they may be significantly affected by the economic environment and competition in the real estate market, there is a high degree of uncertainty in the estimates. In addition, the calculation of the market price is based on subjective judgments from management since they estimate it taking into consideration the specific condition of each property. Accordingly, we have determined identifying whether there are any indications of impairment of investment and rental properties to be a key audit matter.	We conducted the following procedures to assess indicators of impairment of investment and rental properties included in fixed assets. • In order to assess the asset grouping used for identifying indications of impairment of investment and rental properties, we inspected the impairment assessment documents prepared by the Company • In order to assess whether or not operating results or cashflow was expected to continue to be negative, we inspected the documentation prepared by the Company. Also, in order to assess the accuracy and completeness of the documents, we evaluated whether these materials were consistent with underlying accounting data. • In order to assess whether there has been any deterioration of the business environment, we made inquiries to the management and department in charge and inspected the minutes of the Board of Directors' meetings, the request for approval and related documents. • In order to assess whether there has been any significant decline in market prices, we obtained the third-party report used by the Company. For samples of assets or asset groups meeting specific criteria, we compared the cap rate, rental fee, ADR and vacancy rate and operating rate, which are key assumptions, with available external data and/or actual historical data of similar property. We involved the valuation specialist of our network firm to assist in verifying part of the assets or asset groups.

Independent Auditor's Report

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended January 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Osaka, Japan

April 26, 2022

/s/ Shin Ichinose
Designated Engagement Partner
Certified Public Accountant

/s/ Yasuhiro Kozaki
Designated Engagement Partner
Certified Public Accountant

/s/ Yusaku Iriyama
Designated Engagement Partner
Certified Public Accountant

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Note: From the current year, we have incorporated our conventional *Integrated Report* and *Sustainability Report* into a *Value Report*.

Global website: https://www.sekisuihouse-global.com
Sustainability / ESG management: https://www.sekisuihouse.co.jp/english/company/sustainable/2022
Investor relations: https://www.sekisuihouse.co.jp/english/company/financial/

COMMUNICATION ON PROGRESS

UN GLOBAL COMPACT

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

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

ECO FIRST

Certified by the Minister of the Environment
Eco-First Company

We were certified as an Eco-First Company by the Minister of the Environment—the first in the housing industry.

COOL CHOICE

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