SEKISUI HOUSE

For the year ended January 31, 2023

SEKISUI HOUSE, LTD.

Value Report 2023

— Our Engagement

Foreword to Value Report 2023

"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."

—From the Corporate Philosophy

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.

Through *Value Report 2023—Our Engagement*, we seek to tell our story from business, financial and non-financial perspectives and engage in dialogue with stakeholders.

We hope to reach the hearts of our stakeholders.

About the Cover Design

The three rings on the cover of this report symbolize the Sekisui House Group's mission—our three material issues. To evoke the kind of happy homes that the Sekisui House Group strives to provide, their texture has an organic warmth. The white shining from the center of the rings depicts our love of humanity. The expansion of these three rings will make the various "homes" they encompass the happiest places in the world.

CONTENTS

Foreword to Value Report 2023 / Contents 1
Editorial Policy / Communication Overview 2
Corporate Philosophy and Global Vision 3
Business Portfolio 4
Keys to Understanding the Sekisui House Group 5

Section 1

Long-Term Vision and Material Issues

Message from the President 7
The Building of Sekisui House —Our Corporate Story 11
Sekisui House's Material Issues 15
- Group Vision and Material Issues 16
- Our Material Issues and the Value We Provide 17
- The Sekisui House Technology and Mindset Behind Our Material Issues 18
- Creation of High-Quality Housing Stock and KPIs 22
- Contributing to a Sustainable Society and KPIs 26
- Diversity and Inclusion and KPIs 32

Section 2

Mechanisms and Catalysts for Creating Value

Value Creation Process 37
Sekisui House's Operating Environment, Risks and Opportunities 38
Management Resources (Four Types of Capital) 39
The Sekisui House Group's Human Capital Management 41
Business Models 50
Value Chain 51
Core Competencies 53
Stakeholder Engagement 54

Section 3

Mid-Term Management Plan for Sustainable Growth

Evolution of Our Businesses and Business Model Based on the Residential Domain 57
Evolution of Our Mid-Term Management Plans 58
Sixth Mid-Term Management Plan (FY2023–FY2025) 59
Business Strategy
- Built-to-Order Business 61
- Supplied Housing Business 64
- Development Business 67
- Message from the Officer in Charge of the Overseas Business 70
- Overseas Business 71

Financial and Capital Strategy 74
Financial Analysis 78
ESG Strategy 82
- Environmental Strategy 83
- Improvement of Social Value 85
- Human Resources Strategy 86
- Technology and R&D Strategy: Sekisui House Technology 87
- Digital Transformation (DX) Strategy 90

Section 4

ESG Management

The Outside Members of the ESG Promotion Committee Share Their Views 94
Stance and Initiatives to Promote ESG Management (Sustainability) 97
Governance 99
- Message from the Chairperson of the Board of Directors 100
- Corporate Governance 101
- Promoting Compliance 117
- Strengthening Risk Management 121
- Themes and KPIs for Initiatives That Provide a Basis for Our Material Issues 125
- Shareholder and Investor Engagement 126
- Messages from the Audit and Supervisory Board 127
- Directors of the Board and Audit and Supervisory Board Members 128

Environment 133
- Environmental Management 134
- Contributing to a Decarbonized Society 136
- Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations 142
- Biodiversity Conservation 146
- Disclosure in Line with the Taskforce on Nature-related Financial Disclosures (TNFD) Draft Recommended Disclosures 152
- Initiatives to Realize a Circular Economy 154
- Water Security 162
- Environmental Data 166
- Factory Site Report 175

Social 181
- Respect for Human Rights 182
- Developing Human Resources 187
- Diversity and Inclusion 192
- Happiness Health Management 199
- Occupational Health and Safety 201
- Customer Initiatives 207
- Coexisting with Local Communities 210
- Supply Chain Management 216

Participation in International Initiatives and Activities with Government and Industry Groups 219
Independent Third-Party Assurance Report 220

Section 5

Financial Data, Company Information and Share Information

Consolidated Financial Statements 222
11-Year Highlights (Consolidated) 226
Company Information 230
Share Information 231
External Recognition and Awards 232

Editorial Policy / Communication Overview

Editorial Policy

We produced this report with the primary purpose of helping readers understand our businesses and initiatives. This report lays out 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 Group's vision for itself through the value creation process. Since 2022, we have published the Value Report, which incorporates the content formerly published in the Integrated Report and the Sustainability Report. By including a broad array of ESG information, this report is intended to serve as a unified tool for all stakeholders, including institutional investors and shareholders, that explains Sekisui House's corporate value from business, financial and non-financial perspectives.

Section 4 describes the Sekisui House Group's approach to and initiatives for environment, social and corporate governance (ESG) issues. Within Section 4, information in each subsection is organized under the headings of Governance, Strategy, Risk Management, Metrics and Targets, and Initiatives and Other Related Information, based on the approach to ESG information disclosure presented by the International Sustainability Standards Board, which was created by the IFRS Foundation in November 2021.

Report Content and Topic Boundaries

In principle, this report encompasses Sekisui House, Ltd. and its 345 consolidated subsidiaries. Departures from this scope are indicated in the text.

- Period covered: FY2022 (February 1, 2022 to January 31, 2023)[1]

  1 Some activities undertaken in the fiscal years preceding and following FY2022 are also covered.

- Date of publication: Published annually (previous report was issued in June 2022)

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. compliant with ISAE 3000 and ISAE 3410, the International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board.

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)

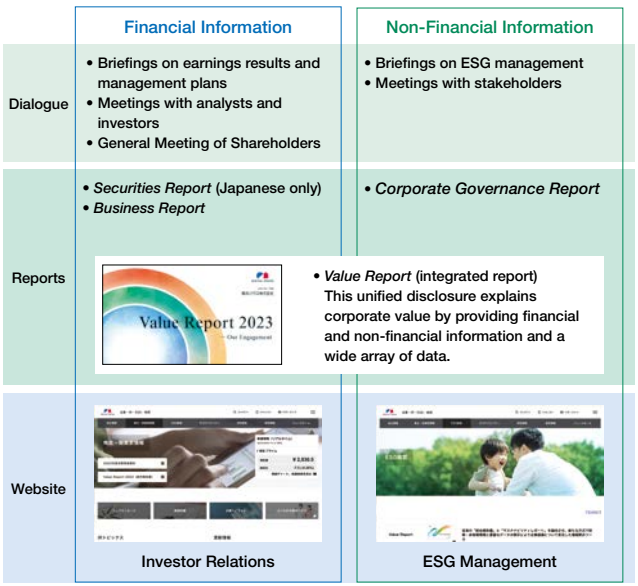
Each page has navigation buttons to facilitate movement between pages and to external resources.

Contents ····· Return to table of contents

····· Link to an external website

····· Jump to related page in this report

Communication Overview



Guidelines referenced

- The International Integrated Reporting Framework, IFRS Foundation
- "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
- GRI Standards
- SASB Standards , Sustainability Accounting Standards Board (SASB), IFRS Foundation
- "Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures," Task Force on Climate-related Financial Disclosures (TCFD)
- TNFD beta framework (v.0.4), Taskforce on Nature-related Financial Disclosures (TNFD)

Corporate Philosophy and Global Vision

Our stance
Truth & Trust

Our philosophy
Love of Humanity

Our goal
Deliver the highest quality and technology

The meaning of our business
Create enriching homes and environments

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.

The Sekisui House Global Vision

Make home the happiest place in the world



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-value-added, 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.

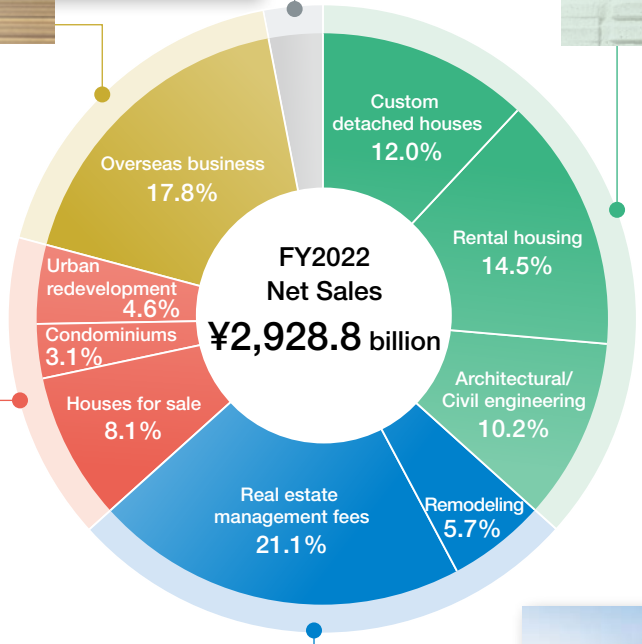
Overseas business
17.8%
¥521.1 billion



Other
2.8%
¥80.7 billion
Exterior business, etc.

Built-to-order business
36.8%
¥1,077.3 billion





Overseas business
Net sales: ¥521.1 billion

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

Business regions
United States, Australia, Singapore, United Kingdom and China

Custom detached houses
Net sales: ¥352.4 billion

Contracting of custom detached house design and construction

Rental housing
Net sales: ¥426.1 billion

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

Architectural/Civil engineering
Net sales: ¥298.7 billion

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

Development business
15.9%
¥464.4 billion



Houses for sale
Net sales: ¥238.2 billion

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

Condominiums
Net sales: ¥90.8 billion

Sales of condominiums

Urban redevelopment
Net sales: ¥135.3 billion

Development of office buildings and commercial facilities; management and operation of real estate owned

Supplied housing business
26.8%
¥785.1 billion



Remodeling
Net sales: ¥165.9 billion

Remodeling and renovation of houses, etc.

Real estate management fees
Net sales: ¥619.2 billion

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

Keys to Understanding the Sekisui House Group

2.62 million units

The world's largest cumulative number of dwellings built (Incl. 30,000 units overseas)

As of January 31, 2023

→ P.11 The Building of Sekisui House—Our Corporate Story

Sekisui House Technology

Aiming to Become the Global De Facto Standard

→ P.53 Core Competencies
→ P.87 Technology and R&D Strategy: Sekisui House Technology

Platform House Concept

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

→ P.92 Platform House Concept
Platform House (Japanese only)

Maximizing human resource value

Employee autonomy
×
Alignment of efforts

→ P.42 The Sekisui House Group's Approach to Human Resource Value
→ P.86 Human Resources Strategy

Leading the housing industry by promoting ZEH

→ P.136 Contributing to a Decarbonized Society

29,052 employees

putting love of humanity into action

As of January 31, 2023

→ P.39 Management Resources (Four Types of Capital)

Over 19 million trees planted to date

Gohon no Ki Project

As of January 31, 2023

→ P.146 Biodiversity Conservation

DX strategy

to create new value and maximize business opportunities

CRM, Platform House, and DX for rental housing

→ P.90 Digital Transformation (DX) Strategy

Supply of 10,000 detached houses

per year by FY2025 in the overseas business

→ P.71 Overseas Business
Global Site

ESG management

aimed at being a leading company

→ P.82 ESG Strategy
→ P.93 ESG Management

691,000 units

of rental housing under management

As of January 31, 2023

→ P.65 Rental Housing Management



Section 1

Long-Term Vision and Material Issues

Message from the President 7

The Building of Sekisui House —Our Corporate Story 11

Sekisui House's Material Issues 15
- Group Vision and Material Issues 16
- Our Material Issues and the Value We Provide 17
- The Sekisui House Technology and Mindset Behind Our Material Issues 18
- Creation of High-Quality Housing Stock and KPIs 22
- Contributing to a Sustainable Society and KPIs 26
- Diversity and Inclusion and KPIs 32

Message from the President



Advancing stable growth in Japan and proactive growth overseas to provide the added value of happiness worldwide

Yoshihiro Nakai
Representative Director of the Board
President, Executive Officer, CEO

Our Global Vision

Creating happiness for residents to realize enriching lifestyles over increasingly long lifespans

Since its founding in 1960, Sekisui House has constantly been ahead of the curve, solving issues with advanced technologies while accumulating unmatched product strengths.

Looking at our history in 30-year segments, during the first phase, up to 1990, our highest priority was housing that offers safety and peace of mind to protect our customers and their assets. Then, we created new value by making housing proposals aimed at improving resident comfort and eco-friendliness in the second phase, up to 2020.

Now, over the next 30-year phase, until 2050, how can we offer new value? The key is “happiness.” We are still aiming to build on the leading seismic resistance, thermal insulation and energy-saving technologies that we amassed over our first and second phases, but we now seek to provide the added value of happiness. Accordingly, in 2020, we announced our global vision: make home the happiest place in the world.

Housing is a durable good used over the long term, serving as the foundation of our daily lives. As life expectancies get longer, needs are changing; to realize enriching lifestyles in the era of the 100-year lifespan, it will be increasingly important to offer value through housing in the form of health, connectedness with friends and family, and diverse experiences and skills to support the happiness of residents. In 2018, we established the Human Life R&D Institute, becoming the first company in Japan to launch well-being research. The fruits of this research, apparent in our Family Suite proposals featuring spacious living rooms, are already driving the strong performance of our custom detached houses business. Going forward, we will continue to enhance our understanding in both scientific and theoretical terms of happiness for increasingly diverse families and lifestyles.

At the same time, to deliver happiness to our customers, it is essential that those of us in the housing business (including our families) are happy ourselves. To this end, and with an eye to realizing our global vision, we are implementing a variety of initiatives to support diverse employee workstyles and lifestyles.

Furthermore, contributing to society through our business is our mission as a corporate citizen. Specifically, we aim to become a leading company in ESG management. In particular, we are working to provide new value in line with the changing needs of customers and society centered on the concepts of "Green First," aimed at providing eco-friendly products and services, and "Kids First," aimed at supporting parents and the well-rounded growth of children.



Three years have passed since we established our global vision, kicking off our third phase. Within the context of our 30-Year Vision, however, that's only a short time, and there remains much to be accomplished. That said, over these three years of the Fifth Mid-Term Management Plan, we greatly exceeded our initial targets, and I regard this as a strong start to our journey toward realizing the Group's vision.

Designating Our Material Issues

Our Material Issues Must be Rooted in Universal Values

To better clarify Sekisui House's mission, in 2022, we revised the material issues we seek to address in order to realize a sustainable future. I believe that material issues must not be temporary concerns of the moment, but issues based on universal values to tackle over 50 or 100 years. In the 1960s, Sekisui House helped secure housing during Japan's period of rapid economic growth and establish housing stock with high-quality basic functions. Since then, we have consistently pursued safety and peace of mind as well as comfort and eco-friendliness, striving always to evolve our technologies. I believe that these efforts themselves embody our material issues. Accordingly, to realize happiness through housing in the coming era of the 100-year lifespan, we have designated three material issues for our businesses: Creation of high-quality housing stock, contributing to a sustainable society, and diversity and inclusion.

The housing market in Japan is commonly expected to shrink in the future as the population decreases. Looking more closely, however, of Japan's total housing stock of approximately 62 million units (including vacant houses), about 29 million are detached houses. Of these, approximately 5 million do not meet current seismic resistance standards, while only a shockingly low 11% of existing detached houses meet current standards for thermal insulation.

Japan is very seismically active country with harsh seasonal weather being exacerbated by climate change. Considering this, it seems to me that the social issues that Sekisui House worked to address in its first and second phases are still some way from fully resolved. To promote the spread of housing with excellent seismic resistance, thermal insulation and energy-saving performance across Japan, we are considering forming partnerships with regional builders to share Sekisui House technologies and thereby create high-quality housing stock.

Beauty that aligns with resident sensibilities is an essential aspect of the value of housing stock. Given the current importance of realizing a circular economy, the sustainability of housing, aimed at carbon neutrality, is another.

Reflecting on the Fifth Mid-Term Management Plan

We focused efforts on social issues and maintained growth even during the COVID-19 pandemic

Shortly after we announced the Fifth Mid-Term Management Plan (FY2020–FY2022), the Japanese government declared a state of emergency over the COVID-19 pandemic. Due to pandemic-related effects, in the plan's first year, we recorded net sales of ¥2,446.9 billion and operating profit of ¥186.5 billion, well below our targets. However, in the plan's second year, we made up most of the difference, growing net sales to ¥2,589.5 billion and operating profit to ¥230.1 billion, and in the final year, we greatly exceeded our initial targets with net sales of ¥2,928.8 billion and operating profit of ¥261.4 billion. I believe that this was because our business segment strategies were correct, and these results were achieved thanks to the hard work of all our employees who put those strategies into action.

Amid the pronounced changes in the market environment in recent years, some have expressed doubt over the usefulness of mid-term management plans. However, in an environment of drastic social change year after year, single-year plans limit the scope of planning and can make it difficult to allocate the necessary resources to deal with unanticipated developments. At the same time, a longer-term approach focused on five or ten years presents greater difficulty in predicting future conditions. Mid-term management plans, focused on the coming three years, thus strike a useful balance, expanding the scope of what is achievable while still allowing a reasonable amount of predictability. We therefore give weight to these

plans, which enable us to advance management as planned over the medium term, considering and adjusting to changes in the external environment while effectively procuring and allocating management resources.

Of course, to achieve the plan's targets, it will be important for all employees to share our vision, and for each division and individual to think autonomously and act with creativity and ingenuity.

We designated innovation and communication as a key theme because we will need the ideas of a wide range of employees to innovate in our businesses. I am sure that our many employees working creatively across various business fields are a wellspring of innovative ideas that can transform the Company. To put innovation and communication into practice, we must align the efforts of all employees with our vision while effectively incorporating opinions and suggestions from the front lines and applying them at the tactical level. The Company will not hold back in supporting employees who are working hard; in return, we will expect all leaders to demonstrate integrity, grit and the ability to develop human resources. By creating organizations that nurture employees who embody integrity and can succeed as leaders, I am sure that Sekisui House will evolve into an even more diverse and vibrant company.

Become a Leading Company in ESG Management

Sekisui House's history of working with customers to foster enhanced understanding while promoting ESG management within its primary businesses has now become a major advantage.

Our efforts started small, like using double glazing for south-facing first-floor living room windows, and then expanded with changes like thermal insulation for window sashes and eventually improved thermal insulation for entire homes. We realized houses that emit 30% less CO_2, then 50%. These improvements are thanks to the ongoing efforts of our R&D teams. Building on the achievements of our forebears, we see it as our mission to continue to blaze the trail forward and have therefore designated the goal of becoming a leading company in ESG management.

Today, we have supplied a cumulative total of approximately 70,000 net zero energy houses (ZEH), and the rate of ZEH among orders received for detached houses reached 93% in the year from April 2022 to March 2023. We are also expanding ZEH to multi-unit housing complexes. I think that having rental housing residents experience ZEH and its environmental contribution first-hand will be important to solving environmental issues more broadly.

In addition, since its launch in 2001, the *Gohon no Ki* Project, which plants native tree species around new builds and the surrounding communities to promote biodiversity, has now been going strong for over two decades. Working with customers, the project has planted more than 19 million trees across Japan. A verification of the project's effects undertaken jointly with the University of the Ryukyus found that it has the potential to lead to a doubling of the number of bird species and a fivefold increase in the number of butterfly species that residential areas attract, proving that it does indeed contribute to biodiversity.

The Formulation of the Sixth Mid-Term Management Plan

Responding to Diversifying Needs and Evolving Technologies

We announced Sekisui House's Sixth Mid-Term Management Plan (FY2023–FY2025) on March 9, 2023. In the plan's final year, FY2025, we aim for net sales of ¥3,676.0 billion and operating profit of ¥318.0 billion.

Looking at the market environment, the number of annual new housing starts in Japan is expected to remain above 800,000 until 2030. As I mentioned earlier, there are many houses in Japan with inadequate seismic resistance or thermal insulation. Promoting rebuilding and remodeling will therefore be a pillar of our business strategy going forward, and I see it as part of our social mission. In addition, amid the diversification of lifestyles and values in the new normal following the pandemic, as well as the increasing severity of natural disasters caused by climate change, I think we will see growing needs for high-quality housing that combines safety and peace of mind with comfort and eco-friendliness.

We must also leverage advances in technology. Digital transformation (DX) will be at the core of efforts in this area. We have accumulated vast amounts of customer information and design data over more than 60 years. Utilizing this in new businesses and services will be a major focus.

Our target for DX is to support the happiness of housing residents using technology. I think this goal is fully realized in the Platform House Concept–HED-Net, which aims to realize housing that maintains privacy while unintrusively keeping a protective watch over residents.

Focusing on Stable Growth in Japan and Proactive Growth Overseas

"Stable growth in Japan and proactive growth overseas" is not a particularly new concept, but we have designated this focus to emphasize that there is still ample room for growth in the domestic market. This stance aligns with government housing policy, and our track record over the past three years proves that it has been correct.

Overseas, we will advance business mainly in the United States and Australia. Sekisui House boasts industry-leading technologies not only in seismic resistance and thermal insulation, but also durability, soundproofing, stormproofing, fireproofing and all aspects of housing. However, we will need to carefully consider which aspects of performance best match the needs of specific countries and regions. As such, we are advancing deliberations on what kind of proposals will succeed in markets overseas, and this calculation extends to our approaches to providing housing. The pre-engineered housing business model is unique to Japan, so we aim to spread it around the world to achieve our vision of making Sekisui House technologies the global de facto standard.

At the International Builders' Show (IBS), the largest model house trade show in the United States, we built a SHAWOOD wooden-frame house shipped from Japan and equipped it with the latest Sekisui House technologies. It was well received and generated considerable interest among overseas market players.

We will promote business expansion into oversea areas via scale expansion through M&A as well as the transfer of Sekisui House technologies. In

the final year of the Sixth Mid-Term Management Plan, we aim to supply 10,000 homes in the overseas business.

Creating New Services Utilizing Big Data

During the Sixth Mid-Term Management Plan, we aim to realize three main types of DX.

The first is customer relationship management (CRM). We currently have many contacts with customers. We will use DX to advance the integrated management of such contacts, from our first encounter with customers to after-sales services, and provide customer-centric value to enhance satisfaction.

The second is DX for residents of rental housing. The rental housing move-in process is cumbersome and time-consuming, entailing mountains of paperwork and repeated office visits for prospective residents. We aim to solve these issues with one-stop service. Using a blockchain-linked website, we seek to revolutionize the entire flow of processes leading to move in and thereby reinforce overall housing services.

The third is the Platform House Concept, which provides services centered on health, connectedness and learning. PLATFORM HOUSE touch, the first phase of this concept, is a smart home service that uses a floor plan-linked interface and has been well received. We are also planning to install homes with additional services that use data on living environments and lifestyles. These include the HED-Net in-home early detection network for acute illnesses, which uses unobtrusive contact-less sensors to avoid putting stress on residents.

In terms of ESG management, I think that advancing efforts through our main businesses with the participation of all employees will continue to be crucial. The housing we build contributes to the creation of high-quality housing stock and, in turn, the realization of a circular economy. To become and remain a leading company in ESG management, we will thoroughly reinforce the mindset that the Company does not merely participate in ESG, but exists within ESG.

In addition, to realize a sustainable society, we must build positive relationships with the environment, human resources, customers and local communities. The houses we build have more than 10,000 components, so we can only accomplish our goals related to CDP forests (a program for requesting the disclosure of information on forests), SBT (greenhouse gas emissions reduction targets) and realizing a circular economy though collaborative efforts with suppliers. We are encouraging our suppliers to acquire SBT validation and participate in RE100, and have launched initiatives to support supplier decarbonization by sharing our expertise. We are fortunate to have strong relationships of trust built over many years with suppliers, which have enabled us to successfully coordinate our efforts.

The bonds we have with our suppliers as “a community with a common destiny” originate from the switch to direct construction with the establishment of Sekiwa Construction (now Sekisui House Construction) about ten years after Sekisui House was founded. By advancing homebuilding with customers directly, without going through an agency or sales company, we will continue to work with suppliers to address issues and take action to build a sustainable society.

Human Capital Management

Focusing on Innovation and Communication to Increase Human Resource Value and Social Value

The enhancement of human resource value is a driver of corporate growth. Sekisui House has defined this value with a unique formula: employee autonomy × alignment of efforts. Human resource value will be highest when every employee is highly autonomous while also aligned with the direction of the organization.

To promote self-directed career development, it will be crucial for employees to use the resources of the Sekisui House Group while autonomously taking the initiative to continuously develop their careers. To this end, we will work to create environments and mechanisms, including the personnel system, that enable employees and the Company to realize sustainable growth together. The role of aligning the efforts of our employees will fall to leaders with the ability to practice innovation and communication. Indeed, leaders with strong integrity who can convey and spread the Company’s vision and strategy will be essential.

Based on our material issue “diversity and inclusion,” we will work to create environments and systems that allow all employees to be themselves and exercise their abilities to the fullest, regardless of disability, age, gender, nationality or other such factors. Furthermore, we are proactively implementing and operating highly flexible work systems that enable diverse workstyles.

Sekisui House’s fundamental philosophy is “love of humanity,” which entails wishing for the happiness of others and making their joy our own. It is our corporate mission to provide value to society based on growth strategies focused on the residential business domain. Guided by the spirit of love of humanity, we will fulfill our role as a housing manufacturer of providing happiness while aiming to be a leading company in ESG management as we focus on innovation and communication to advance dialogue and communication with our stakeholders across diverse media and venues.

The COVID-19 pandemic has changed the world in many ways. As we gradually get back to normal, we will continue to take precautions for safety while utilizing the experiences of the pandemic to advance our businesses. Please look forward to seeing Sekisui House press onward in pursuit of major growth as we work to achieve the targets of the new management plan.



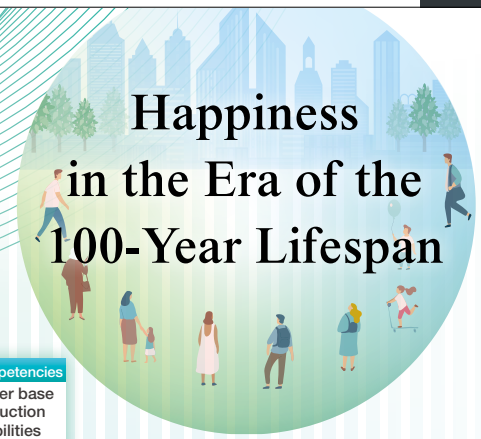
The Building of Sekisui House—Our Corporate Story

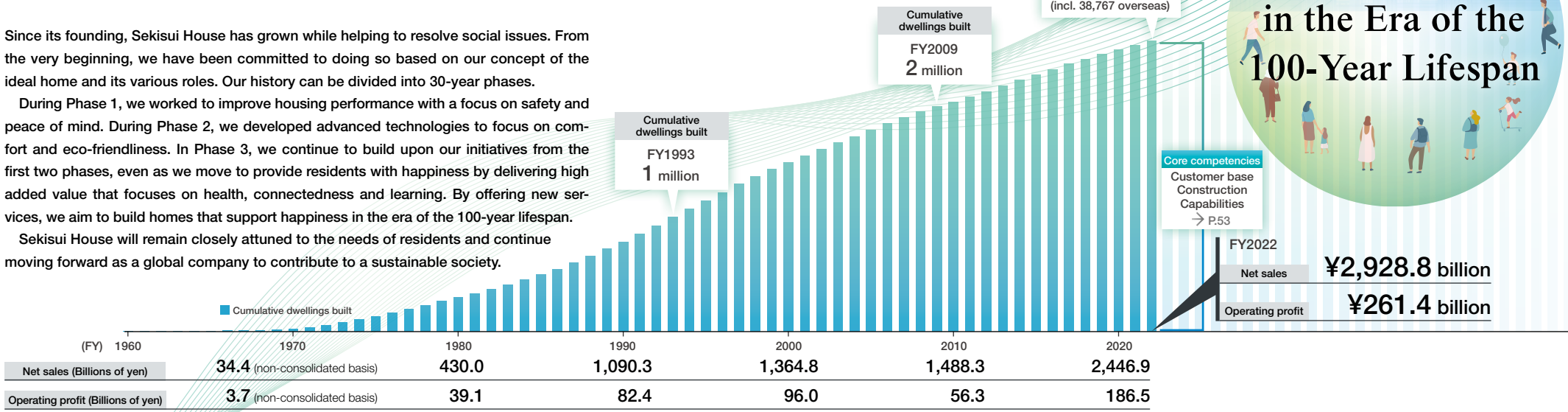
Drawing on Our DNA of Creativity to Take on Challenges for Happiness in the Era of the 100-Year Lifespan

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 30-year phases.

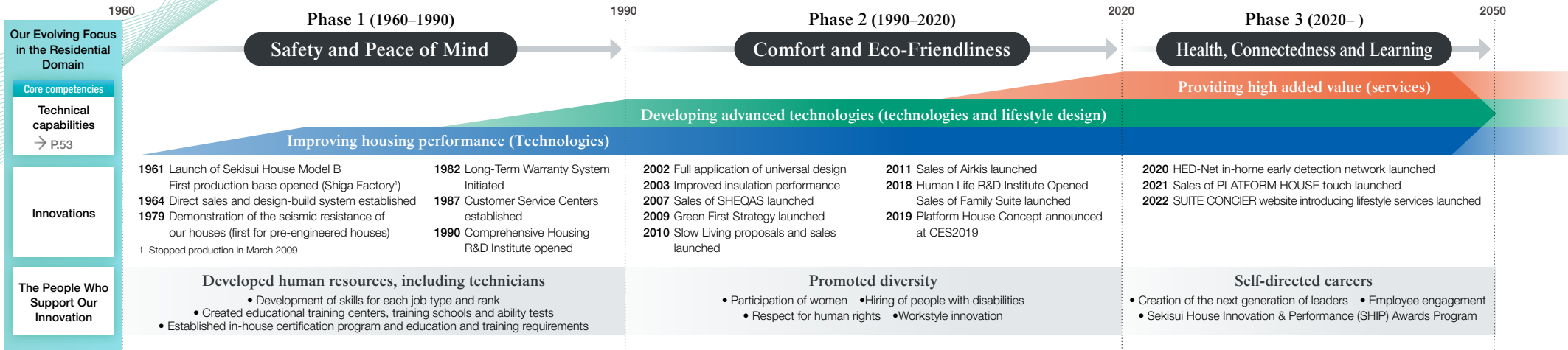
During Phase 1, we worked to improve housing performance with a focus on safety and peace of mind. During Phase 2, we developed advanced technologies to focus on comfort and eco-friendliness. In Phase 3, we continue to build upon our initiatives from the first two phases, even as we move to provide residents with happiness by delivering high added value that focuses on health, connectedness and learning. 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 continue moving forward as a global company to contribute to a sustainable society.





	1960	1970	1980	1990	2000	2010	2020
Net sales (Billions of yen)	34.4 (non-consolidated basis)		430.0	1,090.3	1,364.8	1,488.3	2,446.9
Operating profit (Billions of yen)	3.7 (non-consolidated basis)		39.1	82.4	96.0	56.3	186.5



Phase 1 (1960–1990)

Safety and peace of mind

A 30-Year Focus on High Quality, High Performance, Safety and Peace of Mind in Housing Construction

Sekisui House's 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 time-frame. We ensured safety and peace of mind by providing shelter through houses that protect lives and property in Japan, where natural disasters are frequent. We led the Japanese housing industry with industry-first initiatives, such as the adoption of metric specifications.

Innovations

In the 30 years after Sekisui House was founded, to create homes that offer safety and peace of mind, we advanced innovations in fundamental housing performance, such as seismic resistance and thermal insulation, and established and integrated system covering every step from development, sales, production and construction to after-sales services, enhancing housing performance.

▶ Launch of Sekisui House Model B, Our First Mainstay Product (1961)

We were the first in the Japanese housing industry to introduce metric specifications (using 1,000 mm modules), leading to the creation of more generously proportioned spaces than the use of traditional shaku-based modules (approximately 910 mm). In addition, we enhanced design freedom by developing our Universal Frame System, an original steel frame construction method. We also adopted aluminum window sashes to improve thermal insulation performance.



▶ First Production Base (Shiga Factory[1]) Opened (1961)

We established our first production base to meet 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. Our current production system comprises six locations in Japan and overseas.



1 Stopped production March 31, 2009

▶ Direct Sales and Design-Build System Established (1964)

Sekisui House transitioned from using sales agents to direct sales. We also established our design-build system, in which we take full responsibility from contract until completion and also provide after-sales service. We also established the Sekiwa Construction (now Sekisui House Construction) companies to guarantee high quality by conducting foundation work in-house.



▶ Demonstration of the Seismic Resistance of Our Houses (1979)

We conducted the first set of full-scale vibration experiments on a pre-engineered house at the National Research Center for Disaster Prevention (now the National Research Institute for Earth Science and Disaster Prevention). Repeated verification using the most sophisticated shaking table then available proved that our house was able to withstand powerful earthquakes.



▶ Long-Term Warranty System Initiated (1982)

After the launch of Japan's Housing Performance Warranty Program covering defects in newly built houses, Sekisui House collaborated with the Japan Prefabricated Construction Suppliers and Manufacturers Association to revise the Voluntary Standards for Prefabricated Housing. Based on the belief it was our responsibility as a corporation to address complaints directly, these changes extended the warranty on the framing and waterproofing of new houses from two to ten years.

▶ Customer Service Centers Established (1987)

We established Customer Service Centers to provide after-sales service and conduct business activities based on direct dialogue with owners so that they can enjoy living in their homes with peace of mind for many years to come. In 2004, we also opened centers that operate outside of normal business hours to offer emergency repairs and consultations at any time.



The People Who Support Our Innovation

We believe that employees are the source of our innovative technologies and services, and that human resource development is essential to our goal of becoming a leading company in ESG management. Since our founding, we have implemented initiatives to develop the human resources who will support Sekisui House and ensure that our technologies are passed on.

Developed human resources, including technicians

- **Development of skills for each job type and rank**
- **Created educational training centers, training schools and ability tests**
- **Established in-house certification program and education and training requirements**



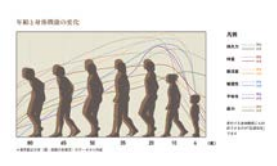


The Fruits of Our Innovation

Improved housing performance

Created the Lifetime Housing Concept

Shifted from a focus on housing designed specifically to accommodate the elderly and people with disabilities to housing that can be used by all people for a lifetime. Established the "comfortable living—now and always" housing design concept.





Providing Peace of Mind to Customers

Through direct sales and the design-build system, the long-term warranty system and the Customer Service Centers, we established a framework for providing tremendous peace of mind to customers.

Comprehensive Housing R&D Institute Opened (1990)

We established the Comprehensive Housing R&D Institute to test and evaluate basic aspects of housing performance and conduct R&D of advanced technologies. The institute plays a key role in Sekisui House's technological R&D.



Phase 2 (1990–2020)

Comfort and Eco-Friendliness

A 30-Year Focus on Comfort and the Environment

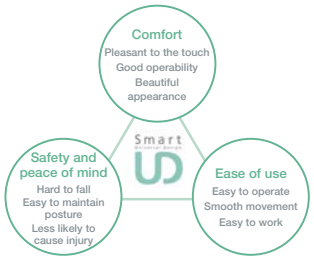
As environmental issues and climate change became more apparent worldwide, Sekisui House led other companies in further enhancing superior technologies in areas such as seismic resistance, durability and thermal insulation to realize comfort—a priority for residents—alongside eco-friendliness through energy-saving housing and other measures. We also focused on providing comfort and eco-friendliness for entire communities through town development and urban redevelopment projects.

Innovations

In addition to addressing the need for housing that provides shelter offering safety and peace of mind, we continued to hone our wide-ranging technologies to develop the most sophisticated approaches to meeting residents' needs for comfortable living.

Full Application of Universal Design (2002)

Drawing on our lifetime housing concept, we apply Sekisui House Universal Design (SH-UD) to all of our detached houses to make daily life easier for residents. Since 2010, we have evolved these efforts into smart universal design, an approach that also incorporates comfort. We also commenced efforts to develop human resources with the skills to advance housebuilding from a universal design perspective, and have since focused on providing comfort through design.



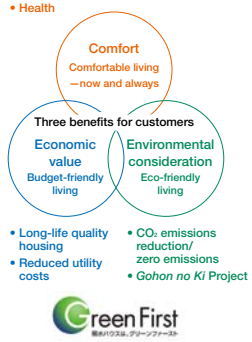
Improved Insulation Performance (2003)

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—as standard for all of our newly built detached houses. Doing so improved floor insulation performance by about 20%, helping reduce environmental impact.

Green First Strategy Launched (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 thermal insulation and energy-saving technology while offsetting 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. The Green First house has now evolved into our net zero energy house (ZEH).





Slow Living Proposals (2010)

We launched sales of Slow Living proposals that connect indoor and outdoor space. Using a scientific approach, our analyses of comfort led to the development of large sliding glass doors with fully recessed bottom sashes that open to create a large continuous space from inside the house to outside under the eaves.



Human Life R&D Institute Opened (2018)

The Human Life R&D Institute studies "houses where happiness grows the longer you live there." It conducts surveys and research on living and lifestyles with the aim of fostering well-being through intangible value. This research promotes next-generation housebuilding based on the integration of technologies and lifestyle design to address diversifying lifestyles.

Houses where happiness grows the longer you live there



The People Who Support Our Innovation

We are advancing a variety of initiatives in line with our belief that promoting employee diversity will encourage innovation and communication and thus help foster a vibrant culture across the Group, leading to further enhancement of corporate value.

Promoted diversity

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





The Fruits of Our Innovation

Developed advanced technologies

Original SHEQAS Seismic Control System

SHEQAS dampers absorb shaking by converting seismic energy into heat. The system can reduce building deformation by more than 50%[2] and maintains its effectiveness even after multiple large earthquakes or aftershocks.

2 In comparison to Sekisui House's seismic resistant structures without the SHEQAS system



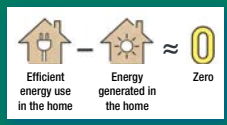


Airkis High-Quality Indoor Air System

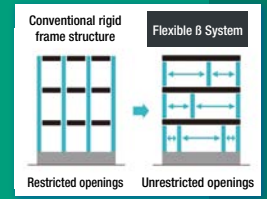
This system reduces levels of airborne chemicals (such as formaldehyde) to levels safe for children, who are the most sensitive, while providing ventilation and air purification to create a comfortable indoor air environment.

Green First ZERO (ZEH)

Our Green First houses have now evolved into net zero energy houses (ZEH).



Flexible ß System



These heavy-gauge steel rigid structures use high-strength pillars and beams to eliminate the need for multi-story pillars. Pillars can be positioned freely on each floor, enabling flexible floor plans with such features as corner windows.

Phase 3 (2020–)

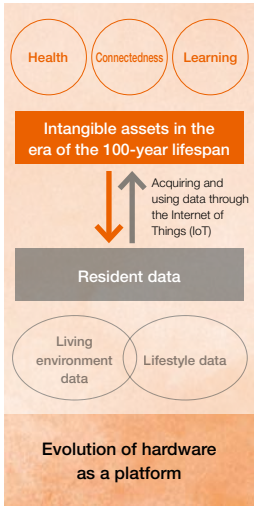
Health, Connectedness and Learning

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

The COVID-19 pandemic has increased time spent at home and changed lifestyles. This has led to growing interest in and demand for home ownership and caused living-related needs to diversify. As we enter the era of the 100-year lifespan, Sekisui House will accelerate the provision of new value through the integration of technologies, lifestyle design and services.

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 new initiatives that are closely attuned to the lives of residents.



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 housing needs.

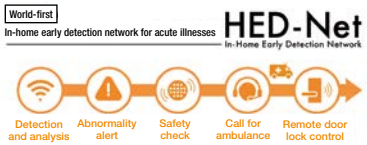
The Platform House Concept

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. Through Platform House, we will install homes with services related to health, connectedness and learning that are tailored to each resident.



—HED-Net In-Home Early Detection Network for Acute Illnesses (2020)

HED-Net, is the first service in the world that uses contact-less sensors installed in the home to detect heartbeat and respiration and send an alert to emergency call centers for safety confirmation in the event that an abnormality is detected. We are currently advancing pilot tests toward commercialization.



—PLATFORM HOUSE touch (2021)

PLATFORM HOUSE touch is the first product launched under our Platform House Concept. This smart home service employs a floor plan-linked interface to enable the remote control of home devices from inside or outside using the big data of the house.



—SUITE CONCIER (2022)

SUITE CONCIER is the second product launched under our Platform House Concept. This website introduces an array of services based on the four themes of health, connectedness, learning and living (such as medical consultations, online foreign language lessons, and art rental) to increase the experience-based value that contributes to customer well-being.

The People Who Support Our Innovation

We are committed to supporting the self-directed career development of employees and conducting initiatives to foster an innovative corporate culture.

Self-Directed Careers

- Creation of the next generation of leaders
- Employee engagement
- Sekisui House Innovation & Performance (SHIP) Awards Program

SHIP Sekisui House Innovation & Performance Awards



The Fruits of Our Innovation

Providing high added value

Family Suite

Family Suite integrates advanced technologies with lifestyle design to realize a wide-open space that breaks away from the living room, dining room and kitchen (LDK) configuration that is typical in Japan.



SMART-ECS

Combining three systems for zoning, ventilation and air purification, SMART-ECS keeps air inside the home clean while also controlling temperature.



Integration of technologies, lifestyle design and services

We are integrating technologies and lifestyle design proposals with the Platform House Concept to install housing with services related to health, connectedness and learning.



Sekisui House's Material Issues

Sekisui House contributes meaningfully to resolving environmental and social issues through its businesses. In 2022, we revised our material issues in line with an update of our corporate story after reexamining the impacts of our businesses that are both important to our stakeholders (such as customers, business partners, employees, shareholders, investors and local communities) and significant for 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.



Process of Identifying Material Issues

Our material issues: Encompassing the Group's key tasks from its founding to the future as well as its social mission

Reconfirming key themes that embody the Sekisui House Group

Tracing the history of the Sekisui House Group back to its founding, we reconfirmed eight themes[1] that are both universally present and important throughout the Group's past, present and future businesses and initiatives.

1 Seismic resistance; beauty and aesthetics; ecosystem preservation/biodiversity; heat resistance and CO_2 reduction; health, connectedness and learning; maintaining jobs and human resource development; resource recycling; and coexisting with local communities

Crafting the corporate story based on key themes

We identified keywords that evoke these eight themes and the links between these keywords and the Sekisui House Group's businesses and initiatives. We reaffirmed how the innovations we have produced and the human resources who have made them possible align with our fundamental philosophy of love of humanity and, from these two perspectives, crafted the Sekisui House Group's corporate story, organized into 30-year phases.

Distilling the corporate story into three material issues

From our corporate story, we identified the three keywords of "creation of high-quality housing stock," "contributing to a sustainable society" and "diversity and inclusion." We reaffirmed that these constitute the very DNA of the Sekisui House Group and, as solving social issues is the Sekisui House Group's overarching mission, selected them as our material issues.

Creation of corporate story, designation of phases → Selection of material issues → Exchange of opinions with representative directors of the Board → Discussion and approval by the ESG Promotion Committee → Approval by the Board of Directors

Sekisui House's Material Issues

Group Vision and Material Issues

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 homeowner value 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 pursue in order 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.

Global Vision

Make home the happiest place in the world



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



Become a leading company in ESG management



Make Sekisui House technologies the global de facto standard

Our philosophy

Love of Humanity

Corporate Philosophy

Material Issues

Priority issues to address in order to practice love of humanity and realize our two visions







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

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

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

Proactively Contributing to a Sustainable Society
Establishing an Autonomous Governance Structure that is Responsive to Changes in the Environment

Sekisui House's Material Issues

Our Material Issues and the Value We Provide

Since its founding, Sekisui House has delivered wide-ranging value as part of its unwavering commitment to customer happiness, societal happiness and employee happiness through its businesses based on its Corporate Philosophy of love of humanity. Sekisui House's value to society lies in all we have done over our history of more than 60 years, which is also closely related to our material issues.

Based on this understanding, in 2022 Sekisui House identified the 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

Realizing Happiness in the Era of the 100-Year Lifespan

Sekisui House's key issues and mission from its founding to the achievement of the global vision

Material Issues

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

Value Provided

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

(Added value established) Corporate Story

- Phase 3 (2020–): Health, Connectedness and Learning — Providing high added value/Self-directed careers
- Phase 2 (1990–2020): Comfort and Eco-Friendliness — Developed advanced technologies/Promoted diversity
- Phase 1 (1960–1990): Safety and Peace of Mind — Improved housing performance/ Developed human resources, including technicians

Our Corporate Philosophy of Love of Humanity

Sekisui House's Material Issues

The Sekisui House Technology and Mindset Behind Our Material Issues

Creation of High-Quality Housing Stock

Technology to Improve Housing Performance Creates Safety and Peace of Mind

Sekisui House focuses intensely on the ground and foundation, which are key to the useful life and precise construction 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 to improve the consistency of quality, reduce labor and enhance durability. In 1992, we launched our proprietary 1660 Foundation that features a direct joint between framing and slab. As a result, none of our buildings were completely or even partially 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 the effects of its aseismic technology for realizing safety and peace of mind. Seismic resistance, seismic control and seismic isolation technology are our three types of aseismic approaches, and we have been conducting proof-of-concept tests on the seismic resistance of our buildings since 1979. That none of our buildings were destroyed by the Great Hanshin-Awaji Earthquake demonstrated not only the effectiveness of our foundations, but also the outstanding seismic resistance of our structures. 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.



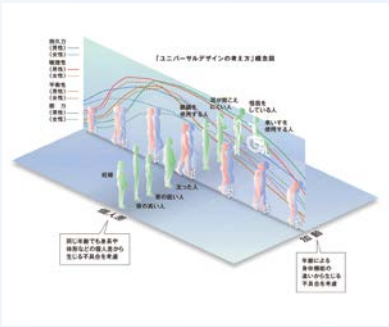
These innovative technologies we develop and put to use also contribute to the extended useful life of housing.

SHEQAS original seismic control system

Pursuing Comfort with Our Lifetime Housing Concept

Committed to comfortable housing, we improved thermal insulation performance in our CENTRAGE Σ homes by making high-performance, multi-layer, heat-insulating glass standard in 1996. Then, in 1999, we adopted next-generation energy-saving specifications as standard in the GRENIER-DYNE series. We subsequently made these features standard in all detached houses, which has helped to reduce environmental impact. Our considerations for the comfort of all residents, such as making the Airkis high-quality indoor air system standard in all detached houses, have now evolved into our net zero energy house (ZEH).

In 1989, Sekisui House established its lifetime housing concept of "comfortable living—now and always." Lifetime 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's roots go back to our research into housing for the elderly and persons with disabilities beginning in 1975. As a design concept, it is a clear expression of our Corporate Philosophy of love of humanity. We built on this research and experience to establish Sekisui House Universal Design (SH-UD) in 2002. Today, we apply SH-UD that makes living easy in all of our detached houses.



Sekisui House's Universal Design (Japanese only)

Asset Value Creation through Enhanced Beauty and Branding

In 1973, the number of homes exceeded the number of households in all prefectures of Japan, initiating an era of quality over quantity in the housing market. Sekisui House had been customizing home designs for each customer since its establishment, and in 1971 pivoted to higher-quality pre-engineered housing that addressed customer needs 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, which were first to use our independently developed Dyne Concrete exterior wall materials. Customer response was highly favorable, thanks to the expressive exterior design, texture and sophisticated elegance of Dyne Concrete, as well as its 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 for a century, 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 flagship product.



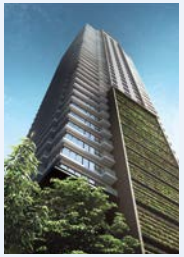
The Bellburn earthenware exterior wall panels we released in 2001 suggest fine stoneware pottery, appealing to customers who are discerning about design. Developed for the exterior walls of our SHAWOOD wooden-frame houses, these panels contribute to the upscale image of the SHAWOOD brand.

Detached house product information (Japanese only)

Town Development Concepts for Increasing Asset Value Over Time



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. This is the essence of our concept of *keinen bika*—creating a landscape that grows more beautiful over time. Houses form the basis of daily life, and together form a town, which is a setting that supports the lives of the inhabitants. Interaction among the residents of a town nurtures the local community and culture, and eventually the formation of social assets, leading to regional revitalization. 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 an ethos of the commons that emphasizes lifestyles with a focus on community connections 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 apply the expertise we have gained in community development to Sha Maison rental housing, GRANDE MAISON condominiums, mixed-use development and office building development. We deploy this expertise internationally, and our commons ethos is central to the Gledswood Hills community 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.



Sekisui House's town development (Japanese only)

Extended Useful Life of Housing for the Era of the 100-Year Lifespan

Sekisui House is extending the useful life of homes through after-sales maintenance and the remodeling businesses as part of providing homes for the era of the 100-year lifespan. We systematized the management of 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 attentive service even after we deliver homes to customers so that they can enjoy living that is "comfortable—now and always" over 20, 30 or even 50 years as their family structure and lifestyle change. To this end, 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.



Robust after-sales support (Japanese only)

Contributing to a Sustainable Society

Our Social Mission: From Reducing Environmental Impact to Decarbonization

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 common use, our action guidelines and strategies for specific actionable goals reflected the climate change issues that have come to the fore worldwide as a result of global warming. They are representative of our corporate commitment and social mission as a housing manufacturer to think about and act on solutions to environmental issues. Today, our basic environmental guidelines and environmental action guidelines are applied in our ongoing environmental initiatives, such as ZEH, to make Sekisui House a leading company in ESG management within the housing industry.



Sekisui House’s environmental initiatives (Japanese only)

Biodiversity Conservation and Resource Recycling through Our Business Activities

Since 2001, Sekisui House has been implementing the *Gohon no ki* Project to promote ecosystem-friendly landscaping and greening to conserve biodiversity through its businesses. “*Gohon no ki*” means “five trees” in Japanese, and the project concept encourages planting native tree species suitable for gardens—three of every five for birds and two for butterflies. 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





local fauna. In the more than 20 years since the initiative was launched, over 19 million trees have been planted. 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. In 2022, we held the project’s second forum.

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 ecosystem networks through our businesses. In addition, in 2007, we formulated and implemented our own set of ten Wood Procurement Guidelines.

In addition, Sekisui House believes it must recycle resources to support the lives of all people. We were among the first in the construction industry to establish resource recycling centers at each of our factories in 2003. In addition to recycling waste and suppressing its generation, we are also focusing on after-sales service and the remodeling businesses so that the materials in housing can continue to be used over the long term as social stock, with the goal of making optimal use of resources throughout the product lifecycle.



Housebuilding in harmony with the environment (Japanese only)

Diversity and Inclusion

Continually Enhancing Human Resource Development in Step with Evolving Needs

Sekisui House has been focusing on developing its people since its founding in 1960. We initially emphasized on-the-job training through actual work, but in the 1980s, competition in the housing industry intensified, driven by diversifying lifestyles brought on by high economic growth. We quickly accelerated human resource development, including training for sales personnel to meet needs for reinforced sales capabilities.

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 their content. We also have a well-developed in-house certification program to

help technicians improve their skills. Certification presently extends to qualified in-house personnel in the design and construction departments, encompassing Chief Architects, Chief Constructors, Structural Planning Specialists and Platinum Specialists. In addition to such initiatives to hone specialized skills, we are currently promoting frameworks to enhance the skills and motivation of all employees to increase their autonomy. An additional personnel development theme is self-directed career development, aimed at nurturing people who can achieve customer satisfaction because they proactively take action to independently develop their own capabilities based on a personal vision of their future. We believe that the alignment of such human resources with the various directions in which the Company is pushing will generate unlimited human resource value.



→ P.187–191 Developing Human Resources

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 runs through our Corporate Philosophy of love of humanity. Formalized in 1989, this love serves as our core value and forms the basis of our contribution to society, to which we all belong.

The spirit of “a community with a common destiny” is not limited to our inner circle. The housing industry depends on wide-ranging cooperation among many people, so strong ties with partner building constructors and other 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. Through 1987, we added schools in Ibaraki, Shiga and Yamaguchi, bringing the total to four locations nationwide.[1] These schools differ significantly from general training centers. They cover not only practical techniques for housing construction, but also subjects ranging from socially responsible behavior and adult education to the spirit of the Sekisui House Group. We believe that the Group’s spirit is key to making customers happy, so we must impart it to human resources along with practical skills.



Our unique examination and certification system helps to enhance our construction capabilities. We initiated Chief Technician certification in 1983, then established the Sekisui House Remodeling Meister System 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 constructors.

1 Currently three locations, following the closure of the Kanagawa school.

→ P.44 Technical and Construction Human Resources Support Our Core Competencies

Sekisui House’s construction framework (Japanese only)

Sekisui House’s construction business/Sekisui House Construction (Japanese only)

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 a home for employees, so we seek to make it happy for them by respecting employee diversity, enhancing relevant systems, advancing workstyle innovation and empowering self-directed career development.



Since 2004, Sekisui House has introduced various systems with an emphasis on diverse workstyles. Notable 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 is representative of our efforts to support career advancement and self-directed development. 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 career 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.

In terms of respect for diversity, we are expanding 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 established a system for registering partners in common law or same-sex marriages in 2019 as part of efforts to promote understanding and support for the professional participation of LGBTQ individuals and other sexual minorities in the workplace, which we see as important to our goal of providing housing that offers peace of mind and happiness for all. In recognition of these efforts, we received Rainbow Certification under the PRIDE Index 2022. We also established 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.



Diversity & Inclusion

Sekisui House's Material Issues

Realizing Customer Happiness

Creation of High-Quality Housing Stock and KPIs



Aiming to deliver the highest quality and technology, Sekisui House provides housing of value in which customers can live for generations by pursuing beautiful exterior design and outstanding housing performance that realizes safety, peace of mind and comfort.

Value Provided

Safety, peace of mind and comfort

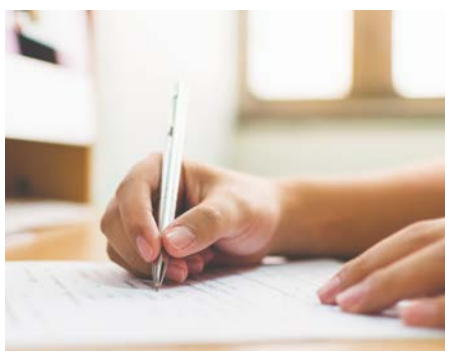
Safety, peace of mind and comfort are the most basic and important factors in housing. Sekisui House regards providing value in the form of these factors to customers, to help them realize long-term happiness, as its mission. To better understand this value from the customer perspective and monitor progress, we have established two KPIs. The FY2022 results are as follows.

✓ Target met ✗ Target unmet

1. Detached house customer satisfaction rate

FY2021 result	FY2022 result	FY2023 target
96.0% (Target: 95% or higher)	✓ 96.3% (Target: 95% or higher)	95% or higher

This indicator shows the percentage of customer survey responses that selected one of the top three options for satisfaction.[1] In FY2022 it remained high, at 96.3%. We received favorable feedback thanks to improvements made based on previous survey results and the provision of services based on the comprehensive strengths of our sales, design, construction and after-sales service staff.



1 Detached house and rental housing owners are surveyed one year after move-in and two years after closing, respectively. The survey includes an overall satisfaction rating on a seven-point scale (very satisfied, satisfied, fairly satisfied, neutral, slightly dissatisfied, dissatisfied and very dissatisfied); evaluations of satisfaction with the building, its various components, energy generating equipment and Sekisui House staff; and a section for comments. Survey results are used to enhance service, develop new components and products, and improve design and construction.

2. Rental housing occupancy rate

FY2021 result	FY2022 result	FY2023 target
97.9% (Target: 97% or higher)	✓ 97.8% (Target: 97% or higher)	97% or higher

This indicator shows the occupancy rate of Sha Maison rental housing managed through subleasing.[2] In FY2022 it met our target, at 97.8%. In addition to continuing to provide new high-quality, high-performance rental housing, such as Sha Maison ZEH and properties with hotel-like styling, we are promoting renovations of existing properties, including changing floor plans and installing new equipment. In addition, we are promoting happiness in rental living through efforts to integrate technologies, lifestyle design and services, such as the provision of services through an app for residents.



2 The Sekisui House Real Estate companies have been offering subleasing for more than 40 years, reducing the hassle and risk of operating rental housing for owners while realizing stable-long term operations. Owners are paid a fixed monthly rent for the property regardless of vacancies, and the Group provides total leasing and operational support encompassing finding tenants and building maintenance and management.

Value Provided

Asset value creation

Increasing the asset value of housing requires more than the basic housing functions of safety, peace of mind and comfort. We believe it is also important to make lifestyle proposals in line with customer preferences and life plans, and, from the perspective of community development, to focus efforts on keinen bika, the concept of creating a landscape that grows more beautiful over time. The Sekisui House Group has designated three KPIs for understanding the value it provides through asset value creation. The FY2022 results are as follows.

✓ Target met ✕ Target unmet

3. New proposals of technologies, lifestyle design and services

FY2021 result	FY2022 result	FY2023 target
Launched Family Suite Home Premium II	✓ Launched SUITE CONCIER	Only results are disclosed

This indicator highlights achievements related to new proposals that integrate the advanced technologies Sekisui House has accumulated, the lifestyle design proposals developed by the Human Life R&D Institute, and intangible assets (services) in such areas as health, connectedness and learning. In FY2022, we launched SUITE CONCIER, a service that helps customers realize happy living.



SUITE CONCIER
スイート コンシェル



Services to redecorate familiar spaces to feel special



Services that further enrich daily living

4. Platform House Concept to help customers achieve happiness in the era of the 100-year lifespan

KPI until FY2022

FY2021 result	FY2022 result	FY2023 target
Launched PLATFORM HOUSE touch	✓ Adoption of PLATFORM HOUSE touch in new orders received 43%	Expand to Group companies

The Platform House Concept is an approach to housebuilding that entails providing services in the areas of health, connectedness and learning to help residents accumulate intangible assets. In FY2022, PLATFORM HOUSE touch was adopted in 43% of new detached house orders received, despite sales restrictions due to the global semiconductor shortage. Going forward, we will roll out these offerings at Group companies and expand services.



5. Internal standard for evaluating detached houses with exterior design and greenery that beautify the community (residence evaluation)

FY2021 result	FY2022 result	FY2023 target
68% (Target: 50% or higher)	✓ 77.5% overall Third-range products: 83.9% (Target: 70% or higher overall; Third-range products: 85% or higher)	80% or higher overall Third-range products: 90% or higher

This indicator is calculated based on our residence evaluation,[1] which we created for detached houses in 2017 to promote the creation of beautiful houses that will be assets to their communities. Houses are evaluated on 10 items related to landscaping and greenery planning and building exterior design to objectively assess consideration for the environment and townscape. In FY2022, 77.5% of our detached houses met the internal standard, once again meeting the annual target, but this figure was 83.9% for third-range houses, falling short of the target.





1 Houses are given a rating from one to five stars; the KPI is the percentage with four stars or higher.

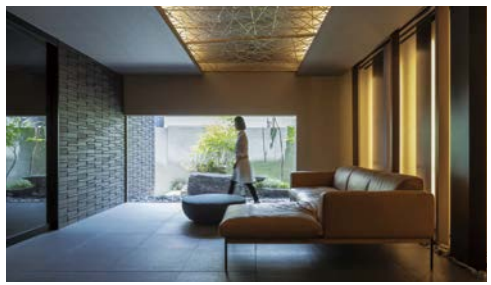
6. Internal standard for evaluating the townscape attractiveness of rental housing that emphasizes resident safety, peace of mind and comfort (Sha Maison Gardens)

Target met Target unmet

FY2021 result	FY2022 result	FY2023 target
55% (Target: 50% or higher)	✓ 56% (Target: 55% or higher)	57% or higher

For rental housing, we have established "four environmental premiums[1]" as a unique standard for evaluating properties in terms of townscape attractiveness and the resident's perspective. Properties deemed highly appealing are internally deemed "Sha Maison Gardens.[2]" In FY2022, 56% of properties met this standard, up from the previous year, helping to improve living environments for residents and asset value for owners.

1 This KPI is calculated as the percentage of rental housing that satisfies our criteria across all four of the following categories: 1. Enhancing townscape attractiveness, 2. Keinen bika, the concept of creating a landscape that grows more beautiful over time, 3. Safety and peace of mind, and 4. Comfort.
2 Refers to properties that receive at least four stars in our four environmental premium evaluation.





Value Provided

Extended useful life of housing

The construction industry is facing calls to transition from a consumption-based model of building and demolition to a stock-based model of building high-quality structures, properly maintaining them, and using them with care over the long term. Aiming to maximize asset value for owners, the Sekisui House Group has designated the extended useful life of housing as a form of value it provides and established two related KPIs for its efforts to promote the transition to a stock-based model. The FY2022 results are as follows.

7. Percentage of detached houses certified as Long-Life Quality Housing

FY2021 result	FY2022 result	FY2023 target
93.4%	✓ 92.1% (Target: 90% or higher)	90% or higher

This indicator shows the portion of the detached houses provided by the Group that have received official certification as meeting the standards of the Japanese government's Long-life Quality Housing Certification Program.[3] In FY2022, it remained roughly level with the previous year at 92.1%, reflecting our use of superior technologies to provide housing that is safe and comfortable over the long term.

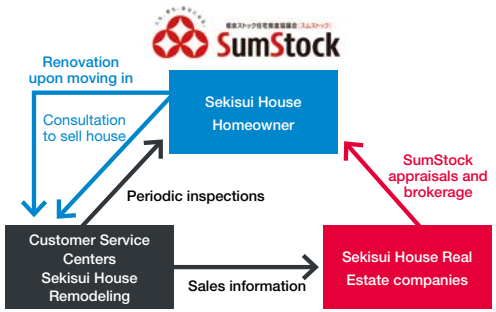
3 Standards for detached houses: Houses must meet certification standards in such areas as anti-degradation measures, seismic resistance, energy efficiency, ease of maintenance and updating, living environment, floor area, maintenance and preservation plan, and disaster considerations.



8. Ratio of SumStock housing in the Group's existing home transactions

FY2021 result	FY2022 result	FY2023 target
70%	✗ 63% (Target: 75% or higher)	800 contracts (indicator changed to the number of contracts from FY2023)

This indicator shows the portion of existing houses handled for resale by the Group that are SumStock certified.[4] Under the SumStock initiative, the Sekisui House Real Estate group applies clear standards to accurately evaluate the asset value of high-quality existing houses built by Sekisui House. We are promoting Group coordination to extend the useful life of housing and promote the resale circulation of existing houses. In FY2022, this KPI came to 63%, below the annual target.



4 Houses in Japan are used for an average of about 30 years, far shorter than in most other countries. In 2008, in response to the need for mechanisms to promote the use of high-quality existing houses as social assets passed on from one resident to the next, 10 major homebuilders established the Provision of Quality Housing Stock Association, which certifies housing built by its members that meets common standards as SumStock housing.

Material Issue Initiative Themes and KPIs

To create high-quality housing stock, we have designated the following KPIs for the three years of the Sixth Mid-Term Management Plan, grouped by three types of value we provide: Safety, peace of mind and comfort; asset value creation; and extended useful life of housing.

Value Provided	No.	Indicator	Officer remuneration indicator PSU[1]			Mid-Term Management Plan		Used as president commendation ESG indicator	FY2022		FY2023	FY2024	FY2025	Remarks
			1	2	3	Fifth	Sixth		Targets	Results	Targets	Targets	Targets	
Safety, peace of mind and comfort	1	Detached house customer satisfaction rate							95% or higher	96.3%	95% or higher	95% or higher	95% or higher	
	2	Rental housing occupancy rate							97% or higher	97.8%	97% or higher	97% or higher	97% or higher	
	3	Housing units sold in the overseas business (New)					○			—	—	—	10,000	
Asset value creation	4	New proposals of technologies, lifestyle design and services							—	SUITE CONCIER launched	—	—	—	Only results are disclosed
	5	Patent applications (R&D) (New)								109	100	100	100	
	6	Internal standard for evaluating detached houses with exterior design and greenery that beautify the community (residence evaluation)						○	70% or higher overall Third-range products: 85% or higher	77.5% overall Third-range products: 83.9%	80% or higher overall Third-range products: 90% or higher	80% or higher overall Third-range products: 90% or higher	80% or higher overall Third-range products: 90% or higher	4 stars or higher
	7	Internal standard for evaluating the townscape attractiveness of rental housing that emphasizes resident safety, peace of mind and comfort (Sha Maison Gardens)						○	55% or higher	56%	57% or higher	58% or higher	60% or higher	4 stars or higher
	8	Rental housing units renovated (New)					○			6,035	6,800	7,600	8,400	
Extended useful life of housing	9	Percentage of detached houses certified as Long-Life Quality Housing							90% or higher	92.1%	90% or higher	90% or higher	90% or higher	
	10	Ratio of SumStock housing in the Group's existing home transactions (Contracts reached for the resale of SumStock existing houses)[2]							75% or higher	63%	800	860	900	

1 PSU = Performance Share Unit (performance-related stock remuneration): PSU1 = FY2020 to FY2022; PSU2 = FY2021 to FY2023; PSU3 = FY2022 to FY2024
2 Beginning with the target for FY2023, this indicator has been changed from the percentage of SumStock housing to the number of contracts reached for SumStock housing.

Sekisui House's Material Issues

Realizing Societal Happiness

Contributing to a Sustainable Society and KPIs



Sekisui House views harmony between people, communities and the Earth, as well as solving social issues, as its social mission, and works to contribute to a sustainable society though its businesses, including the supply chain.

Value Provided

Decarbonization

Approximately 16% of all CO_2 emissions in Japan are attributable to the residential sector. Given this, enhancing and reinforcing measures to improve thermal insulation and save energy in Japan's housing is essential. As a housing provider, the Sekisui House Group believes that to address this issue, it must first promote the uptake of energy efficient housing. Accordingly, we have established eight KPIs related to the value we provide in the form of decarbonization. The FY2022 results are as follows.

✓ Target met ✕ Target unmet

9. Ratio of detached house ZEH / 10. Number and ratio of ZEH units for rent / 11. Number and ratio of ZEH condominiums for sale

	FY2021 result	FY2022 result	FY2023 target
Detached houses	92% (Target: 89% or higher)	✓ 93% (Target: 90% or higher)	90%
Rental housing	8,501 units (Target: 1,800 units)	✓ 65% / 15,064 units (Target: 50% / 2,500 units)	70%
Condominiums	192 units / 39.4% (Target: 196 units / 35%)	✓ 585 units / 88.8% (Target: 540 units / 85%)	100%

Detached Houses This indicator shows the portion of detached houses[1] that Sekisui House built during the fiscal year that were ZEH.[2] In FY2022, this came to 93%, once again meeting the annual target and far exceeding the ZEH rate for Japan as a whole of 18.5%.[3] The cumulative number of ZEH houses sold since we launched sales in FY2013 reached 76,509 (as of March 2023).

1 Excluding built-to-order and built for-sale housing in Hokkaido
2 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
3 Data based on ZEH builder performance reports from the Sustainable open Innovation Initiative

Rental Housing This indicator shows the portion of orders for Sha Maison rental housing received during the fiscal year that were ZEH units.[4] In FY2022, this came to 15,064 units, up significantly from the previous fiscal year. Sha Maison ZEH can reduce CO_2 emissions by 93%[5] compared with ordinary rental housing, and the benefits to residents of being able to sell electricity to the grid have been well received. By promoting the widespread use of this housing, we will help realize a decarbonized society.

Condominiums This indicator shows the cumulative number and percentage[6] of completed ZEH units among Sekisui House's GRANDE MAISON condominiums for sale. In FY2022, the cumulative total reached 585 ZEH condominium units and a ratio of 88.8%, achieving the annual targets. Using double-glazed windows with excellent thermal insulation performance, we maintain the views afforded by large windows, a major appeal of condominiums, while also meeting ZEH standards and preserving comfort.



4 ZEH Ready or higher grade units (includes only units in which individual residents can sell electricity to the grid; number of units was used as a KPI through FY2021). For multi-unit housing complexes, the government defines four types of ZEH standards for both buildings and individual units: "ZEH" is capable of reducing net primary energy consumption by 100% or more; "Nearly ZEH" represents a reduction of more than 75%; "ZEH Ready" represents a reduction of more than 50%, and "ZEH Oriented" represents a reduction of more than 20%.
5 Calculated by Sekisui House for the 447 Sha Maison ZEH units built in FY2019 based on the primary energy consumption calculation results of the Building Research Institute's energy consumption performance calculation program (excludes energy consumption for cooking and household electronics).
6 Cumulative number of completed units ranked ZEH Oriented or higher grade. The percentage is that of ZEH Oriented or higher grade units among all units sold in the fiscal year.

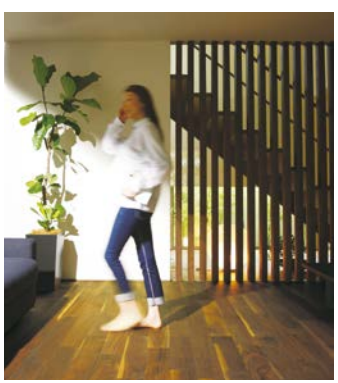
12. Number of *Idocoro Dan-netsu* houses (location-based insulation upgrades)

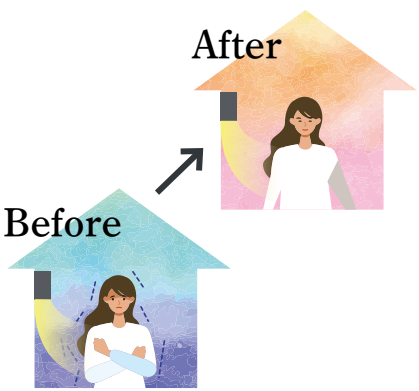
FY2021 result	FY2022 result	FY2023 target
1,338 units (Target: 1,200 units)	✓ 1,601 units (Target: 1,250 units)	1,800 units

This indicator shows the number of houses that underwent *Idocoro Dan-netsu* remodeling[1] to efficiently improve thermal insulation performance through partial insulation and insulation remodeling focused on the living room, dining room and kitchen area, where people spend most of their time. This kind of remodeling offers comfortable living even in existing houses that are more than 20 years old. In FY2022, the number came to 1,601 houses, once again meeting our annual target.

1 *Idocoro Dan-netsu* remodeling comprises two product types for houses that are more than 20 years old and have poor thermal insulation performance: "Premium," which aims to increase insulation performance to the level of newly built ZEH, and "Basic," which aims to effectively improve insulation performance with just one day of construction work.

IDOCORO
積水ハウスのグリーンファースト リノベーション
いどころ暖熱





13. Rate of CO_2 emissions reduction from new housing /
14. Rate of CO_2 emissions reduction from business operations

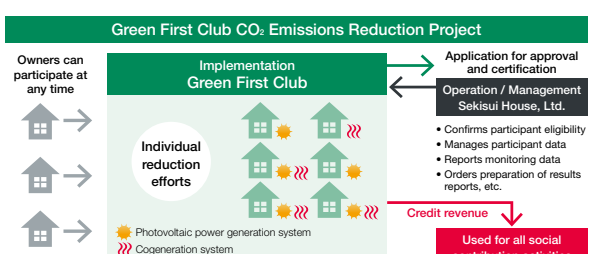
✓ Target met ✕ Target unmet

	FY2021 result	FY2022 result	FY2023 target
New housing	50.0% (Target: 45% reduction by FY2030)	✓ 55.3% (Target: 45% reduction by FY2030)	55% reduction by FY2030
Business operations	46.6% (Target: 75% reduction by FY2030)	✓ 50.9% (Target: 75% reduction by FY2030)	75% reduction by FY2030

New Housing This indicator shows the rate of reduction in CO_2 emissions attributable to energy consumption at the residential stage of new housing built by the Sekisui House Group (compared with FY2013).[2] In FY2022, this came to 55.3%, once again meeting our annual target.

Business Operations This indicator shows the rate of reduction in CO_2 emissions directly attributable to the Group's business operations (Scope 1) or indirectly attributable through purchased electricity and other energy (Scope 2) compared with FY2013.[3] As a result of such initiatives as electrifying all Company vehicles,[4] converting Company business locations to net zero energy buildings (ZEB) and promoting Sekisui House Owner Denki[5] with the aim of achieving RE100, in FY2022 this figure reached 50.9%, up from the previous fiscal year.

2 Scope 3, Category 11 emissions reduction relative to FY2013 levels. The scope of emissions was broadened for FY2022 and, for comparison, the scope of emissions in FY2013 was also broadened accordingly.
3 For more details, see the note on page 140.
4 Includes battery electric vehicles, fuel cell vehicles, plug-in hybrid electric vehicles and hybrid electric vehicles
5 An initiative to achieve RE100 by purchasing excess electric power from owners of homes equipped with solar power generation systems that have reached the post-FIT period (past the end of the feed-in tariff system's purchase period) for use in the Group's business operations.



15. RE100 achievement rate

FY2021 result	FY2022 result	FY2023 target
33.5% (Target: 25%)	✓ 55.1% (Target: 35%)	100% by FY2040

This indicator shows the portion of all electricity used by the Sekisui House Group that is renewable energy purchased through Sekisui House Owner Denki as part of efforts to achieve RE100.[6] In FY2022, it was 55.1%, meeting our annual target.

6 RE100 is an international initiative of major companies around the world aimed at using 100% renewable energy. In 2017, Sekisui House became the second company in Japan and the first in the housing industry to join RE100.

16. Supplier science-based target-setting rate

FY2021 result	FY2022 result	FY2023 target
22.2%	✓ 31.9%	80% by FY2030

This indicator shows the percentage of our major suppliers that have set SBT-verified targets.[7] In FY2022, it was 31.9%, up from the previous fiscal year.

7 Science Based Targets, a scheme for verifying corporate greenhouse gas emissions reduction targets as in line with the goals of the Paris Agreement.

Value Provided

Biodiversity Conservation

Following the rise of climate change countermeasures, there is growing momentum for biodiversity conservation around the world, leading to calls for going beyond merely conserving nature and wildlife by implementing nature-positive measures that help to restore nature. The Sekisui House Group has established two KPIs for biodiversity conservation initiatives aiming to have nature-positive effects intended to help restore severely degraded green spaces in urban areas and reduce deforestation. The FY2022 results are as follows.

✓ Target met ✕ Target unmet

17. Sustainable wood procurement rate

FY2021 result	FY2022 result	FY2023 target
97.2% (Target: 97.2%)	✕ 97.1% (Target: 97.4%)	97.4%

This indicator shows the portion of wood purchased by the Group that has one of the top two ranks (S or A) on our four-rank scale based on quantitative evaluations of the sustainability of wood purchased from suppliers in accordance with the Wood Procurement Guidelines we established in 2007. In FY2022, it fell short of the annual target, at 97.1%.



18. Biodiversity-friendly tree planting (*Gohon no Ki* Project)

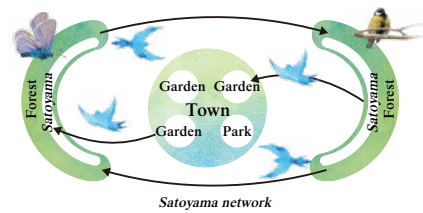
(Cumulative trees planted)

FY2021 result	FY2022 result	FY2023 target
18,116 thousand (Target: 18,000 thousand)	✓ 19,003 thousand (Target: 19,000 thousand)	20,000 thousand

This indicator shows the cumulative number of trees planted in customer gardens under the *Gohon no Ki* Project,[1] a project launched in 2001 to promote biodiversity-friendly landscaping during housing construction. In FY2022, it was 19,003 thousand, once again achieving the annual target.

1 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 project proposes the use of native tree species that are beneficial to birds and butterflies in gardens.

Gohon no Ki Project



Satoyama network

Value Provided

Resource recycling

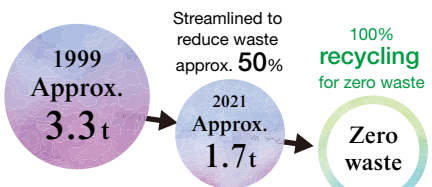
As we contemplate risk scenarios that include demand for higher-quality recycling and increased processing costs for plastic waste materials derived from fossil fuels, there is a growing need to effectively use and recycle resources and shift awareness toward a plastic-free future. Accordingly, the Sekisui House Group has designated three KPIs related to the value it provides in the form of resource recycling. The FY2022 results are as follows.

19. Waste rate (new construction)

FY2021 result	FY2022 result	FY2023 target
5.4% (Target 5.5%)	✕ 5.6% (Target: 5.2%)	5.0%

This indicator shows the amount of raw materials used in production and resource inputs for the Sekisui House Group's new housing construction that ends up as waste. An increase in non-housing properties has led to a decrease in raw materials used in production and resource inputs, and, relative to this, a slight increase in waste. As a result, this indicator came to 5.6% in FY2022, falling short of the annual target.

Waste Generated Per Residential Building Built by the Sekisui House Group



20. Waste recycling rate (new construction) / 21. Waste recycling rate (maintenance and remodeling)

	FY2021 result	FY2022 result	FY2023 target
New construction	100% (Target: 100%)	✓ 100% (Target: 100%)	100%
Maintenance	95.6% (Target: 90% or higher)	✓ 94.6% (Target: 90% or higher)	90% or higher

New construction This indicator shows the portion of waste generated in the construction of new housing that is recycled. Since achieving zero waste at new construction sites in FY2005, all waste collected at our resource recycling centers is recycled. As a result, this indicator has been 100% every year.

Maintenance This indicator shows the portion of the waste generated in the maintenance, repairs and remodeling of existing properties built by the Group that is recycled. In principle, we operate on the assumption that all waste will be recycled, as for new construction, but construction materials that contain hazardous substances, such as asbestos, cannot be recycled.

Value Provided

Coexisting with Local Communities

For the happiness of communities, and to realize dignified living for people everywhere, we seek to solve social issues from the two approaches of business activities as a housing manufacturer and social contribution activities. We have designated two KPIs related to the value we provide in the form of coexisting with local communities through our businesses and social contribution. The FY2022 results are as follows.

✓ Target met ✗ Target unmet

22. Percentage of employees joining employee-company joint donation programs

(Sekisui House Matching Program employee participation rate)

FY2021 result	FY2022 result	FY2023 target
31% (Target: 30%)	✗ 32% (Target: 35%)	— Only results will be disclosed

This indicator shows the rate of employee participation in the Sekisui House Matching Program, which matches employee donations. This corporate program was launched in FY2006 to solve social issues related to children and the environment and thus contribute to community well-being by supporting NPOs and other organizations that carry out social activities. In FY2022, the participation rate was 32%, falling short of the annual target.

Sekisui House Matching Program Framework

Employees: Desired amount withheld from salaries for donation (Participation in the program is voluntary)

Sekisui House: Contributes the matching amount as grants

Program for joint donations with employees

Sekisui House Matching Program Association

Activities supporting children and the environment

Administrative board: Six board members as well as auditors and external advisors engage in screening. (Secretariat: ESG Management Promotion Headquarters)

Application ↑ ↓ Screening and grants

Grant recipient organizations: Volunteer organizations, NPOs, educational institutions and others

23. Trip Base *Michi-no-Eki* Stations Project, a project for regional revitalization

(Cumulative)

FY2021 result	FY2022 result	FY2023 target
5 prefectures: 14 buildings 1,053 rooms (Target: 5 prefectures: 14 buildings, 1,053 rooms	✓ 10 prefectures: 23 buildings, 1,848 rooms (Target: 9 prefectures: 20 buildings, 1,582 rooms)	14 prefectures: 29 buildings, 2,336 rooms

The Trip Base *Michi-no-Eki* Stations Project is a regional revitalization project that we are developing with Marriott International. It proposes a style of travel that encourages the exploration of lesser-known destinations to discover their unique charms through use of a system of road-side rest stations known as "*Michi-no-Eki.*" We have adopted the number of hotel rooms built by the Sekisui House Group under the project as a KPI. In FY2022, we added nine buildings with 795 rooms in five new prefectures, bringing our cumulative totals to 23 buildings with 1,848 rooms in 10 prefectures and meeting our annual target.



Value Provided

Occupational health and safety & supply chain

The Sekisui House Group advances initiatives aimed at greater safety and well-being on construction sites via the thorough and ongoing practice of basic safety activities. In addition, working in cooperation with diverse suppliers, we promote sustainable procurement based on the CSR Procurement Guidelines. We have established five KPIs related to the value we provide in the areas of occupational health and safety, as well as the supply chain. The FY2022 results are as follows.

✓ Target met ✕ Target unmet

24. Frequency rate of accidents in the construction division that result in lost worktime

FY2021 result	FY2022 result	FY2023 target
2.49 (Target: 2.15)	✕ 2.55 (Target: 2.13)	2.27

This indicator shows the frequency of construction site accidents resulting in lost work time among contractors of Sekisui House, Sekisui House noie and Konoike Construction (including sole proprietors and employers). It is calculated as the number of fatalities and injuries requiring at least one day of lost work time for recovery due to occupational accidents per million working hours. In FY2022, it was 2.55, not meeting the target.

25. Occupational illness frequency rate in the construction division

FY2021 result	FY2022 result	FY2023 target
0.20 (Target: 0.33)	✕ 0.35 (Target: 0.31)	0.30

This indicator shows the frequency of occupational illness originating from construction sites among contractors of Sekisui House, Sekisui House noie and Konoike Construction (including sole proprietors and employers). It is calculated as the number of cases of occupation illness requiring at least one day of lost work time for recovery per million working hours. In FY2022, it was 0.35, not meeting the target.

26. CSR procurement coverage

KPI until FY2022

FY2021 result	FY2022 result	FY2023 target
93.8% (Target: 89.0%)	✓ 94.8% (Target: 90%)	—

This indicator shows the portion of all Group suppliers for which we carried out CSR evaluations (procurement value basis; includes major raw material manufacturers). In FY2022, it was 94.8%, fully covering major suppliers.

27. CSR procurement score

KPI until FY2022

FY2021 result	FY2022 result	FY2023 target
91.9 points (Target: 91.5 points)	✓ 92.1 points (Target: 92.0 points)	—

This indicator is the score determined via CSR evaluations of all suppliers[1] (out of a maximum of 100 points). In FY2022, it was 92.1 points, once again meeting the annual target.

1 From FY2023, this KPI has been changed to "CSR procurement human rights and labor supply chain scores."

→ P.218 4. Metrics and Targets

CSR Procurement Guidelines

28. CSR procurement human rights and labor scores

KPI until FY2022

FY2021 result	FY2022 result	FY2023 target
90.9 points (Target: 90.4 points)	✓ 92.5 points (Target: 91.0 points)	—

This indicator is the score for just the human rights and labor portions in the CSR evaluations of all suppliers (out of a maximum of 100 points). In FY2022, it was 92.5 points, once again meeting the annual target.

Material Issue Initiative Themes and KPIs

To contribute to a sustainable society, we have designated the following KPIs for the three years of the Sixth Mid-Term Management Plan, grouped by five types of value we provide: Decarbonization; biodiversity conservation; resource recycling; coexisting with local communities; and occupational health and safety & supply chain.

Value Provided	No.	Indicator	Officer remuneration indicator PSU[1]			Mid-Term Management Plan		Used as president commendation ESG indicator	FY2022		FY2023	FY2024	FY2025	Remarks
			1	2	3	Fifth	Sixth		Targets	Results	Targets	Targets	Targets	
Decarbonization	11	Ratio of detached house ZEH	○	○	○	○		○	90%	93%	90%	90%	90%	
	12	Ratio of ZEH units for rent	○[2]	○[2]	○	○	○	○	50%	65%	70%	73%	75%	Only units where individual residents can sell electricity
	13	Ratio of ZEH condominiums for sale				○		○	85%	88.8%	100%	100%	100%	
	14	Number of *Idocoro Dan-netsu* houses (location-based insulation upgrades)				○		○	1,250	1,601	1,800	—	—	
	15	Rate of CO_2 emissions reduction from new housing							—	55.3%	—	—	—	55% by FY2030
	16	Rate of CO_2 emissions reduction from business operations							—	50.9%	—	—	—	75% by FY2030
	17	RE100 achievement rate							35%	55.1%	—	—	—	100% by FY2040
	18	Rate of electrified Company vehicles (New)							—	11%	19%	32%	35%	100% by FY2030
	19	Supplier science-based target-setting rate							—	31.9%	—	—	—	80% by FY2030
Biodiversity conservation	20	Sustainable wood procurement rate							97.4%	97.1%	97.4%	97.5%	97.5%	
	21	Rate of zero-deforestation timber procurement (New)								88%	91%	92%	93%	100% by FY2030
	22	Biodiversity-friendly tree planting (*Gohon no Ki* Project)							19,000 thousand	19,003 thousand	20,000 thousand	21,000 thousand	22,000 thousand	Cumulative trees planted
Resource recycling	23	Waste rate (new construction)							5.2%	5.6%	5.0%	—	—	
	24	Waste recycling rate (new construction)							100%	100%	100%	100%	100%	
	25	Waste recycling rate (maintenance and remodeling)							90% or higher	94.6%	90% or higher	—	—	
Coexisting with Local Communities	26	Percentage of employees joining employee-company joint donation programs (Sekisui House Matching Program employee participation rate)							35%	32%	—	—	—	Only results will be disclosed from FY2023
	27	Trip Base *Michi-no-Eki* Stations Project, a project for regional revitalization							9 prefectures: 20 buildings 1,582 rooms	10 prefectures: 23 buildings 1,848 rooms	14 prefectures: 29 buildings 2,336 rooms	—	3,000 rooms	Cumulative
Occupational Health and Safety & Supply Chain	28	Frequency rate of accidents in the construction division that result in lost worktime							2.13	2.55	2.27	2.25	2.12	
	29	Occupational illness frequency rate in the construction division							0.31	0.35	0.30	0.30	0.30	
	30	CSR procurement human rights and labor supply chain scores (New)							—	85.7 points	85.8 points	85.9 points	86.0 points	

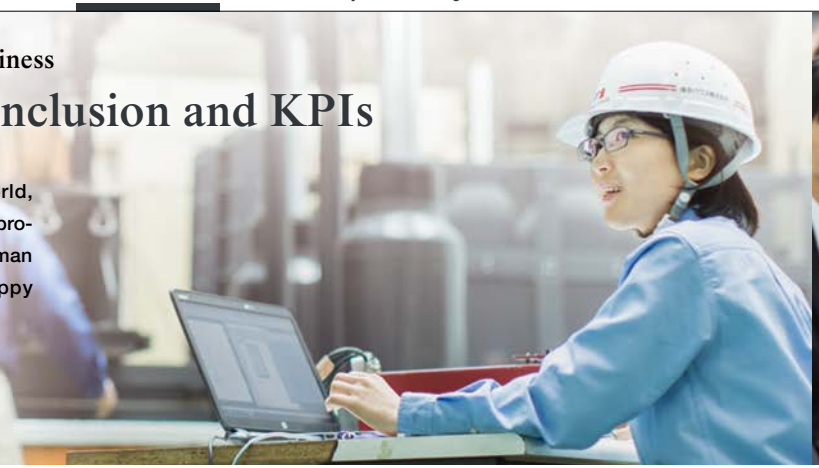
1 PSU = Performance Share Unit (performance-related stock remuneration): PSU1 = FY2020 to FY2022; PSU2 = FY2021 to FY2023; PSU3 = FY2022 to FY2024
2 PSU1 and PSU2 are determined using the number and ratio of ZEH units for rent

Sekisui House's Material Issues

Realizing Employee Happiness

Diversity and Inclusion and KPIs

To make home the happiest place in the world, employee happiness is essential. Sekisui House promotes diversity and inclusion to further its human resource development aimed at creating happy workplaces that are akin to home for employees.





Value Provided

Promote diversity

The Sekisui House Group is constantly working to create environments and mechanisms that enable employees and the Company to sustainably grow together in line with its policy for promoting diversity based on the three pillars of promoting the participation of women, utilizing diverse personnel and promoting diverse workstyles. We have designated five KPIs related to the value the Group provides by promoting diversity. The FY2022 results are as follows.

✓ Target met ✗ Target unmet

29. Number of female directors of the Board (non-consolidated basis) / 30. Number of female managers (Group basis)

	FY2021 result	FY2022 result	FY2023 target
Female directors	3 persons (Target: 3 persons)	✓ 3 persons (Target: 3 persons or more)	3 persons or more
Female managers	273 persons / 4.31% (Target: 240 persons or more)	✓ 302 persons / 4.60% (Target: 260 persons)	300 persons

Female directors of the Board To promote diversity on our Board of Directors, we have made the number of female directors of the Board an indicator. In FY2022, it was three, meeting our annual target.

Female managers This indicator shows the number of female employees in managerial positions. The targets for this indicator are also targets of Sekisui House's Action Plan for the Promotion of Active Participation by Women[1] based on the Act on Promotion of Women's Participation and Advancement in the Workplace. In FY2022, this was 302 persons, or 4.60% of all managers, meeting the annual target.



1 This plan applies to Sekisui House, Sekisui House Real Estate, Sekisui House Construction, Sekisui House noie and Sekisui House Remodeling.

31. Ratio of full-time female employees (Group basis) / 32. Ratio of female new graduates hired (Group basis)

	FY2021 result	FY2022 result	FY2023 target
Full-time employees	28.1% / 6,454 persons (Target: 27.5%)	✓ 28.9% / 6,743 persons (Target: 28.0%)	29.2%
New graduates	41.2% / 278 persons (Target: 41.1%)	✓ 44.6% / 350 persons (Target: 42.0%)	40.0%

Full-time female employees To promote the professional participation of female employees, we have made the percentage of full-time Group[2] employees who are women an indicator. In FY2022, it was 28.9%, or 6,743 persons, meeting the annual target.

Female new graduates hired This indicator shows the percentage of new graduates hired by the Group as full-time employees who are women, and is used in Group hiring plans designed to promote diversity. In FY2022, it was 44.6%, or 350 women.



2 Sekisui House, Sekisui House Real Estate, Sekisui House Construction, Sekisui House noie and Sekisui House Remodeling

33. Employment rate of persons with disabilities (non-consolidated basis)

Target met Target unmet

FY2021 result	FY2022 result	FY2023 target
2.90% (Target: 2.61%)	✓ 2.97% (Target: 2.61%)	2.97%

This indicator shows the percentage of Company employees who have disabilities. In FY2022 it was 2.97%, meeting our annual target (as of April 2023, the legally mandated rate was 2.30%). We will continue to actively promote the employment of persons with disabilities, aiming to employ and retain these individuals at every worksite.





Value Provided

Employee health and happiness

In order to continue providing new value to customers, all our employees must be mentally and physically healthy, and the Sekisui House Group must create environments that allow employees to work happily and enthusiastically. We have established four KPIs related to the value we provide in the form of employee health and happiness. The FY2022 results are as follows.

34. Rate of employees opting for the secondary medical checkup

FY2021 result	FY2022 result	FY2023 target
97.8% (Target: 89%)	✓ 98.7% (Target: 98.0%)	95%

This indicator shows the portion of employees who opt for optional secondary medical checkups during annual mandatory checkups. It has been adopted to promote the maintenance and improvement of employee health. Figures for FY2022 and earlier are for sales divisions only. From FY2023 onward, we plan to disclose it for all divisions of Sekisui House (non-consolidated basis).



35. Walking Challenge participants and average step count

FY2021 result	FY2022 result	FY2023 target
19,691 persons / 5,641 steps	✓ 20,816 persons / 6,600 steps	— (Only results are disclosed)

This indicator shows the number of employees who participated in Walking Challenge[1] and their average daily step counts. Walking Challenge events promote walking to improve lifestyle habits and prevent lifestyle-related disease with the aim of reducing the number of employees deemed at risk of such disease based on health checkup results. In FY2022, it was 20,816 persons, with an average step count of 6,600 steps, up from the previous fiscal year.

1 Among our male employees over 40, medical checkup results indicate that obesity risk exceeds 50%, lipid risk is roughly 70% and blood sugar risk is just under 50%. These percentages are high compared to other companies in the health insurance union to which we belong. Recognizing that preventing lifestyle-related diseases (including metabolic syndrome) is an urgent health issue, we began development of an app in FY2019. We launched the Walking Challenge event, in which employees record their daily steps to increase their health awareness while engaging in fun competition with other employees or departments.

36. ESG dialogue implementation (workplace basis)

FY2021 result	FY2022 result	FY2023 target
Sekisui House employees, Group general managers (Target: Sekisui House employees, Group general managers)	✓ 100% (Target: Implementation at 100% of workplaces, including Group companies)	100%

This indicator shows the implementation rate of ESG dialogues[2] at workplaces. These dialogues are an initiative to encourage all employees to internalize ESG and create opportunities for them to take proactive action and innovate toward our vision for ESG involving all employees of "an enterprise that exists within the concept of ESG." In FY2022, we implemented ESG dialogues at 100% of workplaces, including Group companies, meeting the annual target.

2 An initiative for holding discussions on such themes as well-being in groups of four to five people at worksites

37. Well-Being Circle total score

FY2021 result	FY2022 result	FY2023 target
65.75 points	✓ 65.86 points	— (Only results are disclosed)

Since FY2020, we have implemented the Well-Being Survey of all employees to provide an indicator of overall employee well-being encompassing both their professional and private lives, elucidate the relationship between individual and workplace well-being, and create environments in which employees can enjoy professional satisfaction and happiness. From these surveys of well-being for individuals and organizations, we have selected the average total score of the Well-Being Circle section,[3] which is designed as a multifaceted diagnosis of employee happiness, to use as an indicator. In FY2022, it was 65.86 points, up from the previous fiscal year.

3 The average score of 34 items in 11 categories within the Well-Being Circle portion of the Well-Being Survey.

Value Provided

Diverse Workstyles / Job Satisfaction / Human Resource Development / Self-Directed Career Development

The Sekisui House Group is promoting workstyle innovation and the development of a corporate culture that allows employees to chart their own career vision, aiming to create workplaces where employees can work happily and enthusiastically. We have designated four KPIs related to the value we provide in the form of diverse workstyles, job satisfaction, human resource development and self-directed career development. The FY2022 results are as follows.

✓ Target met ✕ Target unmet

38. Take-up rate for eligible male employee childcare leave

FY2021 result	FY2022 result	FY2023 target
100% (Target: 100%)	✓ 100% (Target: 100%)	100%

This indicator corresponds to the Group-wide paternity leave usage rate targeted in Sekisui House's Action Plan for the Promotion of Active Participation by Women and is calculated as the portion of male employees with children less than three years old who take at least one month of childcare leave. In FY2022, it was 100%, once again meeting the annual target.





39. Monthly average working hours per person

FY2021 result	FY2022 result	FY2023 target
177.64 hours (Target: 176 hours)	✓ 170.73 hours (Target: 175.5 hours)	175 hours

This indicator shows the average monthly work hours per Group employee.[1] It has been adopted to promote workstyle innovation. In FY2022, it was 170.73 hours, meeting the annual target.

1 Includes managers, excludes employees on leave

40. Annual paid leave take-up rate and number of days taken

FY2021 result	FY2022 result	FY2023 target
52.7% / 9.5 days (Target: 58%)	✓ 73.1% / 13.1 days (Target: 60%)	70%

This indicator shows the rate of annual paid leave usage among Group employees.[2] It was adopted to promote initiatives to encourage employees to take at least five days off per year and reduce total working hours, as mandated by the Act on the Arrangement of Related Acts to Promote Work Style Reform. In FY2022, it was 73.1%, for an average of 13.1 days, meeting the annual target.

2 Includes managers

41. Cumulative number of workers who have acquired major qualifications required for specific duties

FY2021 result	FY2022 result	FY2023 target
22,940 persons (Target: 22,700 persons)	✓ 23,608 persons (Target: 22,900 persons)	24,100 persons

This indicator shows the cumulative number of Group employees who have acquired any of 11 major qualifications required to perform certain duties at the Group, including the four national qualifications of first-class architect, first-class building operation and management engineer, second grade financial planner and registered real estate transaction agent. In FY2022, it was 23,608, once again meeting the annual target.

Material Issue Initiative Themes and KPIs

To promote diversity and inclusion, we have designated the following KPIs for the three years of the Sixth Mid-Term Management Plan, grouped by three types of value we provide: Promote diversity; employee health and happiness; and diverse workstyles and job satisfaction/self-directed career development.

Value Provided	No.	Indicator	Officer remuneration indicator PSU[1]			Mid-Term Management Plan		Used as president commendation ESG indicator	FY2022		FY2023	FY2024	FY2025	Remarks
			1	2	3	Fifth	Sixth		Targets	Results	Targets	Targets	Targets	
Promote diversity	31	Number of female directors of the Board							3 persons or more	3 persons	3 persons or more	3 persons or more	3 persons or more	
	32	Number of female managers	○	○	○	○			260 persons	302 persons (4.60%)	300 persons	310 persons	320 persons or more	
	33	Ratio of full-time female employees							28.0%	28.9% (6,743 persons)	29.2%	29.5%	29.8%	
	34	Ratio of female new graduates hired							42.0%	44.6% (350 persons)	40%	40%	40%	
	35	Employment rate of persons with disabilities Upper row: Sekisui House (non-consolidated basis) Bottom row: The 33 domestic consolidated companies subject to statutory requirements to hire persons with disabilities (including the Company)							2.61%	2.97% 2.86%	2.97% 2.86%	2.97% 2.86%	2.97% 2.86%	
Employee health and happiness	36	Rate of employees opting for the secondary medical checkup						○	98.0%	98.7%	95%	97%	100%	Scope changed from FY2023[2]
	37	Walking Challenge participants and average step count						○	—	20,816 persons 6,600 steps	—	—	—	Only results are disclosed
	38	ESG dialogue implementation (workplace basis)							100%	100%	100%	100%	100%	
	39	Well-Being Circle total score							—	65.86 points	—	—	—	Only results are disclosed
Diverse workstyles and job satisfaction/ Human resource development and self-directed career	40	Take-up rate for eligible male employee childcare leave	○	○	○	○			100%	100%	100%	100%	100%	
	41	Monthly average working hours per person		○	○			○	175.5 hours	170.73 hours	175 hours	175 hours	175 hours	
	42	Annual paid leave take-up rate	○						60%	73.1% 13.1 days	70%	70%	70%	
	43	Investment in human resource development (New)							—	¥886 million	¥1,435 million	¥1,478 million	¥1,522 million	
	44	Cumulative number of workers who have acquired major qualifications required for specific duties							22,900 persons	23,608 persons	24,100 persons	24,600 persons	25,100 persons	Employees are counted for each qualification they hold
	45	DX training participation rate (New)							—	—	100%	100%	100%	
	46	SHIP registration rate and number of posts (New)							—	26.9% 2,176	30% 2,500	33% 2,700	36% 3,000	
	47	Participants in self-directed career development-related training (New)							—	16,987 persons	18,936 persons	20,505 persons	22,030 persons	

1 PSU= Performance Share Unit (performance-related stock remuneration): PSU1 = FY2020 to FY2022; PSU2 = FY2021 to FY2023; PSU3 = FY2022 to FY2024
2 Figures for FY2022 and earlier are for sales departments only. Figures from FY2023 onward are for all departments of Sekisui House (non-consolidated basis).

Section 2



Mechanisms and Catalysts for Creating Value

Value Creation Process 37
Sekisui House's Operating Environment, Risks and Opportunities 38
Management Resources (Four Types of Capital) 39
The Sekisui House Group's Human Capital Management 41
Business Models 50
Value Chain 51
Core Competencies 53
Stakeholder Engagement 54

Value Creation Process

Love of humanity is the core of Sekisui House's Corporate Philosophy. Drawing on this philosophy, technology and people, we have achieved numerous innovations. Our history since the Company's founding can be broken down into 30-year phases. In the first phase, we emphasized safety and peace of mind, and in the second, comfort and eco-friendliness. Now, in our third phase, we are emphasizing health, connectedness and learning.

Based on our love of humanity—the very DNA of Sekisui House—and the innovations accumulated over three phases of our corporate story, we 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.

Sekisui House's Operating Environment

→ P.38

- Megatrends
- Opportunities
- Risks

Management Resources (Four types of capital)

→ P.39

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

Tangibles
(Manufactured capital and natural capital)
Production bases in Japan and overseas, Resource Recycling Centers, etc.

Funding
(Financial capital)
Healthy finances, cash flow generation, ongoing investment in the foundation for growth, etc.

Intellectual and Social Assets
(Intellectual capital and social/relationship capital)
Patents, design rights, the Comprehensive Housing R&D Institute, cumulative number of dwellings built, partner building constructors, etc.

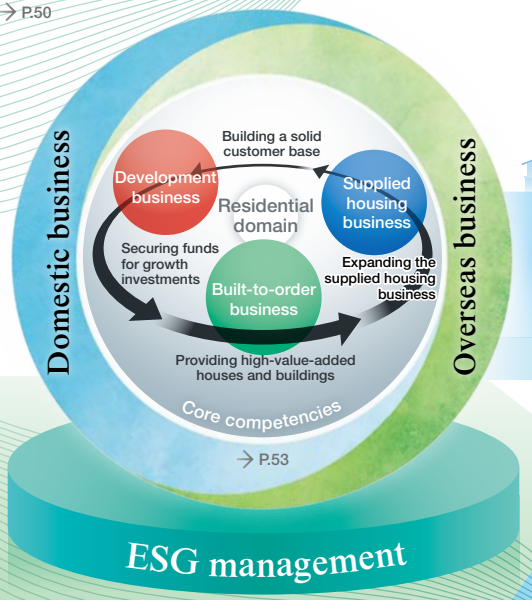
Material Issues

→ P.15

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

Business Model and Outputs

→ P.50



Expand businesses and accelerate growth

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

The Sekisui House Concept of Happiness

- Customer happiness
- Societal happiness
- Employee happiness



The Building of Sekisui House—Our Corporate Story → P.11

Phase 1: Safety and Peace of Mind → P.12
Phase 2: Comfort and Eco-Friendliness → P.13
Phase 3: Health, Connectedness and Learning → P.14

Our Corporate Philosophy of **Love of Humanity**

Sekisui House's Operating Environment, Risks and Opportunities

Amid the accelerating pace of social change, a successful approach to value creation must be based on more than formulating business plans based on currently predictable factors. Centered on sustainability, the Sekisui House Group analyzes medium-to-long-term issues that affect value creation to identify risk factors and opportunities for future business development and reflect them 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	Promoting net zero energy houses (ZEH) Promoting net zero energy buildings (ZEB)
		Impact of extreme heat on business (production, construction sites, etc.)	
		Impact of increasingly severe natural disasters	Popularizing highly durable (long-lasting) homes, etc.
		Increased costs due to introduction of carbon tax	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 greening	Effective landscaping proposals for shrubs and trees
		Demand for water-saving businesses and facilities	Popularization of water-saving housing facilities
Resource recycling	• Demand for effective use and re-use of resources • Change in awareness toward a society without plastic	Demand for higher-quality recycling	Promotion of recycling business through the use of high-level, thorough sorting and "wide-area certification"
		Increased processing costs for plastic waste materials derived from fossil fuels	
Economic and policy changes	• Geopolitical risks materializing and increasing • Response to pandemics • Promotion of workstyle innovations • Labor shortages and acceptance of foreign workers • Home ownership support policies	Rising material and energy costs	Minimizing impact by reflecting changes in sales prices and through cost management
		Global spread of infectious diseases	Development of technologies for preventing the spread of infectious diseases in the home, expansion of online content and sales tools
		Reduced workforce due to declining employee satisfaction, turnover, and work-hour regulations should reforms not progress	Improved productivity through better employee satisfaction, recruitment of talented personnel
		Turnover and reduced productivity due to worsening working conditions	Ensuring a high-quality workforce through improvements in the working environment
		Changes in housing demand, shift away from home ownership	Various government support measures for home purchasing, expanding proposals that reflect community and customer needs
Globalization	• Acceleration of business globalization • Increase in foreign visitors to Japan • Inadequate number of hotel rooms	Intensification of competition	Development of overseas business
		Loss of opportunities to adapt, shifts in demand due to changing conditions	Capturing long-term demand
Demographic changes	• Severe demographic graying • Total population reduction • Concentration of population in urban areas • Social participation of the millennial generation • Longer lifespans and rising death rate • Rising health consciousness	Accidents in the home, lack of care services	Expanding medical and nursing care, providing health-conscious housing
		Decline in the number of new housing starts, decline in the occupancy rate of properties under management, worsening problem of unoccupied houses	Provision of good-quality housing
		Decline of rural areas	Increased need for regional revitalization
		Lost opportunities due to an inability to meet the needs of millennials	Expanding digital marketing opportunities
		Delay in employees returning to work	Increased opportunities for nursery school intake, improved child rearing support systems
		Increasing complexity and difficulties with asset inheritance	Increased need for circulation of existing housing and real estate management trusts
		Competition to be first in advanced health-related technology	Promoting the sale of housing that contributes to health
Technological innovation	• Coming of the IoT/AI era • Advances in robotics technology	Loss of business opportunities, growing need for security measures	Providing highly convenient housing
		Discontinuity in transfer of construction skills	Improving construction efficiency

Management Resources (Four Types of Capital)

People (Human capital/Investment in human resources)

Based on our Corporate Philosophy of love of humanity, we have formulated and published the Sekisui House Group Human Rights Policy, and we aim to create workplaces where all employees can practice a culture of innovation and communication. In line with our belief that the growth of employees is essential to the growth of the Sekisui House Group, we are proactively hiring and developing diverse human resources, providing support for skill enhancement through in-house certification programs, and working to appropriately allocate human resources Group-wide. Through these measures, and by maximizing the value of our human resources by sharing a common vision, we aim to increase corporate value.





Consolidated employees:	29,052
Incl. overseas employees:	1,417
• Sales representatives:	7,108
• Technical staff:	8,442
Female employees in managerial positions:	302
Employment rate of persons with disabilities (Group basis):[1]	2.86%
Take-up rate for eligible male employee childcare leave:	100%

1 Rate at 33 domestic consolidated companies subject to statutory requirements to hire persons with disabilities (including the Company)

Employees with major national qualifications

First-class architects:[2]	3,417
First-class building operation and management engineers:[2]	2,904
Second grade financial planners:[2]	4,560
Registered real estate transaction agents:[2]	8,170

Employees with internal certifications[3]

Chief Architects:	319
Chief Constructors:	143
Structural Planning Specialists:	214
Platinum Specialists:	45
CS Meisters:	63

2 Sekisui House and Major Domestic Group Companies (excluding Konoike Construction)
3 As of April 1, 2023; Sekisui House (non-consolidated)

→ P.41 The Sekisui House Group's Human Capital Management
→ P.86 Human Resources Strategy → P.191 In-house certification programs

Tangibles (Manufactured capital and natural capital)

Manufactured capital

In our domestic businesses, we have production bases (factories) with production lines that are the key to production of homes with individual specifications in the built-to-order business, as well as distribution bases that deliver materials to construction sites nationwide. We are working to reduce the environmental impact of our inter-factory distribution through a modal shift to rail transport. In addition, we are carrying out capital investment in component production facilities to improve production efficiency and in the development business.





FY2022 Capital expenditure: ¥95.3 billion

1 2 Production bases: 6
5 in Japan, 1 overseas

Distribution bases: 40

→ P.51 Value Chain
→ P.175 Factory Site Report
Production system (Japanese only)

Natural capital

We conduct sustainability-conscious CSR procurement. In addition to our FairWood procurement practices and acquiring forest certification, we pursue sustainability on the basis of coexistence and co-prosperity with our suppliers through measures including due diligence in procurement and promotion of local production for local consumption of domestic lumber. In addition, we are advancing proprietary initiatives to reduce energy consumption and environment burden.





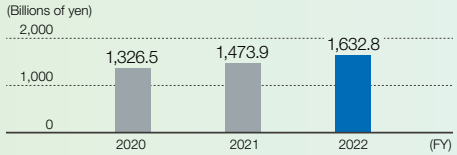
3 Sustainable wood procurement rate:	97.1%
Eco-friendly landscaping and greening (*Gohon no Ki* Project):	19,003 thousand trees
CO_2 emissions:	82 thousand t-CO_2
Supplier science-based target-setting rate:	31.9%
RE100 achievement rate (Sekisui House Owner Denki):	55.1%
Waste emissions:	1,069 thousand tonnes
4 Resource Recycling Centers:	23 across Japan

→ P.136 Contributing to a Decarbonized Society
→ P.146 Biodiversity Conservation
→ P.154 Initiatives to Realize a Circular Economy
→ P.216 Supply Chain Management

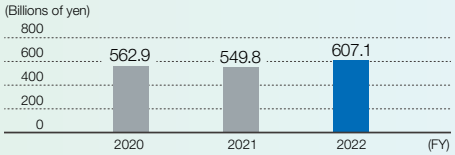
Funding (Financial capital)

To support sustainable growth, we must establish a strong financial base, prepare for various risks in the market environment, and maintain the investment capacity to make swift and flexible investment decisions. We emphasize credit ratings as a standard for evaluating financial health and appropriate levels of financial leverage and have set the targets of a D/E ratio of about 0.5 times and a debt repayment term (net debt/EBITDA) of less than about 1.5 years, premised on maintaining an AA rating in Japan and A rating overseas. By applying these guidelines, we will maintain a balance between aggressive investment for growth and financial soundness.

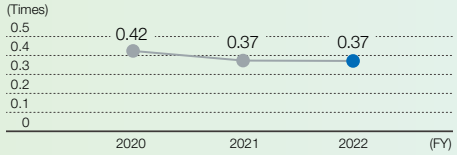
Equity Capital



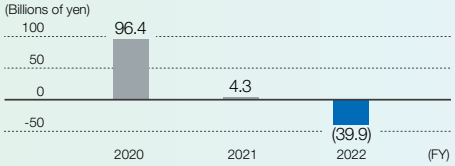
Interest-Bearing Debt



D/E ratio



Free Cash Flow



Equity capital: ¥1,632.8 billion

Interest-bearing debt: ¥607.1 billion

D/E ratio: 0.37 times

Free cash flow: -¥39.9 billion

→ P.74 Financial and Capital Strategy
→ P.78 Financial Analysis

Fifth Mid-Term Management Results (three-years)

Real estate investment: ¥1,977.4 billion

Long-term credit ratings:

AA (Japan Credit Rating Agency)
AA- (Rating and Investment Information)
A (S&P Global Ratings)

Debt repayment term (Net debt/EBITDA): 0.93 years

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

Intellectual capital

The Sekisui House Group advances cutting-edge research and development in multifaceted areas. These encompass quality enhancements and new technologies for our detached houses, rental housing and other buildings, as well as development related to happiness, comfort and the environment. We are also working to foster a culture of innovation, proactively promoting technological development and innovation to power the sustainable growth of the Sekisui House Group.





FY2022 Research and development expenses: ¥9.5 billion

Patents held: 787

Design rights held: 359

Platform House Concept
- HED-Net in-home early detection network for acute illnesses
- PLATFORM HOUSE touch smart home service
- SUITE CONCIER website introducing lifestyle services

1 2 Comprehensive Housing R&D Institute

Human Life R&D Institute

Tomorrow's Life Museum (TLM)

Research centers (Konoike Construction: Osaka, Tsukuba)

→ P.51 Value Chain
→ P.87 Technology and R&D Strategy
Research and development (Japanese only)
Display houses and hands-on exhibits (Japanese only)

Social/relationship capital

A solid customer base boasting 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 are integral to the Sekisui House Group's connection with society. We have built a framework for construction in which the Sekisui House Construction companies and partner building constructors are united by the spirit of "a community with a common destiny," and established an after-sales service system through our Customer Service Centers, which are key to long-term relationships with homeowners.





Cumulative dwellings built (global): 2.62 million

Partner building constructors involved in essential construction processes for Sekisui House: 2,595

3 Domestic educational training centers and training schools: 3

Overseas technical training centers: 1

4 Customer Service Centers: 100 (at 30 offices)
1,462 staff

→ P.51 Value Chain
→ P.206 Training centers and training schools
→ P.207 Customer Initiatives
→ P.210 Coexisting with Local Communities
Sekisui House educational training centers and training schools (Japanese only)

The Sekisui House Group's Human Capital Management

What People Mean to Us



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

People: The Driving Force of the Sekisui House Group

Since our founding, we have placed great value on people and striven to grow our business alongside our employees. After all, our lives are, first and foremost, our own. To make the most of our one and only life, we must each choose and pursue our own path.

So, why is it that we come together at the Sekisui House Group? Because we can achieve more when we work together with others who share our aspirations. Rather than each setting sail alone, we board the larger vessel of the Company. Individuals—each bringing their own abundant individuality, unique perspective and values—gather to discuss, cooperate and persevere together. The Company will continue to push ahead so that we can continue to sail forward with all our employees.

Diversity and Inclusion

To achieve our global vision to make home the happiest place in the world, we propose the value of happiness by integrating technologies, lifestyle design and services. Truly outstanding ideas arise when diverse people with varied values gather in friendly competition to learn from and improve one another.

At its highest level, this gathering of people can encompass not just the 29,052 employees of the Sekisui House Group, but the 125 million people of Japan and even all 8 billion people on Earth. By bringing together diverse people with whom our vision and strategy resonate, we hope to chase even larger dreams and create a more prosperous world. That is the ambition of the Sekisui House Group.

Innovation and Communication

In this era of VUCA[1], we are confronted at every turn by challenges with no clear answer. In such circumstances, we must work together, each individual contributing their ideas, discussing them openly while trying various approaches to steadily achieve better results. This will sometimes yield success, and other times failure; what matters is not fearing failure, but learning from it to achieve future success. There can be no embrace of challenge without failure, and no progress without the embrace of challenge.

At times, we will have to go back to square one to rethink not just our solutions, but whether we are solving the right problems in the first place. But, by doing so, the Sekisui House Group creates new value through the aggregation of each individual's creativity, ingenuity and communication within an open workplace culture.

1 VUCA: Volatility, uncertainty, complexity and ambiguity

Win-Win Relationships between Company and Individual

When talking about "employing human resources," it can sound rather top-down and patronizing, but we believe that, in reality, company and individual are equal partners. Employment is the condition of both a company and an individual selecting one other. Similarly, rather than the company developing and utilizing human resources, we think the correct framing is one in which a company provides a platform that allows human resources themselves to succeed and grow.

Individuals enhance their own value as human resources and at the same time bring growth to the company, contributing to the realization of a more prosperous world. A growing company can then provide a platform for greater success, empowering individuals to grow even more. This virtuous cycle comes out of the kind of win-win relationship between company and individual to which the Sekisui House Group aspires.



Human Capital Management in Action

The Sekisui House Group's Approach to Human Resource Value

Human Resource Value = Employee Autonomy × Alignment of Efforts

The Sekisui House Group sees human resource value as the product of employee autonomy and the alignment of the efforts of its people. These two factors multiply one another, so when employees use Company resources to pursue autonomous career development while aligning their efforts with the Company's vision and business strategy, we are sure that the value created will result in tremendous growth.

Corporate value enhancement

Realizing our global vision to make home the happiest place in the world

Human resource value enhancement

Employee autonomy × **Alignment of efforts**



Supporting self-directed career development

- Self-directed career development education
- Career development support system
- Sekisui House Innovation & Performance (SHIP) Awards Program



Promoting DE&I

- Promoting the participation of women
- Promoting the participation of global human resources
- Promoting the participation of people with disabilities
- Promoting employee understanding of the LGBTQ community



Promoting diverse workstyles

- Enhancing the diversity of workstyle programs
- Expanding systems for fair evaluations
- Creating a workplace culture that ensures psychological safety



Building a foundation for well-being

- Assisting the pursuit of family happiness (encouraging male employees to take childcare leave, nursing care leave, etc.)
- Supporting health improvement efforts
- Continuing the Well-Being Survey



Alignment of efforts

- Nurturing leaders capable of disseminating our Corporate Philosophy and strategies
- Securing staffing in line with strategies and optimally allocating employees

Employee happiness

The diverse people of the Sekisui House Group



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

Human Resource Value Enhancement Drives Growth

Human resource value enhancement is a growth driver for the Sekisui House Group. We aspire to invest in human resources to raise their value, making both individuals and the organization stronger to provide new value to customers and society.

It is our employees that will make this aspiration a reality. To achieve our global vision to make home the happiest place in the world, we must first make our employees happy. In other words, we think it is crucial that we make Sekisui House—the professional "home" of employees—the world's happiest company.

Enhancing Human Resource Value as a Foundation for Well-Being

Our conception of employee autonomy is, necessarily, not something imposed on employees, but that emerges from them—not for the sake of the Company, but in an employee's own pursuit of a happier life. To understand and address issues in this area, in 2020 we commenced the Well-Being Survey. The well-being of both individuals and the workplace as a whole has increased through efforts to foster a workplace culture in which every individual can examine what well-being means to them and, through dialogue, take action toward that ideal.

Employee happiness can become the foundation for contributing to customer and societal happiness, which in turn enriches employee happiness. The enhancement of social and economic value achieved through this cycle of well-being is Sekisui House's ESG management in action.

The following Human Resource Value Story highlights some of our initiatives to enhance human resource value. Through employee autonomy and the alignment of our efforts, we will continue working to enhance human resource value as a part of our business strategy aimed at enabling employees and the Company to grow together.

Human Resource Value Story: Supporting Self-Directed Career Development

Sekisui House Innovation & Performance (SHIP) Awards Program

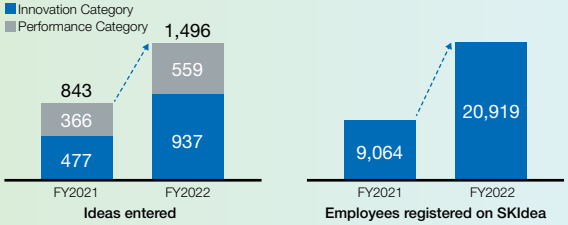
SHIP Sekisui House Innovation & Performance Awards

Fostering an Innovative Corporate Culture

SHIP is a Group-wide initiative to foster innovation through communication. All employees are eligible to participate. The program combines the former Innovation Competition that we held to commemorate Sekisui House's 60th anniversary with awards we have held in the past, such as those for technical development and business achievements.

SHIP's focus is on innovation and communication; employees propose ideas to one another to spark innovation through active communication. By thus fostering an innovative corporate culture, the program creates opportunities for employees to take initiative and supports their self-directed career development. The program further aims to create a virtuous cycle of innovation and corporate value enhancement.

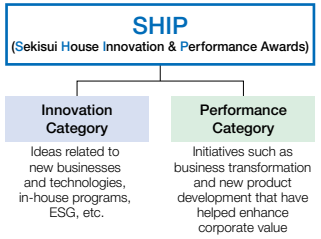
In the program's second year, employees submitted 1,496 entries, up 77.5% from the previous year. In addition, the number of employees registered with our internal app SKIdea[1] surpassed 20,000. This platform enables employees to see and comment on posts from other employees and request to join teams, helping foster an innovative corporate culture.



1 SKIdea: Short for Sekisui House Group Knowledge & Idea.
This app, developed in-house, is a platform for bringing together the knowledge, experience, skills and outstanding ideas of Sekisui House employees. The app allows users to see and like posts about ideas individuals have and request to join groups.

Innovation Category/ Performance Category

SHIP comprises two categories. In the innovation category, teams of five or more post ideas on SKIdea. They exchange opinions with other SKIdea users and recruit other employees who are enthusiastic about their ideas, practicing innovation and communication while refining their proposals until they are ready to submit their official entry. The performance category recognizes outstanding employee performance. Entrants submit presentations summarizing initiatives they have implemented and include what makes them unique, their results and their impact.

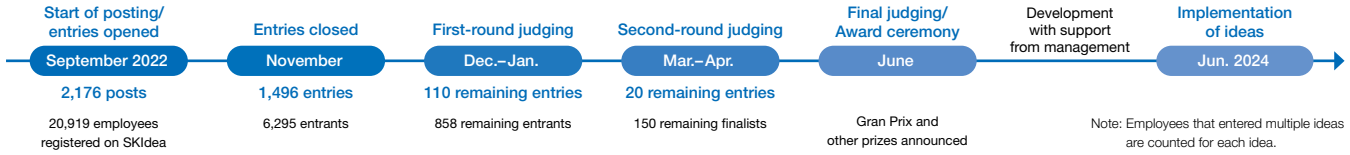


The program is aimed at fostering autonomous individuals and organizations that continuously generate innovation through cross-organizational communication, recognition for outstanding efforts and horizontal development.

Six-Month Finalist Selection Process

The 1,496 entries submitted by employees were evaluated by a panel of 70 executives and managers from across the Group over a six-month period. The 10 innovation category entries and 10 performance category entries that made it through the second round of judging proceeded to the final round on June 9, 2023. The finalist presentations to top management and the ensuing award ceremony were livestreamed to Group offices and employees worldwide, inspiring them to work toward the same recognition.

The 2nd Annual SHIP Journey



Note: Employees that entered multiple ideas are counted for each idea.

Implementation of Ideas Winning Second-Place at the First Annual SHIP's

Five ideas entered by 27 employees were second-place winners in the first annual SHIP program. Four members of top management served as coordinators to support these teams in implementing their ideas over the course of the following year.

One of these ideas was titled "Sekisui Art Festival × Supporting Artists with Disabilities." The idea is aimed at realizing a more diverse society by creating places to exhibit artwork by people with disabilities. Since the final judging in March 2022, about 90 artworks have been displayed on the temporary fencing erected around construction sites and at Company event venues. We are currently advancing preparations to turn this into an ongoing project.



Left: Award ceremony at the first annual SHIP; Top right: Trial display of local art on temporary fencing; Bottom right: A final presentation at the first annual SHIP

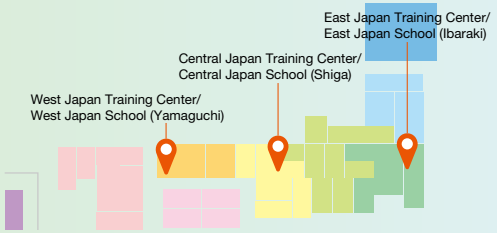
Human Resource Value Story: Supporting Self-Directed Career Development

Technical and Construction Human Resources Support Our Core Competencies

Delivering the Highest Quality and Technology as a Collective of Professionals

Since its founding the Sekisui House Group has prioritized safety, peace of mind and comfort, and focused efforts on developing technical human resources. Building on a culture that embraces and develops the ambitious efforts and diverse ideas of passionate technicians, through the efforts of our many human resources, we have grown into a collective that delivers the highest quality and technology to customers. Specifically, we have established large-scale research and development facilities to support the activities of diverse personnel, acquired and protected patents for technologies created within the Group, established a proprietary production system for individual houses extending from production to shipment, built mechanisms to nurture design personnel, and built relationships with partner building constructors, among other initiatives.

We share with our partner building constructors a commitment to making customers happy through the highest quality and technology. Based on mutual respect as a "community with a common destiny," we work to build equitable relationships, improve work environments and conditions, and develop human resources. We currently accept personnel from construction companies at three educational training centers and training schools located across Japan, providing support to help them quickly gain the skills needed to contribute in the field and continue enhancing their skills over time.



Cumulative trainees who have completed courses at our educational training centers and training schools (As of January 31, 2023) **3,033**

Sekisui House's Educational Training Centers and Training Schools (Japanese only)

Technological Development

R&D and Production: **902** employees

R&D Division: Creating Sekisui House Proprietary Technologies

Aiming to generate homeowner value, we implement wide-ranging research and development into technologies, lifestyle design and services, centered on the residential domain. These efforts span from the development of advanced technologies for safety, peace of mind, comfort and health to surveys and research aimed at proposing services for happy living.

- **Patents held: 787**
- **R&D department employees with PhDs: 12**

Production Division: Supporting High-Quality Production

Under an advanced quality control system for pre-engineered housing, we promise consistent high quality for all homes based on the professional expertise of our human resources boasting advanced skills in manufacturing and deep knowledge of internal inspection standards.

- **Registered internal inspectors: 1,603[1]**
- **External manufacturing skill certifications: 3,475[1]**

1 As of April 2023

Design

Design and Survey: **2,237** employees

Reinforcing Design Capabilities in Line with Business Strategy: Raising the Ceiling

We have established an in-house certification program for individuals that meet advanced certification standards. In order to meet the diverse needs of our customers, we continuously improve the skills and motivation of our design personnel to develop a high-level design team.

- **In-house certifications (as of April 2023)**
  Chief Architects: 319
  Platinum Specialists: 45
  Structural Planning Specialists: 214

Securing Human Resources and Building a Platform for Developing Young Talent: Raising the Floor

We offer student internships to motivate talented young people to join the Company at an early stage and strive to quickly develop human resources through systematic training and on-the-job training for junior employees (up to the fifth year of employment).

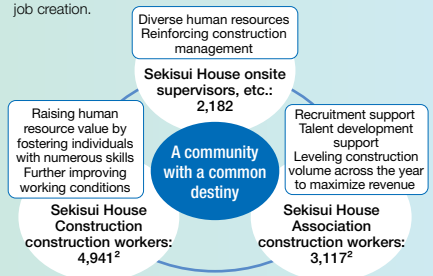
- **Interns accepted (FY2022): 514**

Construction

Construction: **2,182** employees

A Shared Commitment to Making Customers Happy Through the Highest Quality and Technology as a "Community With a Common Destiny"

We have built a direct sales and design-build system and support partner building constructors' efforts to hire and develop diverse human resources. Through these efforts, we contribute to local job creation.



2 As of March 31, 2023

First-class architects: **2,657**[3]
First-class building operation and management engineers: **1,674**[3]

3 Sekisui House (non-consolidated); employees in technical positions

Sekisui House Educational Training Center and Training School Graduates in Action
My Training Helped Boost My Confidence Onsite

Since I was little, I always liked making things, and I got interested in construction by helping my dad with his amateur carpentry projects. I chose to become a carpenter because it combines these interests—making things and construction. The basic knowledge and applied practice I got at the educational training center and training school have been very useful in my work. Thanks to the understanding and support of the more experienced carpenters I work with, I have been able to work with junior female carpenters, as well. My favorite part of interior carpentry is the moment when the lines of a mere frame turn into the planes of a building as the wall boards are put up. There is a special satisfaction in seeing something I helped build become a completed home.





Kiri Nakata
Soga Construction, Co., Ltd.

Graduated from the Morioka Technical High School construction and design course. Now in her fourth year with Soga Construction. Began work in interior carpentry after completing a six-month course at a Sekisui House training school in 2019.

See videos of people who have attended our training schools (Japanese only)

Human Resource Value Story: Promoting DE&I

Promoting the Participation of Women

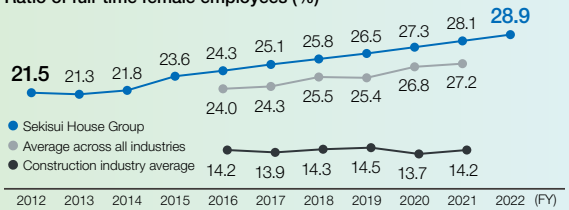
A Female Workforce More than Double the Construction Industry Average

The construction industry as a whole is characterized by a low number of female employees. Sekisui House is tackling this issue head-on. The entire Group has committed to the active participation of women as essential to the Group's growth and is working toward this end.

In 2006, the Group announced a commitment to Human Resource Sustainability as key business strategy initiative. Accordingly, we are working to proactively hire and develop female employees. As of January 2023, the Group-wide ratio of full-time female employees stood at 28.9% (6,743 employees), more than double the average ratio in the Japanese construction industry.

In addition, we have enrolled employees in the Sekisui House Women's College each year since 2014. This program seeks to develop next-generation leaders and has helped produce role models and increase the number of female employees aspiring to take their careers further. The number of female employees in managerial positions has risen from 15 in 2006 to 302 in 2022, and we aim to surpass 320 in 2025.

Ratio of full-time female employees (%)



Figures from the "Basic Survey of Employment Equality," Ministry of Health, Labour and Welfare of Japan

Sekisui House Women's College graduates (cumulative total of eight graduating classes) **143**

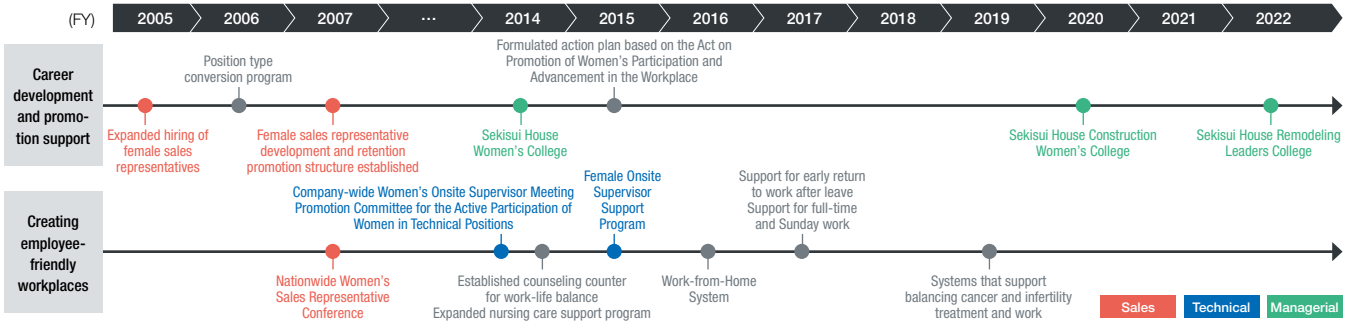
(of which, 92 from the first seven classes have been promoted to managerial positions)

Retaining and Developing Female Sales Representatives

Aiming to better retain female sales representatives, we hold annual interviews with women who are in their first three years in sales positions to quickly detect and address any issues related to their health or the workplace environment. Furthermore, propelled by the forceful leadership of top management, we have held the Nationwide Women's Sales Representative Conference every year since 2007. Through the sharing of positive examples and creation of role models, the conference is helping to increase the number of female chief managers and area sales leads across the country.

Supporting Career Development for Women in Technical Positions

To help develop the careers of front-line female technicians and expand the range of their professional activities, we have held the Company-wide Women's Onsite Supervisor Meeting since 2014. Furthermore, we have run the Female Onsite Supervisor Support Program since 2015, holding seminars and sharing examples of ways that employees have successfully balanced work and home life. Women are also stepping up as leaders, serving as technology leads and architect leads, and acquiring in-house certifications for their outstanding skills, performance and reliability.



The Right Environment to Continue Utilizing my Experience and Abilities

After college, I went to work at a house builder. I returned to work after having my first child, but balancing child rearing and work proved difficult, and I eventually resigned. After some time as a stay-at-home mother and then working part-time, I came to work in remodeling sales at Sekisui House Remodeling in 2011. I chose the Company because it allowed me to use my past experience and offered the options of a four-day work week and shortened work hours. The sales representative job can be difficult, but the work suited me, and I did well in it. I became an area sales lead in my fifth year and was selected for the first class of the Sekisui House Remodeling Leaders College[1] before being appointed sales lead[2] in 2023. Marriage and childbirth are commonly seen as career enders for women, but in remodeling sales, my experience in child rearing and first-hand understanding of family life have been major assets.

1 A Sekisui House Remodeling central management candidate development program 2 Central chief manager of office sales representatives



Yuri Maeda
Sales Lead
Kyushu Minami Branch
Sekisui House Remodeling, Ltd.

Initiatives for Promoting the Active Participation of Women

Human Resource Value Story: Promoting Diverse Workstyles

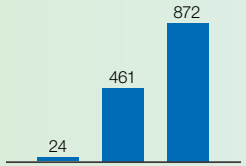
ESG Dialogue

ESG Dialogue Involving All Employees

Aiming to become a leading company in ESG management, Sekisui House strives to help employees take ownership of and internalize ESG considerations. As part of these efforts, we have hosted ESG dialogues since October 2020. Sekisui House defines internalizing ESG as enabling each employee to take proper action without having to think about it. Instead of taking a top-down approach or handling ESG as existing within the Company, we are focused on employee dialogue toward the goal of securing a shared recognition that the Company exists within ESG.

To this end, we deem it important to allow each employee to verbalize their experience and value systems even as they expand their perspectives by learning about concepts and ways of thinking that are different from their own. In FY2022, we hosted dialogues on themes selected by participant groups related to individual and workplace happiness, innovation and other topics. A cumulative total of 42,873 employees from all worksites took part in the dialogues.

Through ESG dialogue, we also strive to create a workplace culture that ensures psychological safety for every employee, providing a calm atmosphere that enables them to feel confident in expressing what they really feel, irrespective of job rank or employment type.



ESG Dialogues Held

Employee participants in FY2022 ESG dialogues

19,930
(February to July 2022)

22,943
(August 2022 to January 2023)

Dialogue Instead of Debate

Each group participating in the ESG dialogue consists of four to five employees of varying job rank and employment type. With one employee appointed as a facilitator to encourage conversation and lead others to appreciate new ideas, participants engage in dialogue on a theme of their collective choice. The dialogue is designed to help employees discover their personal definition of ESG, determine their personal goals and otherwise gain in-depth understanding of ESG.

Our ESG dialogue is distinguished by its focus on conversation, not debate. We encourage participants to listen to and affirm others' opinions while expressing their thoughts in their own words. In this way, we seek to empower employees to play a proactive role in ESG management and take autonomous action informed by a robust sense of ownership. With this in mind, we are working to create mechanisms to encourage employees to take self-directed action, including the selection of dialogue themes and the nomination of facilitator candidates.

ESG Management Starting from Dialogue

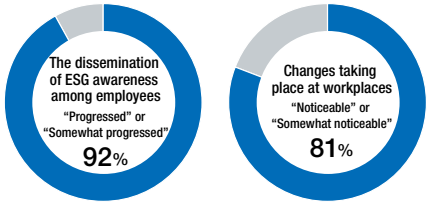
For us to become a leading company in ESG management and be continually sought after by society, it is important that employees think about how to respond to all stakeholders while providing the value of happiness. All employees must be empowered to take self-directed action and achieve innovation to this end. In this context, we have positioned ESG dialogue as the starting point of our platform designed to ensure the participation of all employees in recognizing, understanding, embracing and acting on ESG.

→ P.98 A Platform That Links Recognition and Action

Positive Changes through Dialogue

In FY2022, ESG dialogues held at the Company spanned approximately 42,870 hours. Results of post-dialogue questionnaires indicated tangible progress in the dissemination of ESG awareness among staff at 92% of worksites. Comments contributed by respondents included "Each employee began to think spontaneously instead of following someone's lead" and "In the course of dialogue, my peers became more proactive and began making positive remarks." Also, results indicated that respondents noticed changes at 81% of workplaces. Some of these respondents commented that "Steady efforts are now under way to foster an organizational culture that emphasizes mutual understanding, cooperation and open communication" and "The dialogue greatly helps develop relationships of trust," while others indicated noticeable improvement in communications within worksites. These questionnaire results suggest that our ESG dialogue was effective.

Results of questionnaires following the FY2022 ESG dialogue (Drawn from 580 worksites holding 872 dialogue sessions)



At the beginning, some participants seemed to be nervous, as they were not accustomed to dialogue of this kind. Aware of this, we strove to offer an environment in which everyone felt free to share their desires and thoughts. As a result, since taking part in ongoing dialogue sessions, employees are becoming more active in workplace communications. This, in turn, is leading to the creation of an open and empathetic workplace culture that enables everyone to feel safe. In addition, some worksites now hold ESG dialogues on a monthly basis by accommodating employee requests for more dialogue opportunities.

Human Resource Value Story: Building a Foundation for Well-Being

Encouraging All Eligible Male Employees to Take Childcare Leave

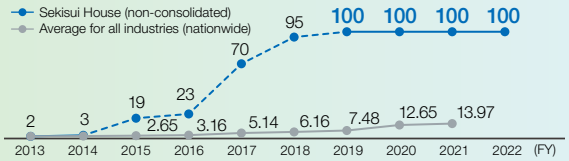
Supporting Happiness for Employees and Their Families

Sekisui House is strongly determined to support happiness for employees and their families. In line with this determination, in September 2018 we launched a male employee childcare leave (paternity leave) program. The development of this program started from incorporating opinions voiced by employees and their families. Today, male employees who take childcare leave under this program often receive words of encouragement from customers. Looking ahead, we will further enhance the program to support employee autonomy and step up initiatives to build a foundation for employee well-being.

Features of the Company's male employee childcare leave program include paying salary for the first one month of childcare leave and allowing applicants to divide their leave into as many as four separate periods before their child's third birthday. The program is designed to help resolve economic anxieties about childcare leave while enabling employees to flexibly take leave in light of their individual and family circumstances. In April 2021, the program was upgraded in response to requests from employees' families to improve flexibility by allowing employees to take childcare in one-day units until eight weeks after childbirth.

At Sekisui House, all eligible employees have taken childcare leave of one month or longer since the full-scale launch of this program in February 2019. Moreover, the ratio of eligible employees who utilized childcare leave has been 100% at Group companies since April 2021.

Take-Up Rate for Eligible Male Employee Childcare Leave (%)



Employee satisfaction with the paternity leave program (satisfaction among spouses of male employees who have taken childcare leave)

98.2% (78.2%; nationwide average)

Source: Questionnaires undertaken by the Sekisui House Group of employees who utilized the Special Childcare Leave Program

Granting Childcare Leave of at Least One Month

In FY2022, the average length of childcare leave taken by male employees amounted to 31 days, with 100% of eligible employees taking leave. Comparisons of these figures with the nationwide average (8.7 days in FY2021; with only 13.97% of eligible workers taking leave) suggest that male employees at Sekisui House take childcare leave around 25 times[1] longer than the average for male workers in Japan.

Sekisui House's ideal for society is to eliminate barriers to taking childcare leave and spending quality time with family for all males. To achieve this ideal, we are striving to develop optimal working environments while helping supervisors raise their awareness regarding the growing importance of paternity leave. Moreover, we use the Company intranet to showcase male employees in a wide-range of jobs who have taken childcare leave. We also hold photo exhibitions that feature fathers taking care of their children and other events. In these ways, we strive to facilitate deeper appreciation of childcare leave among the entire workforce and foster a culture of mutual support.

1 Calculated by multiplying the ratio of eligible employees who have taken paternity leave by the average number of days of paternity leave

Happiness That Comes from Childcare Leave

Male employees of Sekisui House spend a weekly average of 17.8 hours on homemaking and child rearing (nationwide average: 12.4 hours). Moreover, 98.6% of our male employees derive happiness from these responsibilities (nationwide average: 81.4%). These figures indicate that our male employees proactively enjoy homemaking and child rearing, and find happiness in these activities.[5]

We have also developed the Family Meeting Sheet, a tool for facilitating discussions regarding handling child rearing and homemaking based on users' ideals for families. In FY2022, we recorded 13,404 downloads of this sheet from the Company's website. Moreover, we have designated September 19 as a childcare leave awareness day. In addition, in 2019, we began issuing the *White Paper on Paternity Leave* as well as hosting a forum focused on childcare leave taken by male employees. Through such efforts, we strive to contribute to the widespread utilization of childcare leave across Japan.

5 Source: *White Paper on Paternity Leave 2022*

Average days of paternity leave per person

Male employees at Sekisui House	Male workers in general (nationwide average)
31	1.22
Take-up rate for eligible male employee childcare leave 100%[2]	Take-up rate for eligible male employee childcare leave 13.97%[3]
Average days of leave 31	Average days of leave 8.7[4]

2 Pertains to male employees who have taken leave granted under the Sekisui House program (childcare leave of at least 31 days before the child's third birthday)
3 Source: "Basic Survey of Employment Equality," Ministry of Health, Labour and Welfare (regarding male workers who began taking childcare leave by October 1 of survey years)
4 Based on a Sekisui House survey (*White Paper on Paternity Leave 2022*)



Quality Family Time

In 2019, I took leave for one month straight when my wife was reinstated to her workplace after the birth of our first son. My wife was happy about my decision, telling me that during my childcare leave, she appreciated the greater emotional support I provided. Afterward, I felt a sense of fulfillment but, at the same time, thought that I hadn't done enough for my family. This led me to take five months of childcare leave upon the birth of our younger son in 2022. Taking care of a five-year-old and a newborn was often quite hard, but I nevertheless felt an immense sense of happiness spending quality time with my family. Those five months flew by. Given another opportunity, I would take childcare leave for at least one year. Moreover, I would love to encourage younger fathers to take long-term childcare leave.



Yuki Sakai
Design Section, Chiba Branch, Sekisui House, Ltd.

IKUKYU.PJT (Japanese only)

Human Resource Value Story: Building a Foundation for Well-Being

Well-Being Survey

Making the Status of Employee and Workplace Well-Being Visible

We believe that supporting well-being for each employee will result in greater well-being for the entire Group and eventually enable us to improve well-being for our customers and society as a whole. Based on this belief, in November 2020, we began conducting the Well-Being Survey targeting all employees. Under the supervision of Professor Takashi Maeno of Keio University Graduate School, a leading expert in business administration focused on employee well-being, we became the first company in Japan to undertake the multilateral measurement of employee and workplace well-being and analyze correlations between the two. In this way, we strive to make the status of well-being visible to inform specific measures to help each employee pursue happiness on their own terms.

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

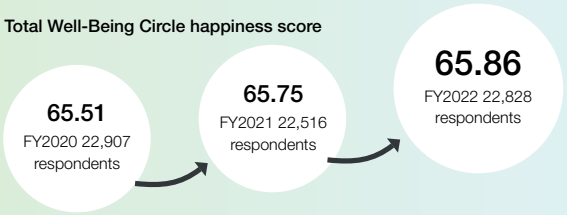


Factor 1: Let's try! (self-realization and growth)
Factor 2: Thank you! (connection and gratitude)
Factor 3: It will turn out all right! (positive and optimistic)
Factor 4: Be yourself! (independent and self-paced)

We have conducted three rounds of surveys since 2020. These surveys revealed that the Sekisui House Group has high scores for Factor 2, especially "gratitude" and "altruism," indicating that our fundamental philosophy of love of humanity is widespread among employees.

Moreover, the total Well-Being Circle happiness score increased for the second consecutive year, with results for each year exceeding the average score for businesspeople in Japan.

Total Well-Being Circle happiness score



Well-Being Circle Happiness Score Reveals Happiness and Unhappiness among Workers

The Well-Being Circle diagnostics for measuring the happiness of individuals showed that Sekisui House employees had higher scores in 33 out of 34 items compared with averages for businesspeople in Japan. Our employees had notably high scores for gratitude and willingness to recommend their workplaces to others. Moreover, their scores for positive emotions grew year on year by a larger margin than last year. On the other hand, they had lower scores on stress- and health-related items. These findings suggest that the improvement of both emotional and physical health must be a particular area of our focus going forward.

In addition, a rising sense of overworking is a matter of concern. This item has strong correlation with a sense of being subjected to unreasonable treatment at workplaces. With this in mind, we implement ESG dialogue and career interviews to counter these issues. We also strive to raise the ratio of annual paid leave utilization in light of survey findings suggesting employees need to relax and unwind.

Note: Based on survey and analysis, the sense of overworking has greater correlation with a sense of being subjected to unreasonable treatment and the perceived need to relax and unwind than with working hours themselves.

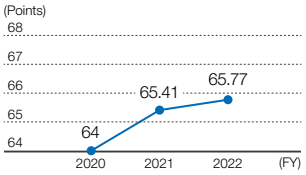
Gratitude
Highest among Four Factors of Happiness
67.91
+3.67 over nationwide average
+0.07 year on year

Positive emotions
Increased robustly year on year
55.57
+2.66 over nationwide average
+0.77 year on year

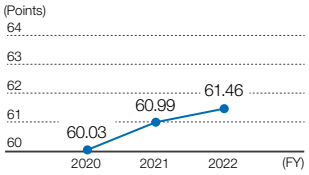
Willingness to recommend our workplaces
Notably higher than nationwide average
66.49
+6.16 over nationwide average
-0.12 year on year

These surveys also suggest that results for such items as "encouraging new challenges" and "recognition from others" (e.g., a sense of being favorably esteemed by colleagues) are positively affected by the implementation of ESG dialogue and career interviews, along with the Sekisui House Innovation & Performance (SHIP) Awards Program.

Encouraging New Challenges



Recognition from Others



Utilizing Findings from the Well-Being Survey

Boosting the Happiness of Employees and Workplaces via Ongoing Dialogue

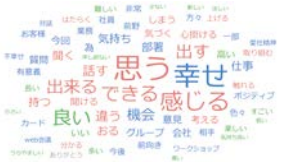
Our ESG dialogue, which is aimed at encouraging each employee to take a fresh look at their individual and workplace well-being, draws on results of the Well-Being Survey to facilitate small-group discussions on this subject.

ESG dialogue sessions exploring individual and workplace happiness (FY2022)
475
(attended by a total of 22,771 employees)

Holding Quarterly Happiness Workshops

Starting from March 2022, we held Happiness Workshops on four occasions for employees who stepped up to plan and implement measures to enhance the well-being of their workplaces. These workshops involved dialogue sessions utilizing dialogue cards designed to measure participant happiness/unhappiness, as well as brainstorming ideas for creating a happier workplace. Through these activities, we strive to empower more employees to serve as advocates for workplace well-being.

Wordmap Based on Post-Workshop Questionnaires Show Participant Awareness and Impressions



Example Initiatives at Branches

Guided by its chief manager's strong aspiration to make his branch the happiest workplace in the world, one of our branches has held training and workshops on an ongoing basis since November 2020. This branch also issues *Praise News*, an in-house newsletter, to create a workplace culture that encourages employees to commend one another and invigorates workplace communications.

Human Resource Value Story: Alignment of Efforts

Building a Sustainable Leadership Pipeline

Nurturing Leaders Who Will Disseminate Our Corporate Philosophy and Strategy

Securing competent leaders capable of disseminating our Corporate Philosophy and business strategy among autonomous employees and fostering organizational strength is essential to the Sekisui House Group's efforts to provide happiness to its customers and society as a whole.

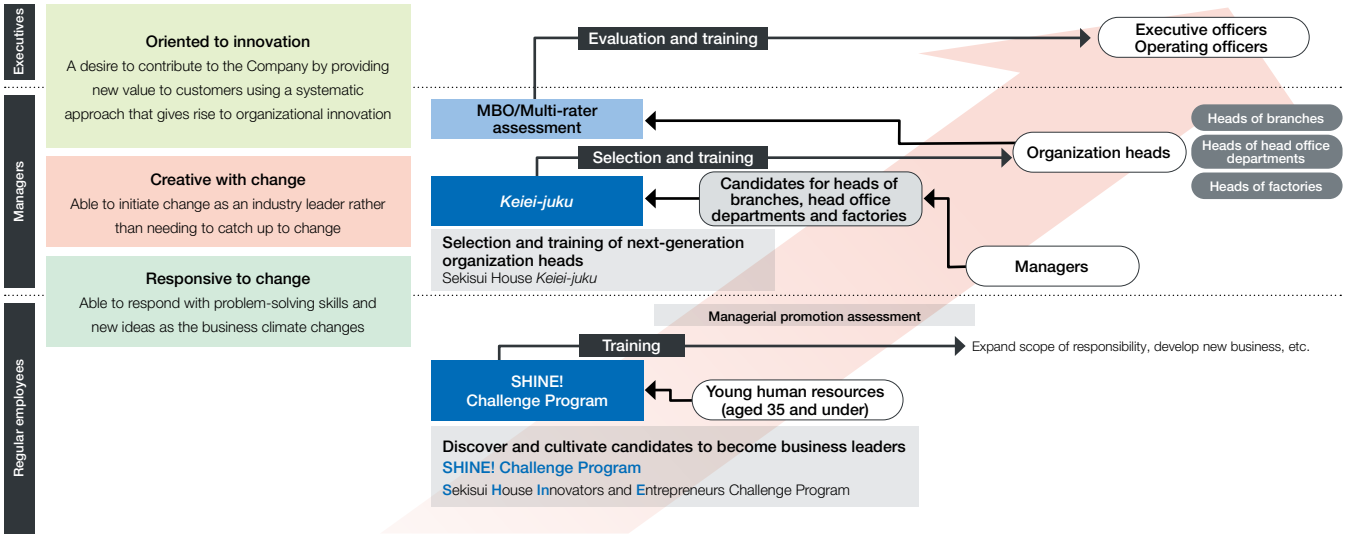
Accordingly, we strive to enhance the content of, and implement, job rank-based training for managers with the aim of securing greater capabilities to realize collective achievements, develop human resources and invigorate our organization. We have held the *Keiei-juku* management training program since 2018 with the objective of selecting and training future leader candidates in each organization (for the positions of branch manager, head office senior manager, factory manager, etc.). We also launched the SHINE! Challenge Program (short for Sekisui House Innovators and Entrepreneurs Challenge Program) in 2019. Through these measures, we continually endeavor to systematically produce strong candidates for leading the business into the future.

Also, we conduct multi-rater assessments for all managers in group leader positions or higher. Feedback gleaned via these assessments is utilized to formulate action plans aimed at facilitating positive changes in their management behavior. We give periodic coaching to help them reflect on their mode of operations and enhance their management capabilities.

Securing and Optimally Allocating Human Resources Based on Strategic Needs

We systematically hire and nurture human resources necessary to achieve sustainable growth by assessing human resource needs based on the business strategies of each business unit to optimally allocate human resources. We also utilize diverse hiring methods, such as referral recruiting, as well as multiple recruiting media, while proactively enhancing the on-boarding program to help employees quickly contribute after joining the Company.

Leadership Pipeline for Cultivating the Next Generation of Business Leaders



In 2021, we began holding the Succession Plan Council to identify candidates for executive officers, operating officers and others in key positions (general managers of head office divisions and technology and production divisions). This council is aimed at deliberating the nomination of these candidates in a highly transparent manner from a diverse, Company-wide perspective. Specifically, the council prepares individual training plans for all candidates and conducts periodic progress reviews on these plans in order to further enhance our leadership pipeline. In 2022, the council expanded the scope of efforts to identify candidates to include branch heads, the Head of Technology and the Head of General Affairs

Succession Plan Council

Employed executive officers and operating officers, general managers of head office divisions	Branch heads, the Head of Technology and the Head of General Affairs
Number of positions discussed: 69 Number of candidates: 150	Number of positions discussed: 140 Number of candidates: 274
Succession readiness rate (candidates/positions) 217% (FY2022)	Candidate availability rate (candidates/positions) 196% (FY2022)

Business Models

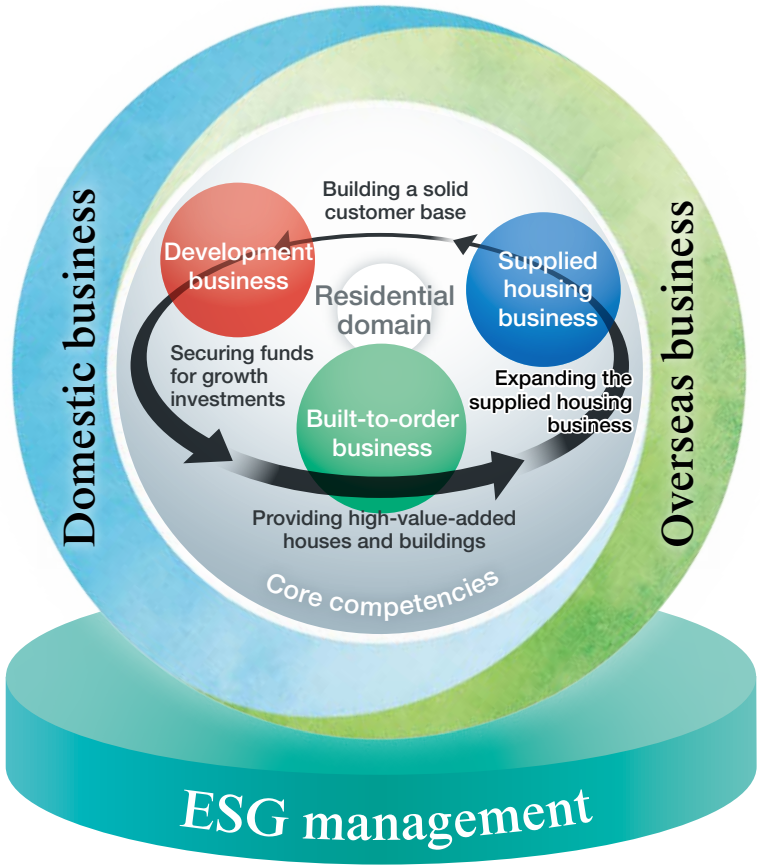
Based on a management foundation that incorporates ESG initiatives, as well as its unique value chain and core competencies, the Sekisui House Group has established business models that create value for diverse stakeholders through collaboration among Group companies.

Our operations in Japan utilize three business models. The first is the model of the built-to-order business, which has established a solid customer base by providing high-value-added houses and buildings. The second is the supplied housing business model, which 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 model, development, which focuses on 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-value-added 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 4 for details.
→ P.133-180 Environment
→ P.181-218 Social



Research and Development

Overview

We aim to further enhance the technologies for safety, peace of mind, comfort and eco-friendliness that we have developed since our founding, building on these to advance R&D into technologies, lifestyle design and services that can be integrated to provide happiness in the era of the 100-year lifespan (in health, connectedness and learning) in order to make home the happiest place in the world.

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

Related Material Issues

Creation of high-quality housing stock
- Safety, peace of mind and comfort
- Extended useful life of housing
- Asset value creation

Contributing to a Sustainable Society
- Decarbonization
- Resource recycling
- Biodiversity conservation

Diversity and inclusion
- Diversity promotion
- Human resource development
- Self-directed career development

Risks and Opportunities

- Loss of business opportunities due to insufficient or delayed response to technological innovation and social issues
- Increasingly severe natural disasters due to climate change

Measures to Step Up (Sixth Mid-Term Management Plan)

- R&D to address disaster risk and extend the life of houses
- R&D into environmental technologies for housing that promotes health
- R&D related to achieving a sustainable society
- R&D based on co-creation with sales, technology, production and other departments
- R&D through external collaboration (with other companies, academia, etc.)
- Reinforcement and development of R&D talent



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
- 3,417 first-class architects
- Chief Architect, an in-house system of certification for our top creators, fosters excellent in-house architects

Creation of high-quality housing stock
- Safety, peace of mind and comfort
- Extended useful life of housing
- Asset value creation

Contributing to a Sustainable Society
- Decarbonization
- Coexistence with local communities
- Biodiversity conservation

Diversity and inclusion
- Diversity promotion
- Human resource development
- Self-directed career development

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

- Design R&D to promote customer well-being
- Development of environmental technologies to realize a sustainable society
- Development of original technologies to create high-quality housing stock



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

Creation of high-quality housing stock
- Safety, peace of mind and comfort
- Extended useful life of housing
- Asset value creation

Contributing to a Sustainable Society
- Decarbonization
- Coexistence with local communities
- Biodiversity conservation

Diversity and inclusion
- Diversity promotion
- Diverse workstyles
- Self-directed career development
- Human resource development

- Intensifying competitive environment
- Changes in housing policy; 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	Related Material Issues	Risks and Opportunities	Measures to Step Up (Sixth Mid-Term Management Plan)
 **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[1] • FairWood procurement based on our Wood Procurement Guidelines 1 → P.219 Participation in International Initiatives and Activities with Government and Industry Groups	**Creation of high-quality housing stock** • Safety, peace of mind and comfort • Extended useful life of housing • Asset value creation **Contributing to a Sustainable Society** • Decarbonization • Coexistence with local communities • Biodiversity conservation • Resource recycling • Supply chain **Diversity and inclusion** • Diversity promotion • Self-directed career development • Human resource development	• Rapid increases in raw material prices and supply constraints • Impact of natural disasters and geopolitical risks • Human rights risks in the supply chain • Impact of wood procurement on ecosystems and forests	• Increasing the resilience of the entire supply chain, including secondary and tertiary suppliers • Strengthening and promoting CSR procurement for coexistence and co-prosperity with suppliers • Promotion of supply chain decarbonization and respect for human rights • Cultivation of FairWood procurement and promotion of zero deforestation efforts
 **Production**	Our unique production system 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 robotics and cutting-edge information technologies such as AI, IoT and big data • Flexible production lines and distribution systems enable production on a house-by-house basis • In-house development of production technologies incorporating cutting-edge technology	**Creation of high-quality housing stock** • Safety, peace of mind and comfort • Extended useful life of housing • Asset value creation **Contributing to a Sustainable Society** • Decarbonization • Resource recycling • Biodiversity conservation **Diversity and inclusion** • Diversity promotion • Self-directed career development • Human resource development	• Rapid increases in raw material prices and supply constraints • Rising logistics costs and driver shortages • Shortages of production line labor • R&D aimed at decarbonization • Cyberattacks on production systems	• 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 • Reinforcing information security
 **Construction**	We have established a design-build system encompassing our wholly owned Sekisui House Construction companies, and the Sekisui House Association, which is made up of partner building constructors. Together, they promote superior construction systems, excellent construction quality environments, and the development of construction techniques.	• Construction capabilities of eight Sekisui House Construction companies and about 7,000 partner building constructors united by 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 center in Vietnam for developing outstanding people as the Group's future leaders	**Creation of high-quality housing stock** • Safety, peace of mind and comfort • Extended useful life of housing • Asset value creation **Contributing to a Sustainable Society** • Resource recycling • Supply chain • Occupational health and safety **Diversity and inclusion** • Diversity promotion • Human resource development • Diverse workstyles	• Decrease in construction capabilities due to aging and shortages of skilled personnel • Shortage of human resources due to increase in employee turnover and decrease in new hiring • Decrease in construction site productivity due to deterioration of the natural environment caused by climate change • Occupational accidents and accidents involving the general public	• Enhancement of work efficiency and construction environments to make construction sites safer and workers happier • Hiring and training human resources that have multiple perspectives • Strengthening of cooperation with Konoike Construction, which has strengths in construction of houses using traditional methods and in the civil engineering business
 **After-sales service** Sekisui House Sekisui House Remodeling Sekisui House Real Estate Holdings	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 peace of mind 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	**Creation of high-quality housing stock** • Safety, peace of mind and comfort • Extended useful life of housing • Asset value creation **Contributing to a Sustainable Society** • Coexistence with local communities **Diversity and inclusion** • Diversity promotion • Self-directed career development • Human resource development	• 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 information management system and handling

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—as well as our unique value chain. This value chain maximizes value that contributes to happiness for customers because the Sekisui House Group handles all processes relating to homebuilding, from basic R&D to product development, design and technologies, sales, procurement, production, 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 for proven safety and peace of mind, Airkis for a better indoor air quality and other original technologies
- Green First ZERO and other environmental technologies
- Original Dyne Concrete and Bellburn exterior wall panel manufacturing technologies
- Staff with diverse qualifications, including first-class architects and building operation and management engineers
- Enhanced workforce skills and ability to make proposals through an in-house system of qualifications (Chief Architect, etc.)
- New value proposals through the integration of technologies, lifestyle design and services
  Technologies: Seismic resistance (SHEQAS, Flexible ß System), insulation performance
  Lifestyle design: Sekisui House Universal Design, Slow Living housing design, Green First ZERO (ZEH)
  Services: Platform House Concept (HED-Net in-home early detection network for acute illnesses, PLATFORM HOUSE touch)



Construction Capabilities

- Sekisui House 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
- Enhanced construction capabilities though skills development at educational training centers and training schools
- Acquisition of model approval for shortened construction timeframes
- Enhanced workforce skills and ability to make proposals through an in-house system of qualifications (Chief Constructor, etc.)



Customer Base

- Owners of the 2.62 million dwellings we have built (including those overseas), the most in the Japanese housing industry
- An after-sales service system featuring after-sales maintenance through 30 Customer Service Centers across Japan 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
- Relationships with homeowners through after-sales maintenance, including remodeling and renovation work
- Direct sales / Long-term warranty system (lifetime warranty)
- Enhanced workforce skills and service capabilities through an in-house system of qualifications (CS Meister, etc.)

Maximizing Customer Value That Contributes to Happiness through Group Synergies

Research & development → Product development, design and technologies → Sales → Procurement → 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

Stakeholder Engagement

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

Key Stakeholders	Responsibilities	Main Examples of Engagement		Results of Initiatives	
Customers (homeowners)	Constantly remaining closely attuned to our customers, we work to provide value from our customers' point of view to increase their satisfaction.	• Customer 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	• 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 relationships 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* online seminars	• 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 by satisfying customers.	• Sekisui House Association and the Sekisui House Cooperation Association Sekisui House Primary Work Constructor Association	• Annual activity policy briefing session • CSR procurement (adhering to our CSR Procurement Guidelines) • Supplier assessments	• 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 a spirit of embracing challenges through meaningful work; create a healthy, happy workplace environment and systems that allow employees to 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 • Sekisui House Innovation & Performance (SHIP) Awards Program • Challenge 6 initiative (six challenges for physical and mental health)	• Active participation of women and diverse human resources • 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 presentations and management plan briefing sessions • Meetings with institutional investors and analysts • General Meeting of Shareholders • Publication of *Value Report* (Integrated Report; includes TCFD and TNFD reporting)	• Publication of *Business Report* (twice annually) • Issuance of IR News Mail • Factory tours for individual shareholders	• Return of profits to shareholders • Enhancement of information disclosure • Building 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 with, participate in and give back to society by fostering local culture and prosperity 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 • "A Letter from Dr. Forest" and happy homes educational programs for elementary and junior high school students • SDGs training, presentations of model initiatives	• Living that offers safety and peace of mind • Community development for crime prevention and disaster preparedness • Fostering of future generations (Kids First) • Support for the independence 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)

Customer Engagement

To continue providing new value as a partner in happiness, the Sekisui House Group works to enhance customer engagement, and in doing so also promote societal happiness and employee happiness.

Our top priority in customer engagement

Since its founding, Sekisui House has valued communication, particularly hearing directly from customers, and consistently maintained a stance of putting customers first. In 1964, we made the major transition from conventional sales (through sales agents) to a direct sales and design-build business model, in which we take responsibility for every step from sales to design, construction and after-sales service. Since then, we have continued to reflect customer feedback in our design process, products and services. This stance of valuing customers has been passed down to the Sekisui House Group today, helping us propose homes that contribute to customer happiness.

Facilities for Realizing Customer Happiness

Display houses and hands-on exhibits (Japanese only)

The Comprehensive Housing R&D Institute and *Nattoku Kobo* Studio

The Comprehensive Housing R&D Institute is not only a facility for engineering research, but also a venue for customer interaction and participation, creating housing for diverse lifestyles.

At *Nattoku Kobo* Studio (Home Amenities Experience Studio), a hands-on research facility within the institute, customers experience the institute's proposals and provide direct feedback, helping reflect consumer perspectives in research.

Human Life R&D Institute

The Human Life R&D Institute studies well-being in daily living from a variety angles, such as family bonding and personal fulfillment.

By integrating technologies with lifestyle design, the Human Life R&D Institute develops proposals for ways of living that make home the happiest place in the world.

Tomorrow's Life Museum (formerly the *Sumai-no-Yume-Kojo* centers)

Our Tomorrow's Life Museum (TLM) facilities are located adjacent to each of our factories and allow visitors to experience the lifestyle design proposals for happy homes developed by the Human Life R&D Institute.

In order to better meet diversifying housing needs, we created the TLM facilities by evolving the former *Sumai-no-Yume-Kojo* centers, which provided tours and experiences mainly centered on technological aspects of housing.



Connecting with Customers to Provide Value through Happiness

Customer Service Centers (Customer Service Center Owner Desk, Ie-Log and surveys)

We established to the Customer Service Centers to hear directly from customers and ensure that their feedback is duly reflected. We receive customer feedback in the course of periodic inspections and through surveys, and leverage it in our businesses. Through Ie-Log, which stores data on individual homes, and the Customer Service Center Owner Desk we aim to strengthen customer support and enhance customer satisfaction.

Home Visit Days (Tours of Completed Homes)

We hold home visit days, in which customers who have built homes with Sekisui House let us give tours to customers who are starting the process of building a home. These tours allow customers to hear actual homeowners talk about their homes in their own words, enabling engagement both with and between customers.



Family Suite / Family Suite Home Premium

The Family Suite concept was created by applying the Human Life R&D Institute's research into happiness to new structural technologies. Family Suite Home Premium was developed to better meet needs related to increased time spent at home as a result of the COVID-19 pandemic. Because they can accommodate diversifying housing needs, these proposals have been selected by many customers.



Outlook

Our diverse initiatives, developed and evolved through ongoing communication with customers, entered a new phase beginning in 2020. Going forward, we seek to create intangible assets through the Platform House Concept and other initiatives centered on health, connectedness and learning to help foster happiness in the era of the 100-year lifespan.

At the same time, by taking the value in the form of happiness we have built up though engagement with customers in Japan and spreading it overseas, we will advance toward our global vision to make home the happiest place in the world.

History of Initiatives to Promote Customer Happiness

- **1964** Established the direct sales and design-build system
- **1983** Launched factory tours
- **1987** Established the Customer Service Centers
- **1989** Launched home visit days
- **1990** Established the Comprehensive Housing R&D Institute and *Nattoku Kobo* Studio (Home Amenities Experience Studio)
- **1992** Launched Sumaijuku seminars
- **1997** Established the *Sumai-no-Yume-Kojo* centers
- **2006** Launched townscape visit days
- **2010** Launched the Sha Maison Festival
- **2018** Established the Human Life R&D Institute
- **2020** Established the Customer Service Center Owner Desk
- **2021** Established the Tomorrow's Life Museum (TLM) facilities





Section 3

Mid-Term Management Plan for Sustainable Growth

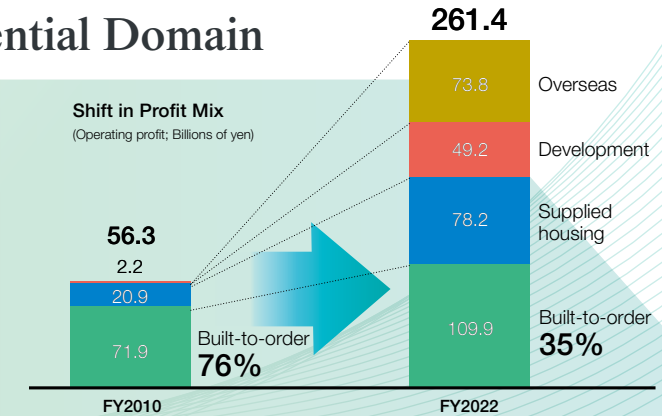
Evolution of Our Businesses and Business Model Based on the Residential Domain 57
Evolution of Our Mid-Term Management Plans 58
Sixth Mid-Term Management Plan (FY2023−FY2025) 59
Business Strategy
- Built-to-Order Business 61
- Supplied Housing Business 64
- Development Business 67
- Message from the Officer in Charge of the Overseas Business 70
- Overseas Business 71

Financial and Capital Strategy 74
Financial Analysis 78
ESG Strategy 82
- Environmental Strategy 83
- Improvement of Social Value 85
- Human Resources Strategy 86
- Technology and R&D Strategy: Sekisui House Technology 87
- Digital Transformation (DX) Strategy 90

Evolution of Our Businesses and Business Model Based on the Residential Domain

Sekisui House was founded in the pre-engineered housing business in 1960, and in the 1970s entered the development business, including urban development and the sale of condominiums. In the 1990s, we established detached housing brands with the lightweight steel-frame IS series and wooden-frame SHAWOOD houses. We then entered the three-floor house market with the heavy-gauge steel frame ß System construction method and, with the creation of the Sha Maison rental housing brand in 2000, all of the current elements of the built-to-order business were established. In 2004, we established Sekisui House Remodeling, and since then, the full-scale development of the remodeling business has contributed greatly to the creation of high-quality housing stock in Japan.

However, in 2008, the financial crisis caused a decline in business performance, leading to the first annual net losses in the Company's history. The major impacts on the Company, including a downturn in orders for housing, led us to revise our business model, which was centered on the built-to-order business, and in 2010, we announced our first Mid-Term Management Plan. Since then, we have expanded the range of our housing-related businesses and entered the REIT business with an eye to securing an exit strategy for projects in the urban redevelopment business. These and other efforts have greatly changed our mix of business models, which before was heavily reliant on detached houses (built-to-order), a market that is expected to shrink in the future. This, along with our entry into the overseas business, has transformed out portfolio. Compared with FY2010, when 76% of operating profit came from the built-to-order business, today the portfolio is balanced across four businesses. In FY2022, we recorded record high net sales and operating profit. For FY2025, the final year of the Sixth Mid-Term Management Plan, we are aiming for ¥3,676.0 billion in net sales and ¥318.0 billion in operating profit.



Note: The breakdown shown here does not include other businesses, corporate expenses or intersegment eliminations.

1960
Founding
Entered the pre-engineered housing business (Built-to-order)

1961
Launched the mainstay Sekisui House Model B (lightweight steel-frame, one-story houses)

1968
Launched first large-scale built-for-sale community developed in-house (Development)
(Construction started in 1969, completed in 1971)

1976
Entered the urban development business (Development)
Established Sekiwa Real Estate (now Sekisui House Real Estate)
Launched the rental housing management and brokerage business (Supplied housing)

1977
Launched condominium development (Development)

1984
Launched the lightweight steel-frame IS series (Built-to-order)

1995
Launched SHAWOOD wooden-frame housing (Built-to-order)

1997
Entered the 3-story house market with the development of the heavy-gauge steel frame ß System (Built-to-order)

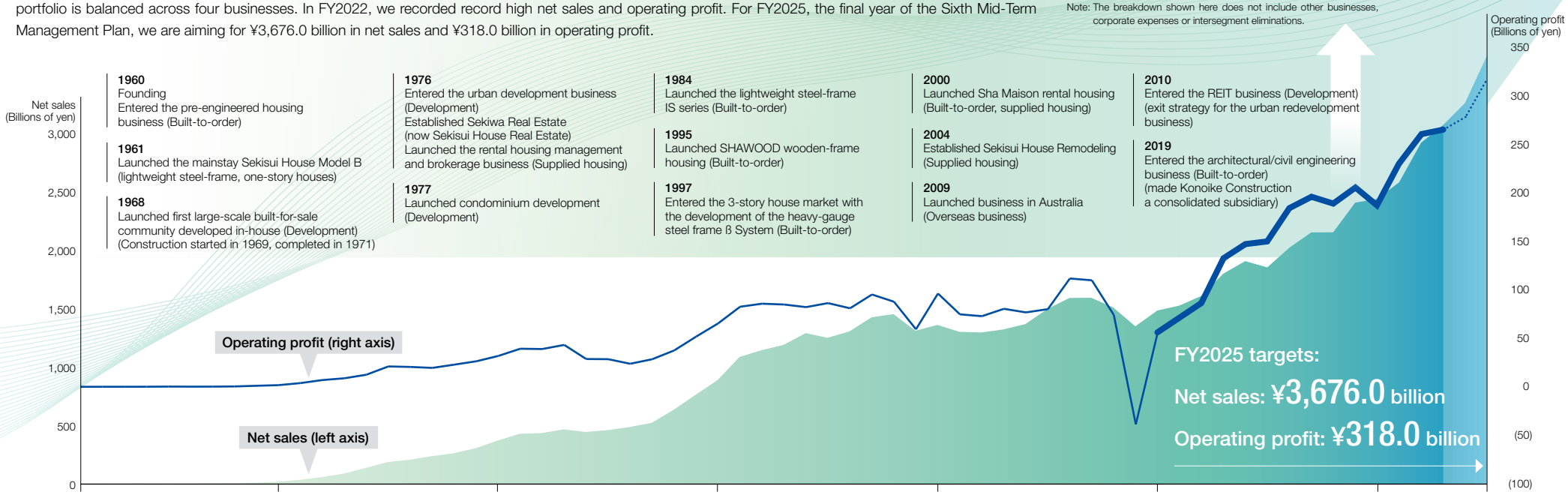
2000
Launched Sha Maison rental housing (Built-to-order, supplied housing)

2004
Established Sekisui House Remodeling (Supplied housing)

2009
Launched business in Australia (Overseas business)

2010
Entered the REIT business (Development) (exit strategy for the urban redevelopment business)

2019
Entered the architectural/civil engineering business (Built-to-order)
(made Konoike Construction a consolidated subsidiary)



Evolution of Our Mid-Term Management Plans

In 2010, to commemorate the 50th anniversary of Sekisui House's founding and the cumulative number dwellings built surpassing 2 million, we formulated our first Mid-Term Management Plan. Under the Second Mid-Term Management Plan (launched in FY2012), we designated "deployment of growth strategies focused on the residential business domain" as our management policy. Since then, we have worked to expand our businesses domain centered on housing. In FY2020, we designated "make home the happiest place in the world" as our global vision, working to grow into a global company that leverages the core competencies developed since our founding and offers integrated technologies, lifestyle design and services based on the residential domain. Under the Fifth Mid-Term Management Plan, based on the fundamental policy of "further strengthening core businesses and embarking on new businesses," we offered a variety of high-value-added proposals integrating technologies, lifestyle design and services. As a result of these efforts, in the plan's final year (FY2022), we recorded record high net sales and profit. The Sixth Mid-Term Management Plan maintains the basic tenets of the fifth plan while laying out further growth strategy, fundamental policy and key measures.



Global Vision

Make home the happiest place in the world



Working to Address Our Material Issues

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)

Net sales	¥2,026.9 billion
Operating profit	¥184.1 billion
Ordinary profit	¥190.9 billion
Profit attributable to owners of parent	¥121.8 billion
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)

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

FY2020–FY2022 Fifth Mid-Term Management Plan

Fundamental Policy

Further strengthening core businesses and embarking on new businesses

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 energy efficient remodeling
- Strengthen rental housing management and the 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

Main Management Indicators (FY2022 results)

Net sales	¥2,928.8 billion
Operating profit	¥261.4 billion
Ordinary profit	¥257.2 billion
Profit attributable to owners of parent	¥184.5 billion
EPS	¥276.58
ROE	11.9%

FY2023–Y2025 Sixth Mid-Term Management Plan

Fundamental Policy

Stable growth in Japan and proactive growth overseas

Key Measures

Built-to-order business

- Strengthening our detached house brands
- Enhancing the Sha Maison brand
- Constructing a stable foundation to create sustainable value

Supplied housing business

- Practicing property management that offers enhanced services
- Proposals to extend the life of our housing stock and to enhance its asset value

Development business

- Developing cities and rural areas through area marketing and investment decisions from a medium- to long-term perspective

Overseas business

- Aiming to achieve a supply of 10,000 houses overseas by 2025 in the detached houses business
- Maximizing profit and achieving stability by diversifying partners and strengthening alliances in the development business

FY2025 Targets

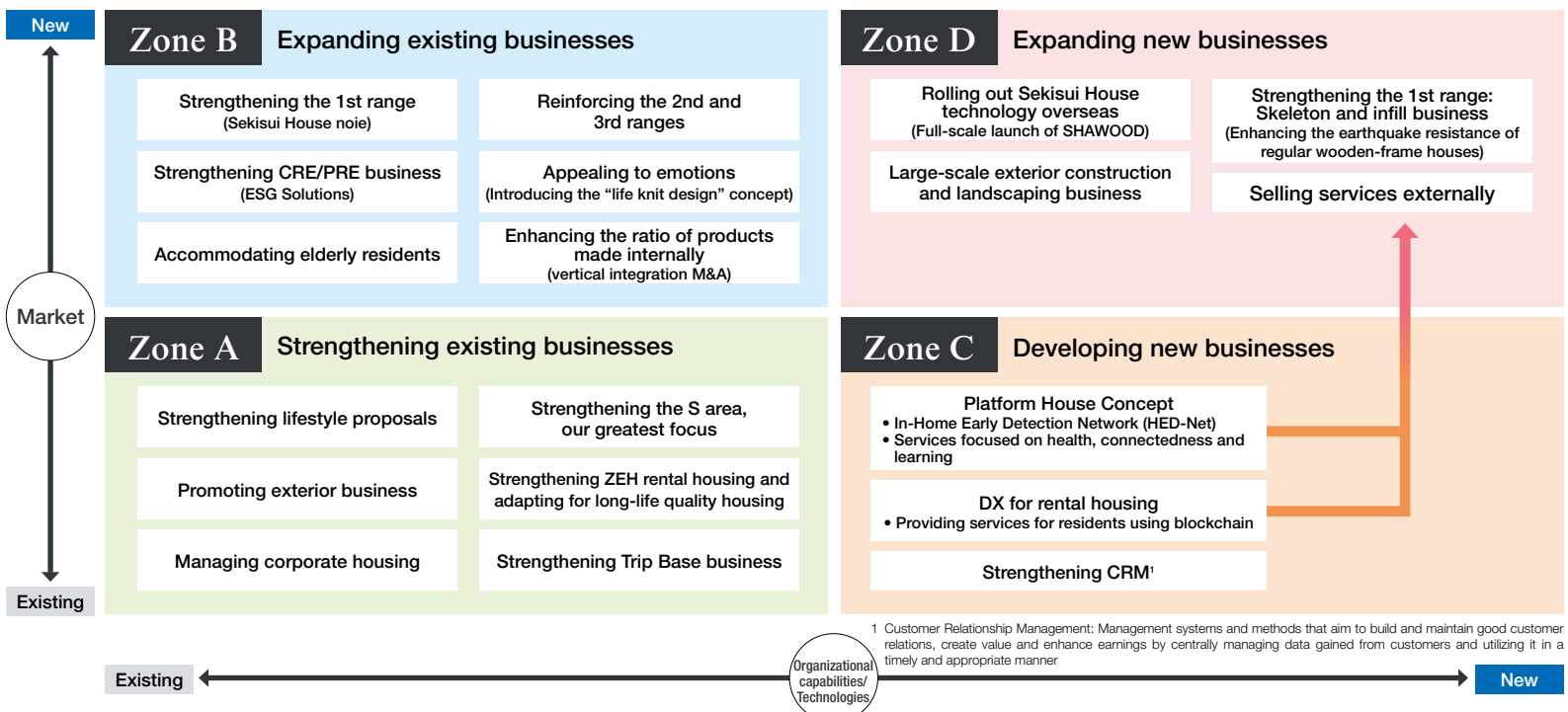
Net sales	¥3,676.0 billion
Operating profit	¥318.0 billion
ROE	Steadily 11% or higher

Sixth Mid-Term Management Plan (FY2023–FY2025)—Stable Growth in Japan and Proactive Growth Overseas

Based on our fundamental policy under the Sixth Mid-Term Management Plan, "growth in Japan and proactive growth overseas," we are implementing growth strategies both in Japan and overseas. Specifically, the Group will strive to deepen and expand its existing businesses by taking full advantage of its core competencies, namely, technical capabilities, construction capabilities and the customer base, and by leveraging its unique value chain, supported by Sekisui House Group companies that together handle the entirety of housing construction processes. At the same time, by transferring Sekisui House technologies cultivated in Japan to pursue business development overseas, addressing changes in society and the business environment and leveraging digital technologies, we will develop and expand new businesses.

In Japan, to reinforce our detached house brands, we will enhance our three-brand strategy, launching a new skeleton and infill business and strengthening first range offerings. At the same time, we will enhance the Sha Maison brand based on thoroughgoing area strategy and reinforce corporate and public real estate (CRE and PRE) businesses. By doing so, we seek to expand our business domain and achieve stable growth in Japan. In addition, we will continue to 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 (under which we launched services during the period of the Fifth Mid-Term Management Plan), as well as such initiatives as utilizing the Internet of Things (IoT). At the same time, we will incorporate new uses of digital transformation (DX) in services and management operations and leverage Sekisui House technologies in the overseas business to expand new businesses.

In this way, during the period of the Sixth Mid-Term Management Plan, we will practice ambidextrous management, both exploiting and exploring, while advancing growth strategies domestically and overseas to further enhance corporate value.



1 Customer Relationship Management: Management systems and methods that aim to build and maintain good customer relations, create value and enhance earnings by centrally managing data gained from customers and utilizing it in a timely and appropriate manner

Zone A Strengthening existing businesses

Further develop and strengthen the business strategies advanced under the Fifth Mid-Term Management Plan into a platform based on the built-to-order business.

Zone B Expanding existing businesses

Horizontally roll out strengths of existing businesses across the Group and add new elements to expand businesses.

Zone C Developing new businesses

Add new elements to existing business foundations to create new businesses.

Leverage data and DX in the environments surrounding our businesses and customers to create businesses and maximize value.

Zone D Expanding new businesses

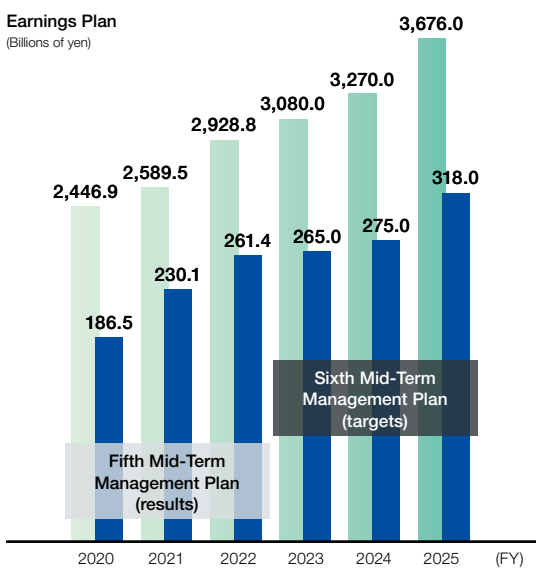
Aim for medium- and long-term growth in new businesses. Pursue business possibilities, such as applying elements of new businesses to additional fields, to create value and achieve growth.

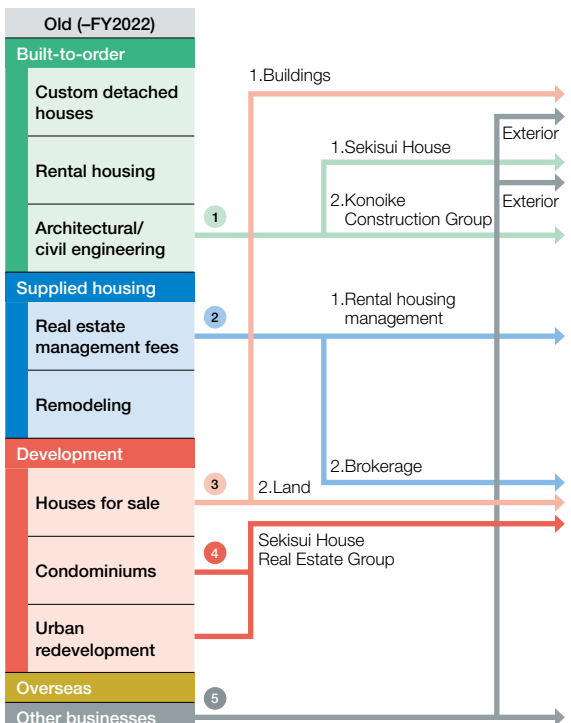
Earnings Plan and Segment Changes— Introducing Individual Management Methods for Each Business to Better Align Business Strategy and Organizational Structure and Enhance Capital Efficiency

The success of the Fifth Mid-Term Management Plan's business strategies laid growth foundations for further success and led to record-high net sales and operating profit in FY2022.

Under the Sixth Mid-Term Management Plan, based on the fundamental policy of stable growth in Japan and proactive growth overseas, we are targeting net sales of ¥3,676.0 billion and operating profit of ¥318.0 billion in FY2025, the final year of the plan.

In addition, from FY2023, we have reorganized our segments as shown at right to better align segment reporting with the state of our actual businesses today.





New (FY2023 –)	Overview	Main companies
Built-to-order		
Detached houses	Sales of built-to-order and built-for-sale houses (including exteriors)	Sekisui House[1] Sekisui House noie
Rental housing and commercial buildings	Contracting and selling rental housing (Sha Maison) and commercial and office buildings (including exteriors)	Sekisui House[1]
Architectural/ civil engineering	Design and construction of conventionally built structures Design and construction for civil engineering	Konoike Construction Group
Supplied housing		
Rental housing management	Leasing and management operations for rental housing (Sha Maison)	Sekisui House Real Estate Group
Remodeling	Remodeling of housing built by the Company (detached houses and rentals) Remodeling of properties in general	Sekisui House Remodeling[1] Sekisui House Real Estate Group[1]
Development		
Real estate and brokerage	Brokerage and sales of land for housing and existing homes Brokerage and sales of real estate (land, buildings) operated for profit	Sekisui House Sekisui House Real Estate Group
Condominiums	Development, sales and management of condominiums	Sekisui House -Affiliate subsidiaries
Urban redevelopment	Development and management of hotels and other properties, mainly in urban areas / Trip Base in regional areas	Sekisui House -Affiliate subsidiaries
Overseas		Overseas subsidiaries
Other businesses		Domestic subsidiaries

1 Including Sekisui House Construction companies as subcontractors

1 Architectural/civil engineering:
1. Changed Sekisui House's built-to-order business to "rental housing and commercial buildings"
2. No change of Konoike Construction's built-to-order business from "architectural/civil engineering business"

2 Real estate management fees:
1. Changed the rental housing management business to "rental housing management" 2. Changed the brokerage business to "real estate and brokerage"

3 Houses for sale:
1. Changed the building business to "detached houses" 2. Changed the land business to "real estate and brokerage"

4 Condominiums, Urban redevelopment:
Changed the real estate business handled by the Sekisui House Real Estate Group to "real estate and brokerage"

5 Other businesses:
Changed exteriors to "detached houses" and "rental housing and commercial buildings" depending on building use

Business Strategy

Built-to-Order Business

This business builds detached houses, rental housing and other properties under contract with property owners. The detached houses business promotes three brand strategies, according to price range, that offer added value in housing alongside high-quality, high-performance products. The rental housing and commercial buildings business provides high-quality, hotel-like rental housing, commercial buildings and other properties centered on major urban areas across Japan as its priority strategic focus.

- Detached houses
- Rental housing and commercial buildings
- Architectural/civil engineering



Review of the Fifth Mid-Term Management Plan and Strategies Going Forward

In the detached houses business, we advanced the key measure “implement three brand strategies.” The business environment was challenging, with the impacts of the COVID-19 pandemic and rising lumber and steel prices, but we minimized the impact on business through internal efforts, including building *Ouchi-de-Sumai Zukuri* content that allows us to consult with customers online, as well as reducing costs at factories.

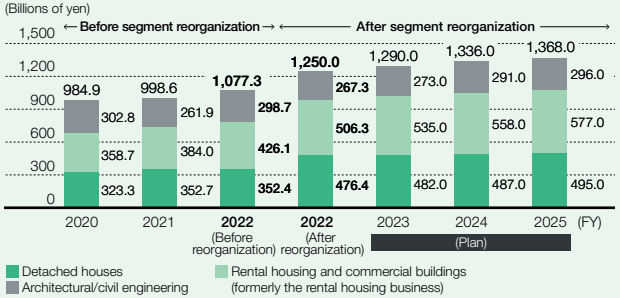
In the first price range, orders for Sekisui House noie brand houses gradually increased due to stronger information links with Group companies. In our mainstay second range, the IS series and SHAWOOD saw an increase in average unit price thanks to high-value-added product propositions integrating technologies, lifestyle design and services. These included Family Suite Home Premium, which addresses lifestyle changes arising from the COVID-19 pandemic by enabling residents to spend time at home in greater comfort, SHAWOOD *KOKAGE* LOUNGE and other new living space offerings, as well as Green First ZERO net zero energy houses (ZEH), the SMART-ECS next-generation indoor environment control system, and the PLATFORM HOUSE touch floor plan-linked smart home service. In the third range, similarly, orders for high-end products increased.

In the rental housing and commercial buildings business, growth was weak in orders for non-residential properties such as hotels and medical and nursing facilities due to the COVID-19 pandemic. Nevertheless, in rental housing, we advanced the key measure “promoting focused S and A area marketing.” Sha Maison properties built using our unique Flexible ß System construction method for 3- to 4-story buildings, which combines outstanding structural resilience and customizability, helped to increase the rate of ZEH units and brand penetration, leading to strong orders received.

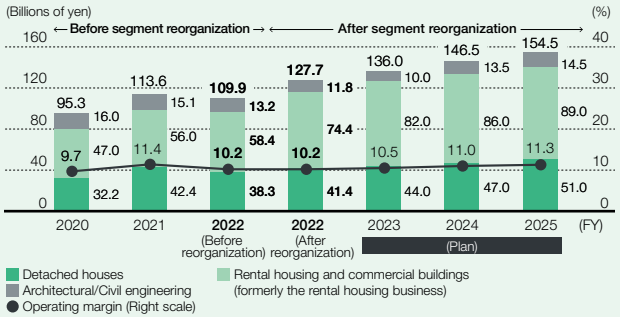
The architectural/civil engineering business secured a profit amid a harsh business environment, driven by an increase in environment-related construction.

Under the Sixth Mid-Term Management Plan, we will work to enhance our three-brand strategy in the detached houses business while promoting CRM strategy and integrating technologies, lifestyle design and services to further reinforce our detached house brands. In the rental housing and commercial buildings business, we will work to strengthen area marketing, provide high-value-added Sha Maison products, and strengthen the corporate real estate (CRE) and public real estate (PRE) businesses in order to further enhance the Sha Maison brand. In the architectural/civil engineering business, we will use environmental solutions and civil engineering technologies as drivers to reinforce housing and non-housing architectural construction.

Net Sales



Operating Profit and Operating Margin



Detached Houses

Business Policy Strengthening our detached house brands by enhancing our strategies for each price range

Strategy
1. Enhancing our three-brand strategy
2. Promoting CRM strategy
3. Integrating our technologies, lifestyle design and services

Enhancing our three-brand strategy

We have divided our offerings into three price ranges. By implementing strategies and measures tailored to the price and product specifications of each, we will reinforce our detached house brands.

In the first range, we will create packages for and strengthen the online presence of Sekisui House noie. In addition, we will begin a new skeleton and infill business with the mission of enhancing the performance of wooden-frame housing and creating high-quality housing stock in Japan.

In the second and third ranges, we will provide integrated technologies, lifestyle design and services to make unique residence proposals.

In addition, we will roll out life knit design, a new design concept aimed at proposing housing where attachment grows over time based on appeal to emotions through beautiful design and genuine materials. At the same time, we will implement customer relationship management (CRM) to reinforce customer relationships.



1st Range

Establishing a system capable of selling 1,000 units per year in FY2025 by strengthening sales and products

Externally transplanting SHAWOOD technologies

Aiming to supply 300 buildings in FY2025



2nd Range

Reinforcing the following two areas to supply technologies, lifestyle design and services

(1) Appealing to emotions: Supplying beautiful design and genuine materials

(2) Strengthening CRM: Scientific approach to DX of customer engagement



3rd Range

The DESIGN OFFICE team, which comprises experts in various fields, uncompromisingly provides totally unique residence proposals

Sekisui House noie (Japanese only)

Highlight

Reinforcing the First Range with the Skeleton and Infill Business

Housing that does not meet modern standards for earthquake resistance or energy efficiency is a major issue in Japan. To correct such housing, Sekisui House has launched the skeleton and infill business[1] as a joint effort in partnership with local builders (construction companies). Centered on new wooden-frame building methods that utilize Sekisui House's technical capabilities and various types of support that utilize its comprehensive strengths, this new business will create high-quality housing stock.

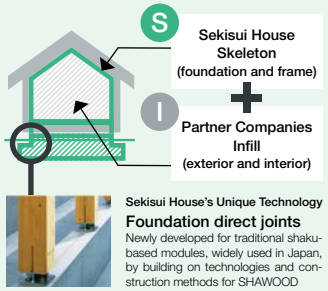
1 Skeleton and infill: A construction method involving clearly distinct building skeletons (building frames) and infill (interiors, room layouts, etc.)

Design-build construction undertaken by the Sekisui House Group

- ✓ Installing Sekisui House's technologies
- ✓ Construction by and quality of Sekisui House Construction companies
- ✓ Wide-ranging support from Sekisui House

Regional strategies of partner companies

- ✓ Proposals based on local characteristics
- ✓ Strong procurement and sales capabilities in local areas
- ✓ Customer engagement rooted in local communities



Sekisui House's Unique Technology

Foundation direct joints

Newly developed for traditional shaku-based modules, widely used in Japan, by building on technologies and construction methods for SHAWOOD

Highlight

life knit design —Design Concept for Housing where Attachment Keeps Growing over Time

Creating high-quality housing stock by providing houses where attachment keeps growing

Point #1
Designing spaces with universal beauty that reflects emotions

Point #2
Providing genuine materials that age beautifully over time

Point #3
Selecting eco-friendly materials



Rental Housing and Commercial Buildings

Business Policy

Striving to supply high value-added properties based on area strategy and enhancing the Sha Maison brand

Strategy

1. **Strengthening area marketing—Price leader strategy**
2. **High value-added Sha Maison**
3. **Strengthening CRE and PRE businesses**

Sha Maison rental housing (Japanese only)
Sha Maison ZEH Life (Japanese only)

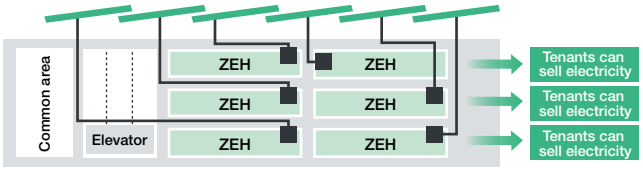
Further Enhancing the Added Value of Sha Maison

Sekisui House's Sha Maison ZEH allows residents to sell electricity generated onsite, accommodating resident needs for utility cost savings and ethically conscious lifestyles. As with detached houses, we are promoting a shift to long-life quality rental housing, further enhancing added value that benefits both owners and residents.

We will promote our price leader strategy, mainly in the S and A areas, and reinforce efforts to effectively use land owned by sole proprietors, corporations (CRE) and public entities (PRE).

Promoting the acquisition of long-life quality housing certifications

ZEH rental long-life quality housing (excess electricity sold by residents)



Architectural/Civil Engineering

Business Policy

Constructing a stable foundation to create sustainable value for customers and society driven by eco-friendly measures and technical capabilities

Strategy

1. **Architectural construction: Expanding and enhancing our channels for receiving orders—Non-residential and residential**
2. **Civil engineering: Differentiating through eco-friendly measures and technologies—Civil engineering technologies and environmental solutions**

Expanding and Enhancing Our Channels for Receiving Orders

In housing construction, we will leverage synergies within the Sekisui House Group to increase orders.

In non-housing, we will reinforce our proposal and technical capabilities, focusing on expanding building uses, such as distribution centers and data centers.

Reinforcing Environmental Solutions

Leveraging the proprietary technologies of Konoike Construction, which boasts strengths in the environmental field, we will further develop environmental technologies and strive to increase orders for environment-related construction, mainly in soil and water purification to meet tightening environmental regulations, photovoltaic power generation, locally rooted micro-hydroelectric and biomass-fired power generation.

In non-housing, we will reinforce our proposal and technical capabilities, focusing on expanding building uses, such as distribution centers and data centers.

Konoike Construction environmental solutions (Japanese only)





Ratio of sales from environment-related construction projects to net sales	FY2025: 20% ➡ FY2030: 30%

Highlight

Synergies through Reinforced Collaboration with Konoike Construction

Since its founding more than 150 years ago, Konoike Construction has developed sophisticated technical capabilities in architectural and civil engineering. By integrating its management resources in these areas with the Sekisui House Group's management resources in the residential domain, we aim to mutually enhance our proposal and sales capabilities while reducing overall construction costs through joint materials purchasing and joint usage of our respective construction capabilities. Because Konoike Construction and Sekisui House each specialize in different business domains, since 2015 we have been advancing cooperation within the Group to generate synergies and achieve business expansion by leveraging our respective strengths.

SEKISUI HOUSE × KONOIKE

Housing
- **Growing orders for housing construction**
- **Collaborative construction with Sekisui House Construction**
- **Faster, more efficient construction**

Non-Housing
- **Proposal capabilities for growing building uses**
- **Reinforcing technical capabilities**



Konoike Construction completed the construction of the Prime Maison Ryogoku condominium building in February 2019 using materials shipped from Sekisui House factories. While most high-end condominiums are built using reinforced concrete, in light of the project's location and construction conditions, a steel-frame structure was used. Part of the exterior was clad in Sheltech Concrete, which Sekisui House also uses for 3- and 4-story housing, and some of the interior materials were produced in Sekisui House factories. By prefabricating a portion of the interior materials, the construction period was shortened and construction precision enhanced. Going forward, in addition to generating synergies like these, we will work together to improve work conditions, a pressing issue in the construction industry.

In addition, in September 2022, as part of the Sekisui House Group's efforts to realize carbon neutrality, Konoike Construction launched efforts to switch to 100% renewable energy for the electricity used at its construction sites. Going forward, Konoike Construction will roll out this initiative at construction sites across Japan, aiming to transition to 100% electricity derived from renewable energy in business operations by 2030.



Business Strategy

Supplied Housing Business

This business provides remodeling for owners of our detached houses, rental housing and other properties as well as operational support for rental housing. In the rental housing management business, we work to maximize asset value by reinforcing communication with owners and are improving services for tenants through DX in rental operations. In the remodeling business, we proactively conduct proposal-based and energy efficient remodeling.

Rental housing management

Remodeling



Review of the Fifth Mid-Term Management Plan and Strategies Going Forward

In the rental housing management business, we worked to reinforce our organizational structure as a key measure in order to promote further growth of the rental and brokerage businesses.

In February 2020, the Sekiwa Real Estate companies were renamed Sekisui House Real Estate, and in February 2022, we established Sekisui House Real Estate Holdings as an intermediate holding company to oversee the Sekisui House Real Estate companies. Through these efforts, we worked to improve the consistency and quality of services for tenants. Turning to relationships with owners, of the more than 690,000 rental units that we manage through the subleasing of properties and other arrangements, for those that no longer meet current needs due to their age, we proactively propose full renovations, such as changing the floor plans. Through such initiatives, we maintained high occupancy rates and rents and saw continued stable business growth.

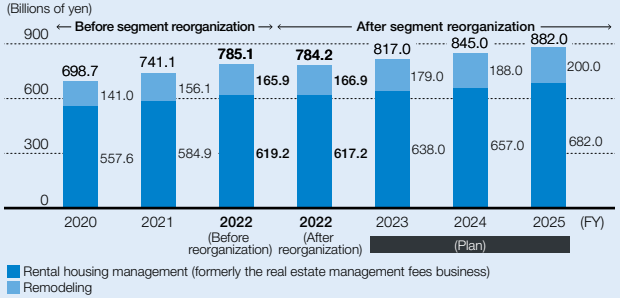
In the remodeling business, we advanced the key measure “actively deploy proposal-based and energy efficient remodeling.”

The COVID-19 pandemic made it difficult to visit customers’ homes directly, but we conducted online consultations using the *Ouchi-de* Remodeling (Remodeling from Home) tools and held hands-on tours for small groups at our Tomorrow’s Life Museum facilities. We also advanced proposal-based remodeling, such as Family Suite Renovation, which addresses needs related to more comfortable living and changes in lifestyle, as well as energy efficient remodeling, which includes *Idocoro Dan-netsu* thermal insulation upgrades focused on areas of the home where customers spend the most time and the installation of Ene-Farm, storage cells and other energy generation and storage equipment. In addition, since the merger of Sekisui House Remodeling East, Central and West in November 2020, the ongoing integration of their varied expertise has led to an increase in the portion of orders for large-scale remodeling projects over ¥5 million, improved the profit margin and greatly contributing to net sales.

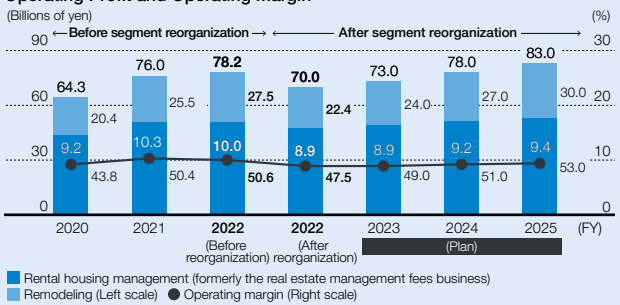
Under the Sixth Mid-Term Management Plan, in the rental housing management business, we aim to significantly transform customer experiences and operational processes by using digital technologies to digitize procedures and realize self-guided tours. By doing so, we will pursue growth through business opportunity creation.

In the remodeling business, we will proactively implement proposal-based remodeling to update the ways housing is used in line with lifestyle changes and energy efficient remodeling to update existing insulation. At the same time, we will focus on the remodeling of rental housing to enhance satisfaction for tenants and improve asset value for owners.

Net Sales



Operating Profit and Operating Margin



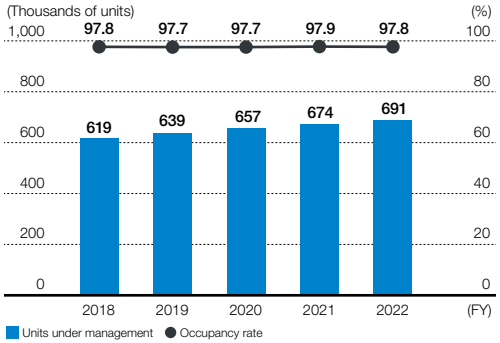
Rental Housing Management

Business Policy Practicing property management that offers enhanced services to owners and tenants

Strategy

1. For Owners: Maximizing asset value
   - —Diverse solution proposals
   - —Strengthening relations with owners
2. For Tenants: Strengthening services
   - —Creating services that utilize blockchains
   - —Centralizing services

Units under Management and Occupancy Rate



- Steady increase in the number of units under management thanks to the supply of newly built properties
- Enhanced value of the Sha Maison brand has led to a high occupancy rate

Stable improvement in earnings power

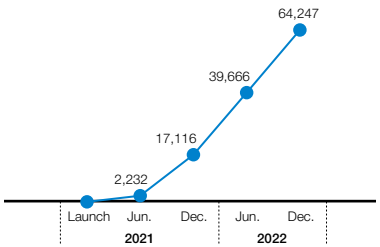
Strengthening Tenant Services

To provide tenants of Sha Maison rental housing with better services, we are creating services that utilize blockchains, such as systems to handle utility fees and other procedures online and enable self-guided property tours. These services will enable the one-stop handling of procedures when moving in or out of a property, such as those related to utilities and administrative bodies. In addition, we are promoting online service provision using dedicated apps to centrally handle resident inquiries and applications for services.

Creating services that use blockchains

One-stop handling of various procedures and applications using the unique traits of blockchains (nearly half of tenants use these services.)

Cumulative applications



Centralizing services

Simultaneously strengthening our ability to meet tenant needs and streamlining operations by centrally managing tenant contacts via an app linked with call centers.

Strengthening engagement through the app



Highlight

Launch of Sekisui House Real Estate Holdings Further Strengthening Collaboration within the Group

Sekisui House Real Estate Holdings Co., Ltd., a holding company for Sekisui House Real Estate companies, began operations in February 2022. The head office of Sekisui House has 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 through initiatives in the following areas:

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



Sekisui House Real Estate Holdings(Japanese Only)

Remodeling

Business Policy

Proposals to extend the life of our robust housing stock and enhance its asset value backed by our track record in supplying a cumulative total of 2.5 million units

Strategy

1. Detached Houses: Strengthening large-scale remodeling
   - —Proposal-based remodeling
   - —Energy efficient remodeling
2. Rental Housing: Asset value-enhancing renovation

Remodeling business (Japanese only)

Detached Houses

Strengthening Large-Scale Remodeling of Detached Houses

To strengthen large-scale remodeling of detached houses, we are advancing two types of remodeling: proposal-based remodeling to update residences in line with changes in family composition or lifestyle, and energy efficient remodeling to update thermal insulation and install the latest energy-conserving, energy-producing and energy-storing equipment. In the former, our Family Suite Renovation proposals have been well received, as has, in the latter, the SMART-ECS next-generation indoor environment control system.

Targets for remodeling by type (FY2025)

Proposal-based remodeling: 45%
Energy efficient remodeling: 35%

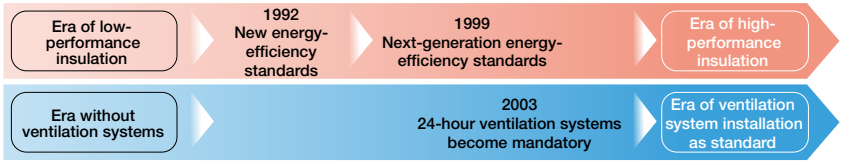
1 For owners of properties built between 1960 and 2000

Idocoro Dan-netsu
Warm in winter, cool in summer; thermal insulation enhancement, mainly in the central living space

SMART-ECS renovation
Fresh air/ventilation system + air purification

2 For owners of properties built from 1990 to present

Energy generation remodeling
Private power generation using storage cells and Ene-Farm



Rental housing





Rental housing (Sha Maison) Renovation

Enhancing asset value ⟷ Higher rents Higher occupancy rates

Increase in owner satisfaction and units under management (newly built/ repeat)

FY2025 Targets
Rental housing renovations: 8,400 units
Note: Around 6,000 units were renovated in FY2022

Highlight

Personal Suite Renovation —Creating Happy Moments for Couples

The Family Suite was launched in 2018 as a new proposal for family living based around a spacious living room in newly built detached houses. The concept was developed through the Human Life R&D Institute's research into home where happiness grows the longer you reside in them. Based on its popularity for newly built houses, in 2019 we launched Family Suite Renovation, a version of the proposal for remodeling existing homes.

Personal Suite Renovation, meanwhile, was launched in October 2022. Developed from the Family Suite Home Premium concept for newly built detached houses launched in August 2020, this remodeling proposal focuses on creating moments of happy time for both halves of married couples.

Many customers are increasingly spending time at home and with their spouses due to changes in their life stage and in society. By incorporating the space of children's rooms or storage areas that are no longer needed into the master bedroom, we offer a new way of living that keeps couples from feeling cramped together, allows them each time and space of their own, and facilitates comfortable, refreshing sleep.



A room remodeled to let the couple feel close but not cramped



Business Strategy

Development 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.

- Real estate and brokerage
- Condominiums
- Urban redevelopment



Review of the Fifth Mid-Term Management Plan and Strategies Going Forward

In the development business, we advanced the key measures “pursue ROA management” and “generate stable profit by improving turnover and acquiring prime land.”

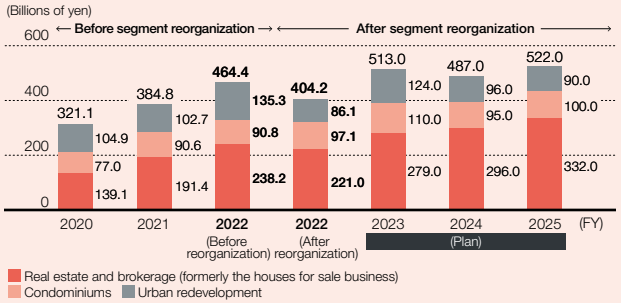
In the real estate and brokerage business, we actively worked to purchase prime land. At the same time, in response to lifestyle changes brought about by the COVID-19 pandemic, we used livestreamed online property tours, such as *Ouchi de Tochi Sagashi*, and focused efforts on promoting sales to customers considering acquiring land in suburban areas that offer more greenery, spacious lots and beautiful townscapes. Orders were strong.

The condominiums business advanced the development and closings of 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, and sales were strong. We also proactively acquired properties in prime locations in the four metropolitan areas of Tokyo, Nagoya, Osaka and Fukuoka. In addition, as announced in October 2021, we are reinforcing our decarbonization efforts by making all units ZEH in GRANDE MAISON condominiums sold from FY2023 onward.

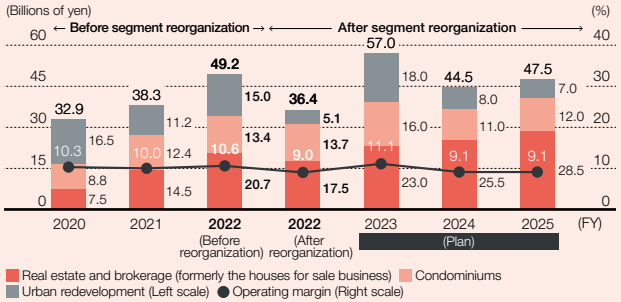
The urban redevelopment business sold office buildings and hotels, including its stakes in Grand Front Osaka and W Osaka, as well as Prime Maison rental condominiums developed by the Company to Sekisui House Reit, Inc. and institutional investors, working to improve the asset turnover ratio. Occupancy 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.

Under the Sixth Mid-Term Management Plan, we will leverage the brand strength of GRANDE MAISON and Prime Maison, focusing on supplying high asset-value properties in rigorously selected areas while advancing mid- and large-scale urban development projects that will become symbols of the surrounding communities, such as ZEB offices, hotels and commercial facilities tailored to urban centers. In suburban areas, we will work to develop beautiful and appealing residential land while advancing the regional revitalization-based hotel business, primarily focusing on the Trip Base *Michi-no-Eki* Stations Project.

Net Sales



Operating Profit and Operating Margin



Real Estate and Brokerage / Condominiums / Urban Redevelopment

Business Policy

Developing cities and rural areas through sophisticated area marketing and investment decisions from a medium-to long-term perspective

Strategy

1 Urban redevelopment of four main metro areas
- **—Housing (GRANDE MAISON and Prime Maison)**
- **—Non-residential (offices, hotels and commercial facilities)**

2 Development business that contributes to regional revitalization
- **—Development of residential land for detached houses (house sales and brokerage)**
- **—Regional revitalization facilities**

Condominiums



We are striving to enhance the GRANDE MAISON condominium brand in the markets of Tokyo, Nagoya, Osaka and Fukuoka. Our policy is to acquire high-value-added land, carefully selected for low-rise to tower buildings, and construct condominiums for sale with all units ZEH as a basic specification from FY2023.

Rental condominiums



We sell high-grade rental condominiums under the Prime Maison brand, mainly in the Tokyo metro area. We recoup our investments through sales to institutional investors, REITs and others once completed buildings are operating stably. We will accelerate our strategy, from acquiring land to exiting, to raise the asset turnover ratio.

Non-residential urban development



The business implements large-scale urban redevelopment that includes office buildings, luxury hotels and commercial facilities. We leverage our concepts and know-how as a living environment design company to create properties that will become symbols and assets of surrounding communities.

Residential land development



We sell ready-built detached houses and residential land lots after acquiring land in areas around Japan. In addition, we conduct brokerage and resale of existing houses. We supply ready-built detached houses and develop beautiful residential land with high asset value, focusing on upgrading greenery in the environment and the resale of existing houses.

Regional revitalization facilities



We utilize land owned by local municipalities, universities, public organizations and others; promote the Park-PFI business; and provide real estate solutions aimed at solving urban issues, such as those related to medical care, nursing care and welfare. We will continue to develop Trip Base *Michi-no-Eki* Stations Project (development of lodging facilities at roadside rest areas).

Sekisui House's development business (Japanese only) GRANDE MAISON Condominiums (Japanese only) TRIP BASE *Michi-no-Eki* Stations Project (Japanese only)

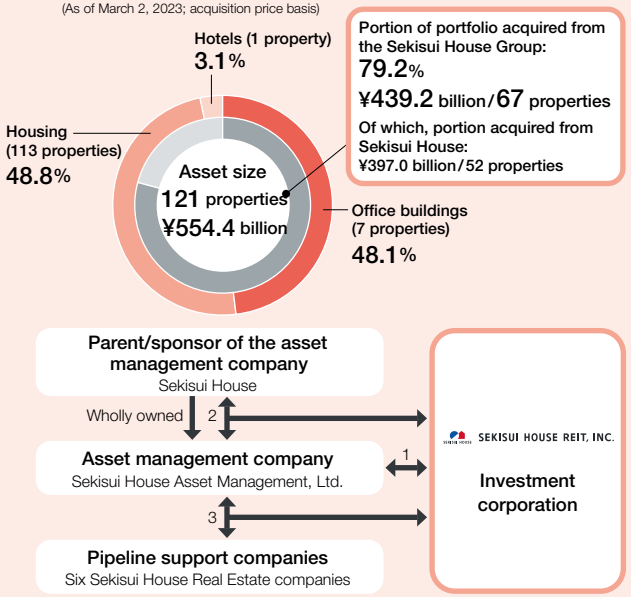
Highlight

Improved Asset Efficiency through Reinforced Collaboration with Sekisui House Reit

Sekisui House Reit, Inc. was publicly listed in December 2014, with Sekisui House as its sponsor. Since merging with and absorbing Sekisui House Residential Investment Corporation in May 2018, it has grown into a diversified REIT, today ranking 11th in asset size among the 60 J-REITs. By applying a growth strategy that makes full use of the comprehensive strengths and expertise of the Sekisui House Group and reinforcing collaboration with the Company, Sekisui House Reit contributes to investment recovery and the enhancement of asset efficiency in the development business.

Sekisui House Reit's Portfolio

(As of March 2, 2023; acquisition price basis)



1. Asset management agreement 2. Sponsor support agreement
3. Agreement on preferential negotiation rights, etc.

Sekisui House Reit, Inc.

Condominiums: Notable Projects

GRANDE MAISON Mizonokuchi no Mori

Takatsu-ku, Kawasaki City, Kanagawa; to be completed in late November 2023

This next-generation residence offers advanced services and environmental performance. The property uses a world-class facial recognition system and boasts ZEH-M Oriented and low-carbon building certifications.





Main entrance



Entrance lounge



Four-seasons forest



Common corridor space

Urban redevelopment: Notable Projects

Fukuoka Daimyo Garden City

Chuo-ku, Fukuoka City; opened in January 2023

This new large-scale complex was built by Daimyo Project TMK, a company formed by a consortium comprising Sekisui House and four other companies. Office space, a hotel (The Ritz-Carlton, Fukuoka), shopping and community facilities surround a vast open plaza, creating a borderless, cosmopolitan environment where diverse people can come together. The property is helping drive Fukuoka's evolution into a leading city in Asia.



View from the west side of the plaza toward the Event Hall



View from the east side of the plaza toward the Community Building





Conference Lounge



Fukuoka Daimyo Garden Bio Square shopping floor

Highlight

Opening of the The Ritz-Carlton, Fukuoka

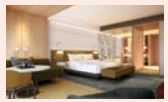
The First Marriott International Luxury Hotel in Kyushu

The Ritz-Carlton, Fukuoka opened on June 21, 2023, becoming the sixth Ritz-Carlton Hotel in Japan. It stands adjacent to the Tenjin district, an area of concentrated shopping, tourism and business. Just a 5-minute walk from Tenjin Station, the hotel boasts an incredibly convenient location. With sweeping views only afforded by the upper floors of a high-rise, the hotel features 167 guest rooms and offers six restaurants and bars where guests can enjoy fine dining and cocktails. In addition to the conference rooms and ballrooms for business and special events, The Ritz-Carlton, Fukuoka features a romantic chapel for weddings or other celebrations. With an indoor pool, a gym, and brand's famous The Ritz-Carlton Spa, the hotel offers the ultimate guest experience together with legendary service to create unmatched and unforgettable memories for guests visiting Fukuoka.

In The Ritz-Carlton, Fukuoka is designed to express Fukuoka's unique blend of old and new, respecting local traditions and culture in this cosmopolitan area while weaving together people and the city, as symbolized by the local *Hakata-ori* textiles incorporated into the décor.



18th floor hotel lobby featuring a miniature Japanese dry garden



Guest room



Arrival lobby on the first floor of the hotel

Message from the Officer in Charge of the Overseas Business

Our Dedication to the Overseas Business—a Growth Driver for Sekisui House



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

The Overseas Business, operating in the United States and other countries, has grown to account for approximately 18% of total net sales in FY2022. In the past, our business in the United States was mainly in development, but we have been expanding the homebuilding business; in addition to Woodside Homes, we welcomed Holt Homes to the Group in December 2021 and Chesmar Homes in July 2022. Our collaborative efforts with these three U.S.-based companies have been successful, driving business performance. We have set and are working toward the target of supplying 10,000 homes in the overseas business annually by FY2025, the final year of the Sixth Mid-Term Management Plan.

Under the Sixth Mid-Term Management Plan, we will implement two major initiatives. The first is to expand our sales area in the United States through M&A to secure new platforms. Specifically, we aim to expand from the west coast and southern regions where we currently operate into the southeastern United States. The second is to roll out our SHAWOOD wooden-frame housing. Due to global climate change, demands for housing performance are changing year by year. Of our detached houses in our domestic business, 93% are ZEH, and our technical capabilities developed in Japan for withstanding increasingly severe natural disasters, such as resilient foundations and external walls, will serve as a valuable cornerstone for the overseas business going forward. A pilot project for the SHAWOOD brand that we implemented in Las Vegas was well received by the market, reaffirming our confidence that our efforts are on the right track. Following this success, in 2023, we are commencing a project of more than 50 new SHAWOOD houses in the Sommers Bend community in California. Leveraging strengths in safety, comfort and design, we will establish a market advantage with SHAWOOD, primarily in areas with high volumes of high-price new home closings.

In the U.S. multifamily business, we aim to diversify our partnerships and build a structure for collaboration to promote new development and implement diversified investment and recovery aligned with each business area.

In Australia, we are engaged in the condominium development business and homebuilding business. By implementing area strategies and establishing our brands, we aim to further expand our business in Australia into a second pillar of the overseas business, following to the United States. In Singapore, we will work to strengthen relationships with local partners Far East Organization and Frasers Property, while in the United Kingdom, we aim to establish business foundations through M&A.



SHAWOOD pilot project in Las Vegas

Global SHAWOOD

In this way, we will continue implementing aggressive growth strategies for the homebuilding business to develop the overseas business portfolio from its previous focus on the development business into a dual-pillar structure of development and homebuilding. In FY2025, the final year of the Sixth Mid-Term Management Plan, we aim for the overseas business to account for approximately 25% of net sales and approximately 30% of operating profit. We will continue advancing the overseas business as a growth driver supporting the Sekisui House Group.



Business Strategy

Overseas Business

We sell detached houses and residential land and develop condominiums for sale or rent and other properties in the United States, Australia and elsewhere. Using the Sekisui House technologies we have cultivated in our domestic businesses in areas including safety, peace of mind 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.

Sekisui House Global site



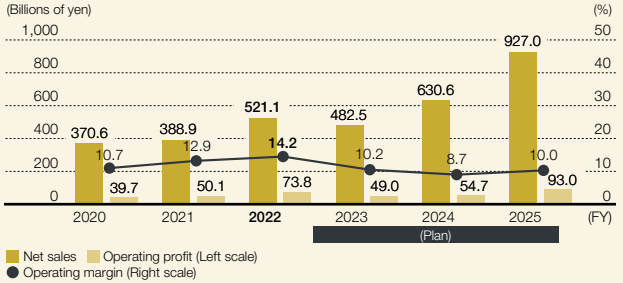
Review of the Fifth Mid-Term Management Plan and Strategies Going Forward

In the overseas business, we are focusing on creating value through happiness by transferring Sekisui House technologies internationally and integrating the housing technologies the Group has cultivated in Japan with lifestyle design proposals and services.

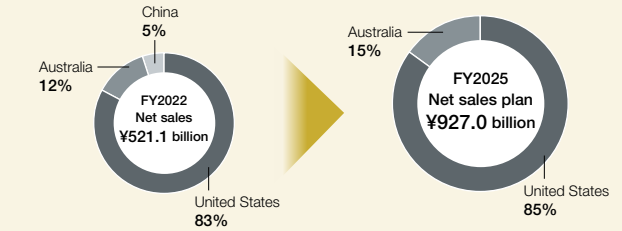
Under the Fifth Mid-Term Management Plan, we focused on enhancing quality. In cooperation with Woodside Homes, we worked to transfer Sekisui House technologies by, for example, applying the Company's strengths in lifestyle design proposals to customer engagement and products based on the two-by-four housing construction common in the United States. These efforts were well received locally and have become a strength for Woodside Homes. In addition, we steadily advanced preparations for launching general sales of SHAWOOD homes in the United States. In order to expand the successful homebuilding business model that we have pioneered with Woodside Homes, we conducted further M&A in 2021and 2022, welcoming Holt Homes and Chesmar Homes into the Group. Both of these companies resonated with our Corporate Philosophy and global vision and share our dream of realizing this vision in the United States. In the multi-family business, we worked to strengthen cooperative relationships with an outstanding local partner. In select cities where growth is expected, we developed and leased high-added-value rental housing, steadily advancing sales of such properties at optimal times to maximize profit.

Under the Sixth Mid-Term Management Plan, we will advance business with a focus on aggressive expansion. In the development business, by working with new partners, we aim to expand our business areas from their current location along the U.S. west coast into cities in the sun belt and east coast gateway regions. By diversifying our portfolio in terms of partners, business areas and products, we seek to enhance business stability and scale. In the homebuilding business, we will implement M&A targeting areas of the United States we have not yet entered and acquire additional builders to horizontally expand our successful business model. At the same time, we will focus on reinforcing Group governance, aiming to expand business in an orderly and controlled manner. In addition, we will transfer Sekisui House technologies to the two recently acquired Group builders and builders acquired going forward, elevating lifestyle design proposals into a strength of all Group builders. We also aim to stably expand the SHAWOOD business to provide new value in the form of happiness to American customers. In Australia, we will strengthen systems aimed at further business expansion, while in the United Kingdom, we aim to secure opportunities for new initiatives. By thus reinforcing businesses and pursuing new initiatives in each country where we operate, we will strive to expand the overseas business portfolio and secure greater stability.

Net sales / Operating Profit / Operating Margin



Net Sales by Country



U.S. (Homebuilding business, master-planned community business)

Business Policy

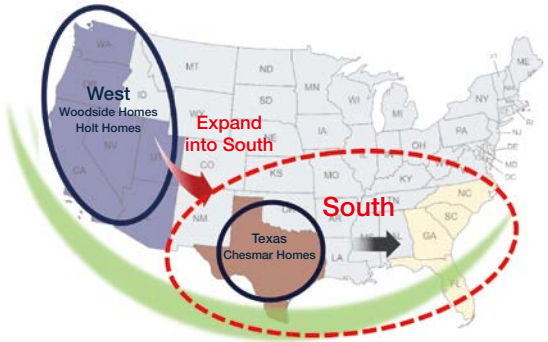
Expanding our sales area through M&A and comprehensively promoting the transfer of technologies, including product and lifestyle proposals

Strategy

1 Builders M&A
- —Strengthening governance for the Group's builders
- —Proactively promoting intragroup collaboration
- —Entering the southeastern United States through M&A

2 Technology transfer
- —Transferring Sekisui House technologies
- —Expanding our own brand (SHAWOOD)

Entering the southeastern U.S. through M&A



Western U.S.	Southern U.S.
Housing sales	Housing sales
Roughly 25% share of the U.S. market	Roughly 60% share of the U.S. market
High-end homes above $750K	High-end homes above $500K
Approx. 36,000	Approx. 122,000
Housing sales: Approx. 150,000 (FY2022) High-end market: 24% of homes are priced above $750k Harbor and transport: Easy marine transport, short land-travel distance	Housing sales: Approx. 394,000 (FY2022) High-end market: 31% of homes are priced above $500K Harbor and transport: Easy marine transport, SHAWOOD business also feasible

Data source: U.S. Census
Because data on homes priced above $750,000 was not available for the southern United States for 2022 onward, figures for homes priced above $500,000 are shown.

Technology Transfer and Expansion of SHAWOOD

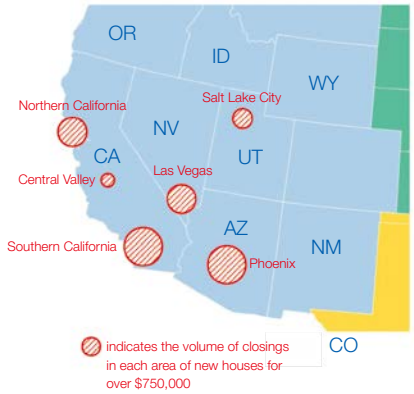
As we work to develop markets through Woodside Homes, Holt Homes and Chesmar Homes, we are advancing the transfer of Sekisui House technologies with an eye to launching lifestyle proposal products, promoting customer approaches based on data analysis and engraining brand loyalty. At the same time, we will roll out SHAWOOD, our brand of houses that features outstanding safety, comfort and design, mainly in areas with high volume closings of high-priced new houses, such as California, Nevada, Arizona and Utah.

Rollout of SHAWOOD

2023
Launched prototype sales in Sommers Bend, California

2024
Closing on 150 units, mainly in California and Nevada

2025
Closing on 300 units in California, Nevada, Arizona and Utah



Highlight

Meet Our Group Builders—Working Together to Create Value through Happiness

Our U.S. homebuilding business kicked off in earnest when we welcomed Woodside Homes into the Sekisui House Group in 2017. Since then, the transition to a lifestyle proposal-based, value-oriented business tailored to customer lifestyles has proceeded smoothly, and we have welcomed two new builders into the Group. Each of these companies differs in its corporate culture, business strategies and business area. To bring them together to advance operations as united members of the Sekisui House Group, we are building a cooperative framework centered on SH Residential Holdings (SHRH). We have selected a local hire—the longtime CFO of Woodside Homes—to serve as CEO of SHRH, and are working to transfer Sekisui House technologies and enhance governance systems in order to generate value through happiness.

Holt Homes HOLTHOMES

Holt Homes joined the Group in December 2021 and operates in Oregon and Washington. Holt has established a particularly strong presence in the Portland market, where the development permitting process is especially strict and barriers to entry are high. To expand from its focus on first-time homebuyers, Holt is focusing on uncovering customers beyond the entry-level and tapping into the needs of potential customers to develop new markets.



Chesmar Homes CHESMAR HOMES

Chesmar Homes joined the Group in July 2022. Based in Texas, Chesmar operates mainly in Houston, Dallas, Austin and San Antonio. Chesmar stands out for its corporate culture that emphasizes human happiness as well as its high customer satisfaction and the ability of its design experts to flexibly accommodate customers. Chesmar is proactively developing the high-end market and may be part of the SHAWOOD rollout in the future.



U.S. (Multifamily business)

Business Policy

Promoting new development while diversifying business areas and partnerships

Strategy

1 Partnerships
—Diversifying business areas and partnerships

2 Portfolio
—Diversified investment and recovery aligned with the business area



Multifamily business

We are working to expand and diversify our business area, from the west coast gateway region where we have operated until now, to include the sun belt and east coast gateway regions. In addition to the urban mid- to high-rise projects we have implemented to date, we are shifting to a project mix that includes suburban low- to mid-rise and rural low-rise projects to diversify our investments. We will build a high-quality portfolio by maximizing profits through asset turnover while keeping a close eye on market conditions.





Australia, Singapore, and the United Kingdom

Business Policy

Aiming to secure robust business foundations and, to this end, striving to establish our brand capabilities and strengthen relationships with local partners in a way aligned with each country's market conditions

Strategy

Australia

Developing our operations into the second largest pillar of the overseas business through the execution of area strategies and the establishment of our brand presence

Condominiums Development Business

We are developing condominiums, commercial facilities and complexes in Sydney and Brisbane. We aim to transition to a more efficient portfolio that balances medium- to long-term large projects, in which we can leverage our strengths, and short-turnaround projects, and to establish brand equity via condominium product planning based on analyses of local needs.



Homebuilding

We are steadily working to acquire land for the SHAWOOD business in the high-end markets of Sydney's suburbs (northern coasts, southern coasts and northwestern and South Coast areas) and to realize an integrated system for processes from the receipt of inquiries to after-sales service following closing in order to enhance brand recognition.



Singapore

Securing close partnerships with prominent corporations in Asia

We are working to develop closer partnerships with leaders in Asia's real estate sector. We will advance joint business based on win-win relationships that combine their strengths with ours.



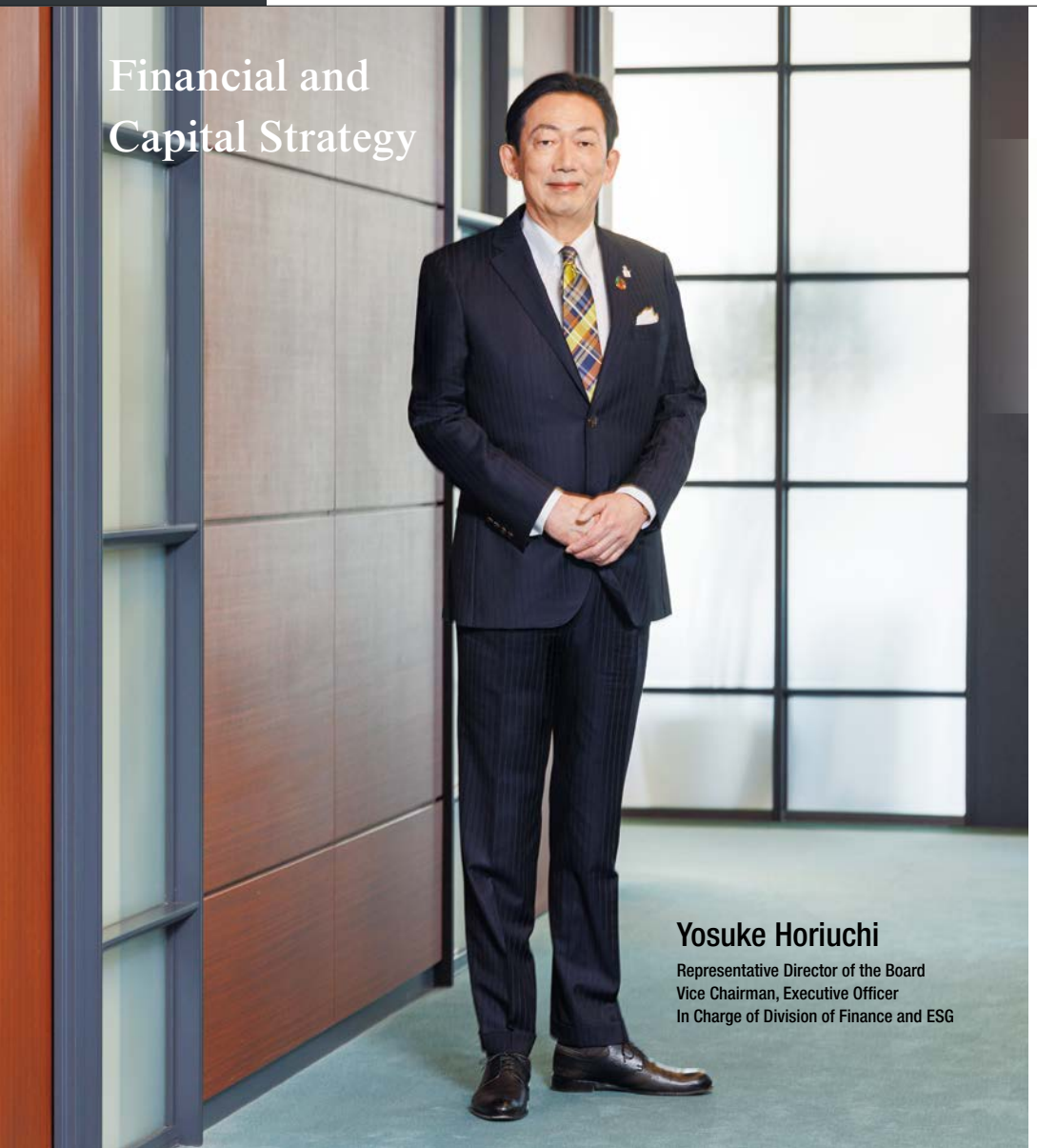
United Kingdom

Executing M&A to transfer our technologies and expand into new business fields

We will develop businesses focused on pursuing the possibilities of pre-engineered housing while tackling social issues arising from the housing shortage and delivering higher quality housing. We are also considering M&A with builders capable of embodying the core technological foundations of Sekisui House.

Projects USA Projects Australia Projects Singapore

Financial and Capital Strategy



Yosuke Horiuchi
Representative Director of the Board
Vice Chairman, Executive Officer
In Charge of Division of Finance and ESG

Working toward our global vision, we will leverage the reciprocal effects of reinforced ROE management and ESG management to sustainably increase corporate value.

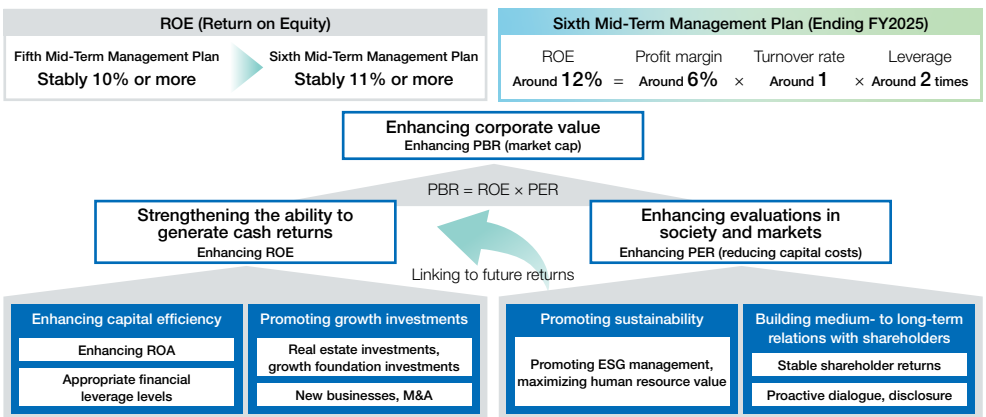
The Role of Financial and Capital Strategy in Realizing the Global Vision

As expressed in its global vision, “make home the happiest place in the world,” Sekisui House is in the business of providing happiness through housing—a product that is an integral and long-lasting part of customers’ lives—and through services for better living. Over the long term, to live up to the trust placed in us by customers and other stakeholders, it is vital to make ongoing investments in continued business growth. To enable such investment, we must secure the requisite investment capacity and maintain our robust financial base.

Under the Fifth Mid-Term Management Plan (FY2020–FY2022), to work toward our global vision, the fundamental policy of our financial and capital strategy was to lay solid foundations for growth, striking a balance among investment for growth, efficiency, healthy finances and shareholder returns. Even amid a challenging business environment that included the effects of the COVID-19 pandemic, business performance surpassed our initial plans, and we made strong investments in growth, including M&A, while simultaneously improving our financial soundness. In terms of capital efficiency, against our target of stable ROE of at least 10%, we achieved ROE of 11.9% in FY2022, the plan’s final year, and as for shareholder returns, we increased dividends for an eleventh consecutive year and repurchased a total of ¥50 billion in Company stock over the three years of the plan.

Building on these achievements, under the financial and capital strategy of the newly launched Sixth Mid-Term Management Plan (FY2023–FY2025), we are working to further reinforce and advance ROE management and ESG management as we aim to sustainably increase corporate value.

- **We aim for sustainable improvement in ROE by strengthening our ability to create cash returns through the enhancement of capital efficiency and the promotion of growth investments.**
- **We work to reduce capital costs through the further promotion of ESG management.**
- **We enhance corporate value through the reciprocal effects of enhancing ROE and promoting ESG management.**



Enhancing ROE by Utilizing the Unique Revenue Structures of Each Business Model

The Sekisui Group boasts the highest cumulative number of dwellings built of any housing manufacturer in the world. Over more than 60 years, we have built and honed our core competencies—our technical capabilities, construction capabilities and customer base—and developed four business models using our unique value chain: the built-to-order business, supplied housing business, development business and overseas business. These business models all have different revenue structures. Leveraging the specific characteristics of each, under the Sixth Mid-Term Management Plan, we aim to stably generate ROE of 11% or more.

In FY2022, the Sekisui House Group recorded operating profit of ¥261.4 billion, of which, ¥188.1 billion, or about 70%,[1] came from the built-to-order business (contracting of custom detached houses and rental housing and architectural/civil engineering) and the supplied housing business (real estate management, remodeling, etc.). These are asset-light business models that do not require major capital investments, and are closely linked to one another. For example, within the built-to-order business, in the rental housing construction contracting business, we concentrate management resources in urban areas via thorough area marketing strategy. As a result, we build rental housing in prime locations and with excellent conditions that enjoys consistently high occupancy. This, in turn, increases the number of newly built properties under management and helps maintain high occupancy rates in the rental housing management and operational support businesses within the supplied housing business, contributing to stable growth and revenue.

The targets of the supplied housing business, including for remodeling, are the owners of the properties we have built, whose numbers increase each year, and the delivered buildings themselves. While asset-light, this business's targets thus continue to grow, so we expect ongoing stable growth going forward. We are proactively investing the capital provided by the built-to-order and supplied housing businesses into the development and overseas businesses, which require significant capital investment, including for the purchase of land. By doing so, we are building a business model that provides big returns through high-quality development.

By thus utilizing the specific characteristics of each business model and the links between them, we will realize stable growth in Japan, even amid population decline, and proactive growth overseas.

Furthermore, to raise ROE, working out strategy down to the actual front lines of each business is crucial. Beginning in FY2023, we have introduced management methods for each individual business to further enhance the link between the business strategy and organization and revised the composition of the reportable segments. We will clarify how each business division should work to increase ROE, which we have set as a KPI for the Group, and align our efforts to increase corporate value.

Investing in Foundations for Growth to Support Aggressive Real Estate Investment and Ongoing Corporate Growth

In terms of growth investment, we will continue to aggressively invest in real estate as a field where strong growth is forecast. Because real estate investment generally entails risk, we carefully select investment areas, set a hurdle rate (the minimum acceptable internal rate of return) based on the cost of capital as an investment criterion and prioritize asset turnover in making investment decisions. For the development business and overseas business, in which the scale of assets is particularly large, we emphasize ROA and work to improve asset efficiency through ongoing monitoring. In these ways, we maintain appropriate financial discipline to control risk while advancing aggressive investment.

Based on the Sixth Mid-Term Management Plan's fundamental policy of "stable growth in Japan and proactive growth overseas," we plan to invest ¥3 trillion over three-year period of the plan, comprising ¥1,300 billion in domestic investment (up approximately ¥330 billion from the previous mid-term plan) and ¥1,700 billion in overseas investment (up approximately ¥680 billion). Furthermore, in order to explore the possibilities of a variety of businesses in Japan and overseas, we have allocated ¥200 billion for investment in new businesses and M&A and ¥100 billion for investment in foundations for growth, including human resources, IT, DX, R&D and enhancing productivity.

Investment in Real Estate (Billions of yen)

	Domestic business	Overseas business	Total
Investment	1,300.0 (962.9)	1,700.0 (1,014.4)	3,000.0 (1,977.4)
Recovery	1,300.0 (857.6)	2,000.0 (1,280.7)	3,300.0 (2,138.3)

Note: Figures in parentheses indicate results under the Fifth Mid-Term Management Plan.

Investment in Foundations for Growth (Over Three Years)

Investment in Foundations for Growth	**¥100 billion** (Human resources, IT, DX, R&D, and enhancing productivity)
New businesses, M&A	**¥200 billion** (Promotion of proactive growth for overseas business)

1 Calculated based on the FY2022 segments. The ratio after segment reorganization is 76%.

Applying Sekisui House's Business Models in the United States

In the U.S. housing market, built-for-sale homes are the mainstream—the business model of providing housing that is both custom-built and pre-engineered, as Sekisui House does, does not exist there. Woodside Homes, which joined the Group in 2017 via M&A, is therefore pioneering this business model in the United States. Unlike typical built-for-sale housing, after receiving the construction permit, starting foundation work and receiving the sales permit, Woodside meets with customers to consider a range of options, providing a new kind of homebuying experience. Based on this business model, Woodside Homes has seen strong growth. I believe this is because Woodside's employees have embraced Sekisui House's approach to housebuilding. This is one more reason that, when selecting companies for M&A, I think we should focus on how closely candidates align with our vision and whether we will be able to work together to provide high-quality housing.

During the period of the Fifth Mid-Term Management Plan, U.S.-based builders Holt Homes and Chesmar Homes become part of the Sekisui House Group through M&A. We have set the target of supplying 10,000 detached houses per year in overseas markets by FY2025. In FY2022, we supplied 3,753 in the United States; we estimate that we can increase this to around 6,000 to 7,000 in FY2025, the final year of the Sixth Mid-Term Management Plan, via the organic growth of our three U.S. builders. In the United States, following the rapid increase in home mortgage rates, we will need to carefully monitor housing demand. However, we have so far not seen any decrease in latent demand for new houses, so we will advance considerations of additional M&A to welcome new partners to the Group in pursuit of further growth.

The Financial Impact of Productivity Improvements

As part of investments in the foundation for growth, we invest in improving productivity at factories on an ongoing basis. Take, for example, our proprietary Flexible ß System construction method used for heavy-gauge steel frame three- and four-story houses and rental housing. Because we have obtained type-approval for this construction method, we are able to forgo some building inspections and structural calculations, shortening the construction period. Furthermore, because its heavy-gauge steel rigid structure does not require major pillars, it enables highly flexible spatial design that can accommodate narrow or irregularly shaped urban lots and facilitates appealing design. Proprietary construction methods like this are a strength of Sekisui House, helping shorten construction time, enhance design and strengthen cost competitiveness, and because they are our own, the resulting improvements in factory productivity generate a significant positive financial impact for the Group.

Under the Sixth Mid-Term Management Plan, we plan to invest in heavy-gauge steel frame production lines to optimize our supply structure in line with the growth of the rental housing business, and we will advance investment in improving productivity, including the proactive use of AI and IoT technologies.

Maximizing Human Resource Value to Increase Corporate Value



It is no exaggeration to say that Sekisui House has prioritized human resource development at every step of its history. We consider investment in human capital a particularly important aspect of investment in the foundation for growth. In addition, under our global vision, we are now focusing Company-wide efforts on supporting the self-directed career development of employees to foster an innovative corporate culture. Since 2021, we have been holding career interviews five times a year. Separate from performance review meetings, these regular meetings of employees with their supervisors are opportunities for employees to chart their own career vision and examine what they can do to achieve it and grow. We believe that such initiatives will create virtuous cycles, increasing human resource mobility and thus fostering an innovative corporate culture over time.

In addition, the Sekisui House Innovation & Performance (SHIP) Awards Program, launched for all employees in 2022, is already showing signs of creating virtuous cycles—from the excitement of the award ceremony to the wave of positive responses from employees. The number of ideas entered in the program's second year was up dramatically from the first, and I feel that the program's theme of "innovation and communication" has really reached employees. With the help of such initiatives, I hope that we can make Sekisui House a company full of people who think for themselves and step up. We seek to maximize our human resource value and, by doing so, increase our social value and corporate value. We will not hold back on investment or support to this end.

Maintaining Appropriate Levels of Financial Leverage

Under the Sixth Mid-Term Management Plan, we plan to aggressively make growth investments, including real estate and M&A, and we emphasize credit ratings as a standard for evaluating appropriate levels of financial leverage. By maintaining financial soundness commensurate with business risk, we aim to maintain ratings of AA in Japan and A

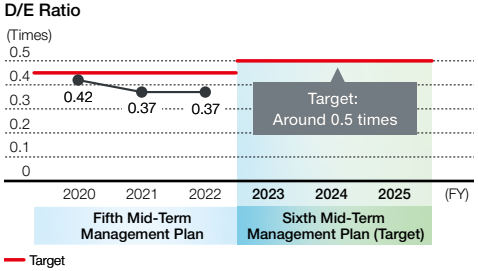


overseas. Specifically, based on the assumption of maintaining these ratings, we have set the targets of a D/E ratio of about 0.5 times (compared with a target of under 0.45 in the previous mid-term management plan) and a debt repayment term (net debt/EBITDA) of less than about 1.5 years (less than 1.0 year under the previous plan). By applying these guidelines, we will maintain a balance between investment and financial soundness.

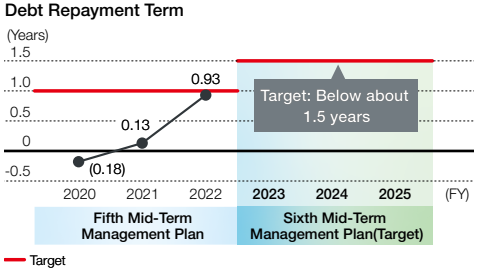
Long-term credit ratings (as of March 2023)

Japan Credit Rating Agency (JCR)	AA
Rating and Investment Information (R&I)	AA-
S&P Global Ratings (S&P)	A

D/E Ratio



Debt Repayment Term



Stable Returns and Improved Value for Shareholders

In FY2022, we paid annual dividends per share of ¥110, up ¥20 year on year. For FY2023, we plan to pay dividends per share of ¥118, for a 12th consecutive year of dividend increases.

Maximizing shareholder value is a top priority for Sekisui House. Under the Sixth Mid-Term Management Plan, in addition to our existing policy of targeting a medium-term average dividend payout ratio of 40% or more, to further stabilize shareholder returns, we have set ¥110 as the minimum for annual dividends per share and will flexibly implement purchases of Company stock to increase shareholder value. In FY2023, we plan to implement stock repurchases of up to ¥40 billion (up to 18 million shares).

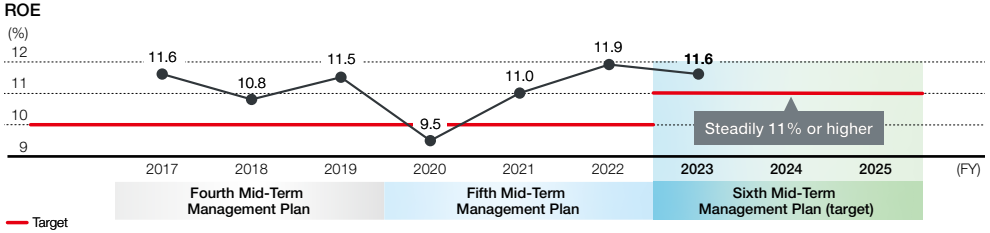
In addition, we will gradually reduce cross-shareholdings to improve the balance sheet. Under the Sixth Mid-Term Management Plan, we aim to reduce these holdings to 3% or less of consolidated net assets (from 4.6% as of January 31, 2023).

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.

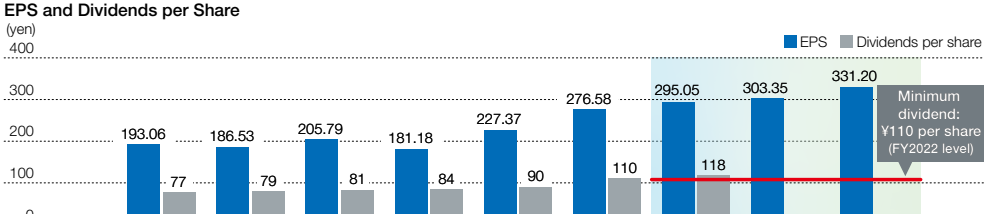
ROE Target and DuPont Analysis Projection

	ROE =	Profit margin ×	Total asset turnover ratio ×	Financial leverage
Fifth Mid-Term Management Plan (final year results)	11.9%	6.3%	1.01	1.84 times
Sixth Mid-Term Management Plan (three-year period targets)	Steadily 11% or higher			
Sixth Mid-Term Management Plan (final year targets)	Around 12%	Around 6%	Around 1	Around 2 times

ROE



EPS and Dividends per Share



	2017	2018	2019	2020	2021	2022	2023	2024	2025
EPS (Yen)	193.06	186.53	205.79	181.18	227.37	276.58	295.05	303.35	331.20
Dividends per share (Yen)	77	79	81	84	90	110	118	Average dividend payout ratio 40% or more	
Dividend payout ratio (%)	39.9	42.4	39.4	46.4	39.6	39.8	40.0		

Note: EPS for FY2024 and FY2025 is calculated based on the forecast average number of issued and outstanding shares in FY2023.

Financial Analysis

The Sekisui House Group Scope of Consolidation

The Sekisui House Group comprises Sekisui House, Ltd., 345 consolidated subsidiaries and 40 equity-method affiliates. The FY2022 consolidated financial statements reflect the operating results and financial position of these companies.

Operating Results

Consolidated net sales increased ¥339.2 billion year on year, or 13.1%, to a record high ¥2,928.8 billion, due to increased sales from all business models.

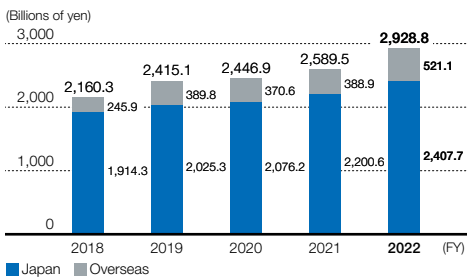
Consolidated operating profit increased ¥31.3 billion year on year, or 13.6%, to a record of high ¥261.4 billion, due to increased revenue in the houses for sale and urban redevelopment businesses as well as an increase in revenue in the overseas business resulting from housing sales and progress in property sales in the United States, despite decreased revenue in the built-to-order business.

Consolidated ordinary profit increased ¥27.1 billion year on year, or 11.8%, to ¥257.2 billion, mainly due to the increase in operating profit.

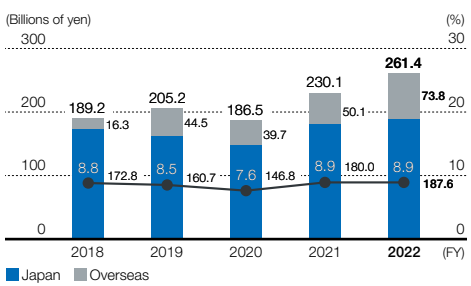
Profit attributable to owners of parent increased ¥30.6 billion, or 19.9%, to ¥184.5 billion.

Notably, overseas net sales increased ¥132.1 billion, or 34.0%, to ¥521.1 billion, and overseas operating profit increased ¥23.7 billion, or 47.3%, to ¥73.8 billion.

Net Sales



Operating Profit

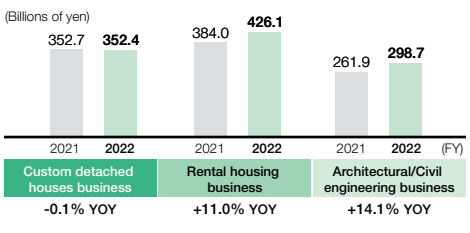


Results by Segment

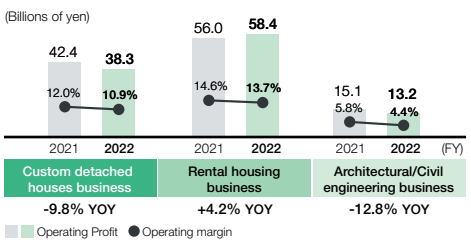
Built-to-Order Business

In the built-to-order business, net sales totaled ¥1,077.3 billion, up ¥78.6 billion, or 7.9% year on year, but operating profit was ¥109.9 billion, down ¥3.7 billion, or 3.3% year on year. By segment, the custom detached houses business saw decreases in both sales and profit, and the architectural/civil engineering business saw increased sales but decreased profit, while the rental housing business secured increases in both sales and profit, driving the performance of the built-to-order business.

Segment Net Sales



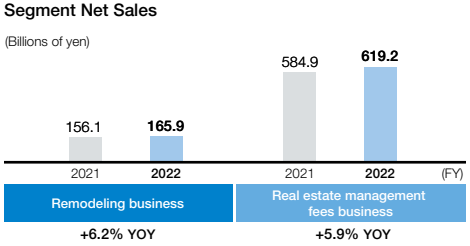
Segment Operating Profit



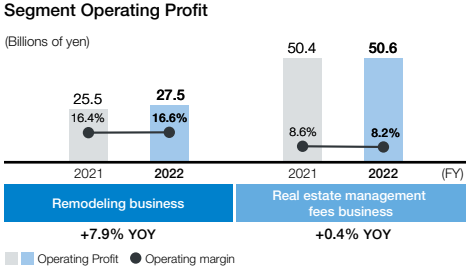
Supplied Housing Business

Supplied housing business net sales totaled ¥785.1 billion, up ¥44.0 billion, or 5.9% year on year, and operating profit was ¥78.2 billion, up ¥2.1 billion, or 2.9% year on year. By segment, the remodeling business and real estate management fees business both saw increases in sales and profit, growing the supplied housing business.

Segment Net Sales



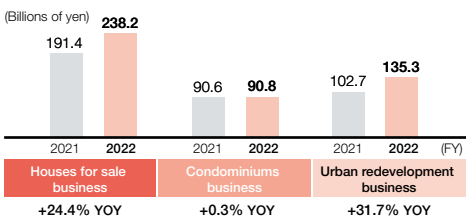
Segment Operating Profit



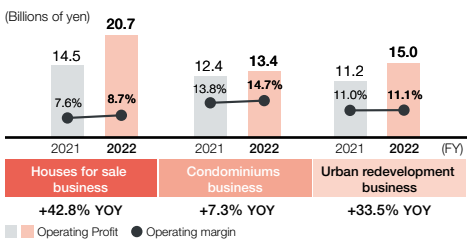
Development Business

Development business sales totaled ¥464.4 billion, up ¥79.6 billion, or 20.7% year on year, and operating profit was ¥49.2 billion, up ¥10.9 billion, or 28.5% year on year. By segment, the houses for sale business, condominiums business and urban redevelopment business all saw increases in both sales and profit, growing the development business.

Segment Net Sales



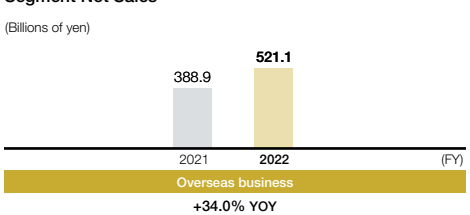
Segment Operating Profit



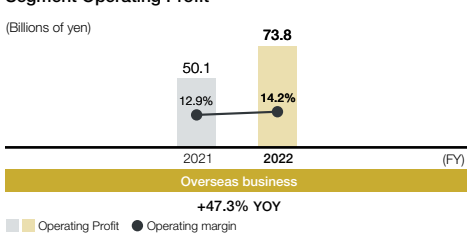
Overseas Business

Overseas business net sales totaled ¥521.1 billion, up ¥132.1 billion, or 34.0% year on year, and operating profit was ¥73.8 billion, up ¥23.7 billion, or 47.3% year on year.

Segment Net Sales



Segment Operating Profit



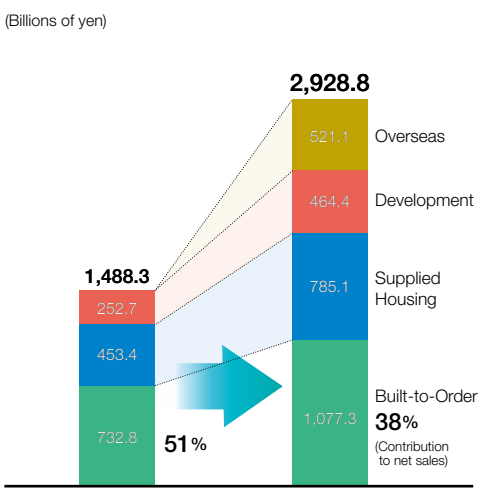
Net Sales and Operating Profit by Segment (FY2022)

The major changes to the Group business portfolio achieved since FY2021 were highly evident in the composition of net sales and operating profit for FY2022.

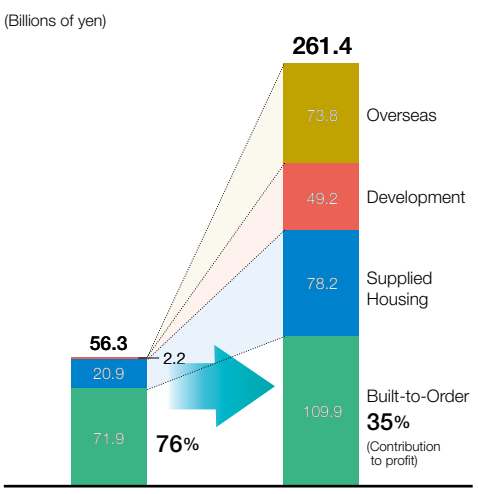
In FY2010, the built to order business accounted for 51%, about half, of total net sales. In FY2022, this figure was 38%, with the remainder well balanced across the supplied housing, development and overseas businesses. Over the same 13-year period, Group net sales have doubled to ¥2,928.8 billion. The change in the composition of operating profit is even more pronounced: where the built-to-order business accounted for 76% in FY2010, the expansion and growth in profit generation of all four businesses has led to total FY2022 revenue of ¥261.4 billion, 4.6 times the FY2010 level.

These achievements are the result of the Group's ongoing efforts to reform its profit structure in line with the expansion of its business centered on the residential domain, which has resulted in a shift from a business portfolio centered on the built-to-order business to a well-balanced business composition.

Net Sales



Operating Profit



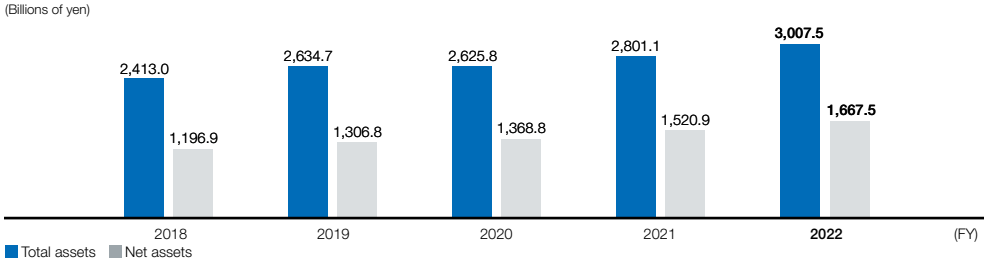
Note: The above segment breakdown does not include other businesses, corporate expenses or intersegment eliminations.

Financial Position

Total assets as of January 31, 2023 increased 7.4% from a year earlier to ¥3,007.5 billion. Current assets increased 7.2% to ¥2,093.8 billion, primarily due to an increase in real estate for sale. Non-current assets increased 7.7% to ¥913.6 billion due in part to an increase in goodwill.

Total liabilities increased 4.7% from a year earlier to ¥1,339.9 billion, mainly due to an increase in borrowings, despite a decrease resulting from the redemption of bonds.

Net assets increased 9.6% from a year earlier to ¥1,667.5 billion, mainly due to the recording of profit attributable to owners of parent.



Cash Flows

Cash Flows from Operating Activities

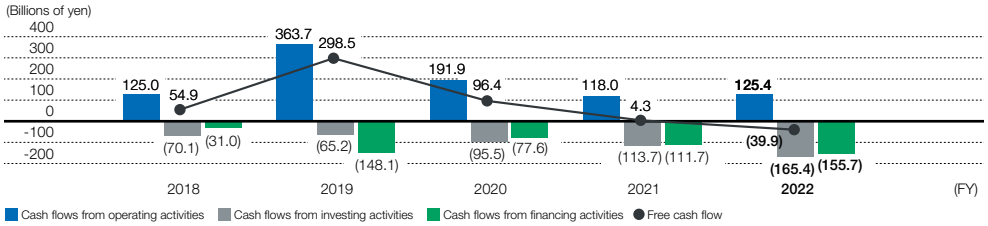
Net cash provided by operating activities increased ¥7.4 billion to ¥125.4 billion due to factors including profit before income taxes of ¥267.7 billion.

Cash Flows from Investing Activities

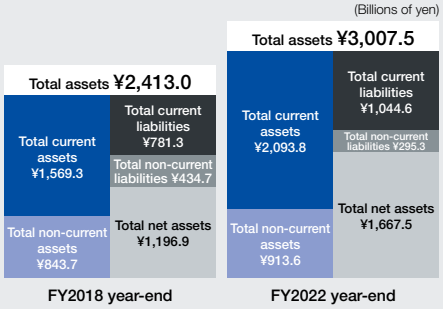
Net cash used in investing activities increased ¥51.7 billion year on year to ¥165.4 billion. Cash used in the purchase of property, plant and equipment, including real estate for lease, increased ¥9.2 billion to ¥92.1 billion.

Cash Flows from Financing Activities

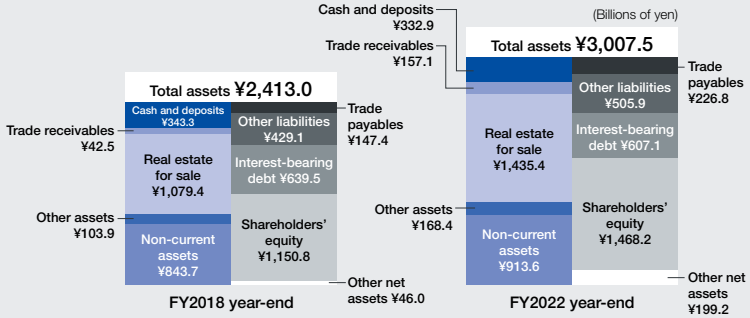
Net cash used in financing activities increased ¥44.0 billion year on year to ¥155.7 billion. Dividends paid increased ¥10.7 billion to ¥66.4 billion, and outflows from the redemption of bonds came to ¥120.0 billion.



Balance Sheet Comparison



Comparing the consolidated balance sheet at the FY2018 and FY2022 year-ends, total assets increased ¥594.5 billion to ¥3,007.5 billion at the end of FY2022. Within this, the increase of ¥524.5 billion to ¥2,093.8 billion in current assets is especially striking, while non-current assets rose ¥69.9 billion to ¥913.6 billion. Looking at liabilities and net assets, current liabilities rose ¥263.3 billion to ¥1,044.6 billion, non-current liabilities decreased ¥139.4 billion to ¥295.3 billion, and net assets increased ¥470.6 billion to ¥1,667.5 billion, marking a reduction in long-term liabilities alongside a major increase in net assets.

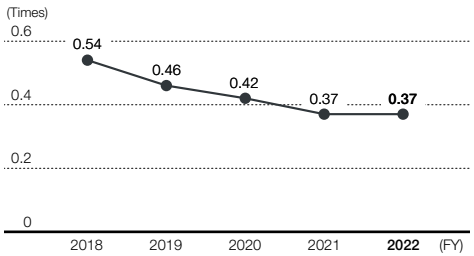


Within current assets, real estate for sale accounts for a large portion of the total, having increased ¥355.9 billion from FY2018 to ¥1,435.4 billion at the FY2022 year-end. This significant growth was due to proactive real estate procurement amid the favorable performance of real estate businesses in Japan and overseas as well as the M&A of builders in the United States. In contrast, interest-bearing debt decreased slightly over the same four years, reflecting the effective use of capital based on financial discipline. Within net assets, shareholders' equity increased ¥317.3 billion to ¥1,468.2 billion at the FY2022 year-end following efforts to expand equity.

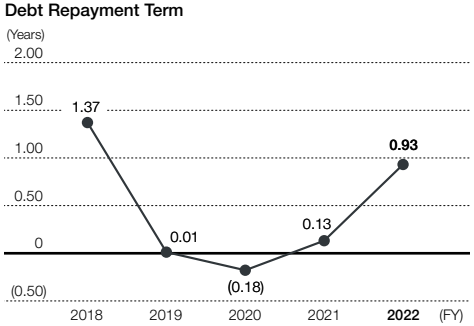
Financial Resources for Capital and Liquidity of Funds

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 secure stable financial resources 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 around 0.5 or less and 1.5 years or less, respectively, premised on maintaining AA credit ratings from domestic rating agencies and A ratings from overseas rating agencies. We have also entered into commitment line and overdraft contracts with multiple financial institutions, thereby ensuring ample liquidity.

D/E Ratio



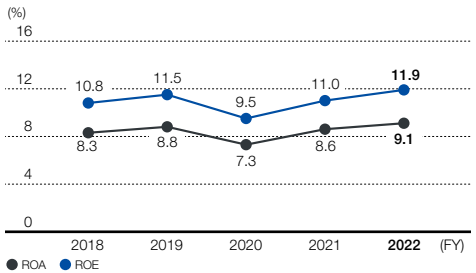
Debt Repayment Term



Targeted Performance Indicators

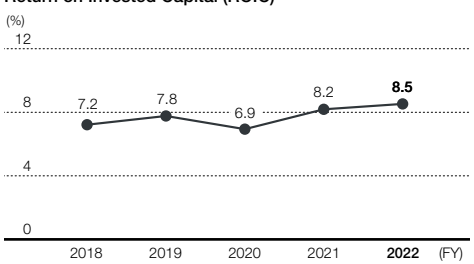
In order to promote business efficiency, we aim to strengthen our balance sheet and raise asset efficiency in each of our businesses. Through such efforts, we seek to improve the ratio of profit to total assets (ROA) and the ratio of profit to equity capital (ROE), aiming for ROA of 10% and ROE of 11% or more. In FY2022, ROA was 9.1% and ROE was 11.9%.

ROA/ROE

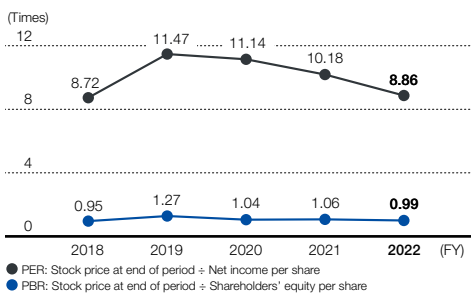


Other performance indicators, etc.

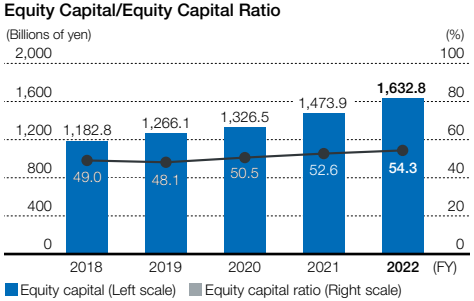
Return on Invested Capital (ROIC)



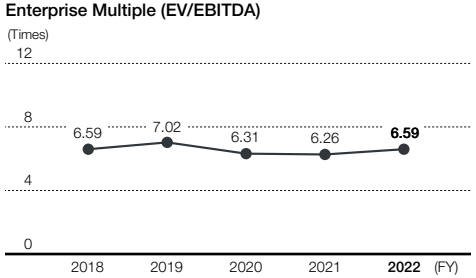
PER/PBR



Equity Capital/Equity Capital Ratio



Enterprise Multiple (EV/EBITDA)



ESG Strategy—Enhancing ESG Management Centered on Our Material Issues

Building on the ESG Management Foundation We Have Established, We Are Enhancing Initiatives to Generate Social Value and Increase Corporate Value

In order to be continually sought after by society as a leading company in ESG management, it is important to proactively consider how we can provide happiness to all kinds of stakeholders and take action accordingly. Based on our fundamental policies of helping resolve environmental issues through residences, making employee autonomy a growth driver, and innovation and communication, we will further enhance ESG management centered on our material issues. At the same time, to develop human resources who internalize and take ownership of ESG and think and act autonomously, we will advance ESG management that involves all employees, an approach unique to the Sekisui House Group.

Fundamental policy Become a leading company in ESG management



Material Issues



- Helping resolve environmental issues through residences
- Making employee autonomy a growth driver
- Innovation and communication

Our Medium-Term Vision

We aim to practice our Corporate Philosophy while transforming into autonomous individuals and organizations with the power to innovate. We have therefore identified three key elements for promoting ESG management: participation of all employees, forward-thinking initiatives and improvement of external evaluations. For the participation of all employees, which we regard as especially important, we are constructing platforms for implementation, including ESG dialogues involving all employees (launched in 2020) and holding the Sekisui House Innovation & Performance Awards as a mechanism to foster innovative ESG management.

Going forward, we will further develop these efforts, striving to increase corporate value through autonomous individuals and organizations that have internalized and take ownership of ESG.

Promoting ESG management that involves all employees, an approach unique to the Sekisui House Group

Deepening ESG dialogue while expanding the scope of counterparts
→P.46 ESG Dialogue

Fostering a corporate culture supportive of spontaneous creativity
→P.43 Sekisui House Innovation & Performance (SHIP) Awards Program

Setting ESG indicators and pursuing their improvement
→P.22 Creation of High-Quality Housing Stock and KPIs
→P.26 Contributing to a Sustainable Society and KPIs
→P.32 Diversity and Inclusion and KPIs
→P.125 Themes and KPIs for Initiatives That Provide a Basis for Our Material Issues

Key Themes

E Taking on ongoing issues as well as new issues in the environment field

Decarbonization	1. Further promoting Sha Maison ZEH 2. Developing foundations for promoting ZEB 3. Ensuring the early realization of RE100 and SBT targets by accelerating initiatives relative to general aspects of business activities, including supply chains
Biodiversity	1. Rolling out the *Gohon no Ki* Project across the Group while expanding the scope of external partnerships 2. Further strengthening and promoting sustainable wood procurement
Resource recycling	Upgrading the zero-emission system into a circular economy

→P.83 Environmental Strategy

S Enhancing our corporate value via improvement in human resource value and social value

Improvement in human resource value	Enhancing the combination of employee autonomy × alignment of efforts
Improvement in social value	Helping resolve social issues via business and other corporate activities

→P.85 Improvement of Social Value
→P.41 The Sekisui House Group's Human Capital Management

G Strengthening corporate governance with regard to the two aspects of senior management and business management Driving forces of innovation and communication

Senior management level	1. Moving forward from the development of a corporate governance framework to the new stage of realizing its functional effectiveness 2. Increasing the sophistication of stakeholder engagement
Business management level	1. Rolling out Group governance systems on a global basis 2. Fostering a corporate culture based on mutual trust achieved via robust communications

→P.102 Direction of Governance Reinforcement Measures under the Sixth Mid-Term Management Plan

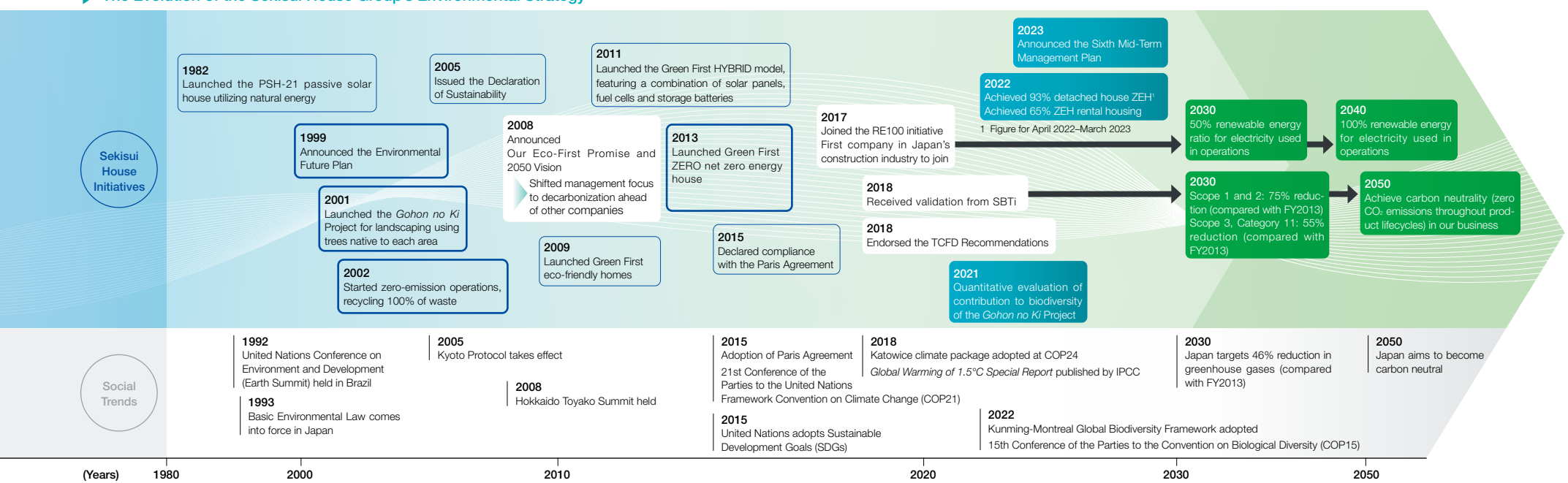
Environmental Strategy

Sekisui House Group's environmental strategy kicked off in 1982 with the launch of a passive solar house as a strategic product. In 1999, we announced the Environmental Future Plan, the cornerstone of our environmental strategy thereafter, which lays out our ideals and basic policy for initiatives. Since then we have we have been conducting various initiatives to effectively reduce the impact of our business activities on the global environment. In particular, positioning popularizing energy-saving housing as 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 the launch of sales of Green First houses with solar cells and fuel cells. Then, in 2013, we were among the first in the industry to begin sales of a net zero energy house (ZEH).

In terms of business activities that include the value chain, in 2017 we were the first in the Japanese construction industry to join RE100, and in 2018 we announced our participation in the SBT Initiative; we continue to work toward our targets under these initiatives. We have also endorsed the TCFD recommendations and conduct disclosure in accordance with them. To promote biodiversity conservation, since 2001 we have been conducting the *Gohon no Ki* Project to promote the use of mainly native species in landscaping and greening. Other efforts not directly related to climate change include proactive initiatives to promote biodiversity and resource recycling.

In ways such as these, as it has since 1999, the Sekisui House Group continues to deepen and develop its environmental strategy based on an approach of integrating the resolution of various environmental issues into its business.

The Evolution of the Sekisui House Group's Environmental Strategy



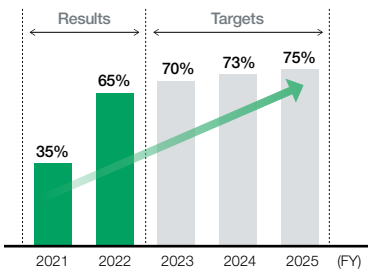
Decarbonization

Further Promoting Sha Maison ZEH

In 2018, Sekisui House completed a Sha Maison rental housing property with all ZEH units, the first such property in Japan. Since then, we have advanced the full-scale promotion of Sha Maison ZEH.

By installing photovoltaic panels for each unit, we are promoting ZEH at the unit level that allows individual residents to sell electricity. We expect this to increase satisfaction for ethically minded residents and contribute to stable long-term operations for owners, thus increasing rental income for Sekisui House Real Estate. We believe that by providing the benefits of enhanced comfort and reduced utility costs, this housing will help convert residents into ZEH fans, increasing demand for ZEH in the rental housing market.

In FY2025, the final year of the Sixth Mid-Term Management Plan, we aim for 75% of Sha Maison units provided to be ZEH.



Further promoting Sha Maison ZEH

Building a Foundation for Promoting ZEB

In addition to promoting ZEH detached houses, rental housing and condominiums, we are also advancing the shift toward net zero energy buildings (ZEB) in commercial buildings. We are developing ZEB designs and proposals that maximize added value, including enhanced comfort, reduced utility costs, advantages in business continuity planning and CO_2 reduction.

ZEB and ZEH-M (Japanese only)

Decarbonizing Business Activities Including the Supply Chain

To promote the decarbonization of business activities, we continue to advance energy saving measures at offices and production facilities and the electrification of company vehicles. In addition, we are working to gain the understanding and support of housing owners to promote their participation in Sekisui House Owner Denki, a unique initiative of the Company, as we work to achieve the target of RE100. Furthermore, to decarbonize the supply chain, we hold periodic seminars for suppliers, promoting awareness and understanding of the importance of setting SBT targets and working together to advance effective initiatives to reduce CO_2 emissions.

→ P.26 Contributing to a Sustainable Society and KPIs → P.136 Contributing to a Decarbonized Society

Sekisui House Owner Denki (Japanese only)

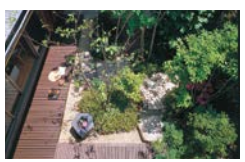
積水ハウスオーナーでんき
SEKISUI HOUSE OWNER DENKI

Biodiversity

Further Advancing the *Gohon no Ki* Project

Since 2001, Sekisui House has been conducting the *Gohon no Ki* Project to promote landscaping of customers' gardens. In 2021, to mark the project's 20th year, we published the results of quantitative evaluations of the project's effects undertaken in collaboration with the Kubota Laboratory at the Faculty of Science, University of the Ryukyus. These evaluations found that the project resulted in an approximately tenfold increase in the number of 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 attract.

Using these results, we aim to expand the range of our activities to promote awareness and action both in and outside the Sekisui House Group by, for example, promoting the *Gohon no Ki* Project's nature-positive effects on cities and working with municipalities to promote related educational activities in schools. Recently, we have also been working to evaluate the effects of the project on health and well-being through joint research with the University of Tokyo. Through such efforts, Sekisui House's landscaping business helps to both preserve biodiversity and provide customers with the added value of happier homes via gardens where they can enjoy birds and butterflies.



Urban biodiversity forum: Gohon no Ki Project and other nature-positive initiatives (Japanese only)

Further Strengthening Sustainable Wood Procurement

Sekisui House is advancing sustainable work procurement based on the approach of No Deforestation, No Peat, No Exploitation (NDPE) adopted by international consensus. As part of these efforts, focusing on preventing the loss of natural forests, we have adopted the rate of zero-deforestation lumber procurement as a new KPI and begun efforts at achieving a rate of 100% by 2030.



→ P.26 Contributing to a Sustainable Society and KPIs → P.146 Biodiversity conservation
→ P.152 Disclosure in Line with the Taskforce on Nature-related Financial Disclosures (TNFD) Draft Recommended Disclosures

Resource Recycling

Upgrading the Zero-Emission System into a Circular Economy

Sekisui House aims to provide high-quality housing stock and promote its circulation while striving to reduce resource usage in business activities. During the period of the Sixth Mid-Term Management Plan, we plan to commence full-scale initiatives to evolve our existing systems into a circular economy that minimizes impacts on natural capital to the greatest extent possible through technological development in the area of resource recycling.

Improvement of Social Value

To better improve social value—one of the key themes of our ESG strategy—we have designated key measures from the perspectives of improving human resource value and improving social value.

Sekisui House believes that by combining employee autonomy with the alignment of efforts, it can increase Group human resource value and has therefore made doing so a key measure under its human resource strategy. We have designated four themes in this area: 1 Supporting self-directed career development, 2 Promoting DE&I, 3 Promoting diverse workstyles and 4 Building a foundation for well-being. Based on these, we will strategically work to reform systems, foster organizational culture and advance initiatives while supporting and promoting employee autonomy. Furthermore, to align the efforts of the autonomous employees developed through these efforts, we will implement the key measures of 1. Nurturing leaders capable of disseminating our Corporate Philosophy and strategies, and 2. Securing staffing in line with strategies and optimally allocating employees.

To improve social value, we will steadily implement measures under the four themes of 1 "Kids First," 2 "Green First," 3 Respect for human rights and 4 Regional revitalization businesses. By doing so, we will seriously work to address social issues, aiming to create and provide value through the various initiatives of the Sekisui House Group and thereby contribute to society.

Improvement in Human Resource Value

Human Resources Strategy Key Measures

Employee autonomy × **Alignment of efforts**

1 Supporting self-directed career development
- Self-directed career development education
- Career development support system
- Sekisui House Innovation & Performance (SHIP) Awards Program

3 Promoting diverse workstyles
- Enhancing the diversity of workstyle programs
- Expanding systems for fair evaluations
- Creating a workplace culture that ensures psychological safety

2 Promoting DE&I
- Promoting the participation of women
- Promoting the participation of global human resources
- Promoting the participation of people with disabilities
- Promoting employee understanding of the LGBTQ community

4 Building a foundation for well-being
- Assisting the pursuit of family happiness (encouraging male employees to take childcare leave, nursing care leave, etc.)
- Supporting health improvement efforts
- Continuing the Well-Being Survey

Alignment of efforts
- **Nurturing leaders capable of disseminating our Corporate Philosophy and strategies**
- **Securing staffing in line with strategies and optimally allocating employees**

Improvement in Social Value

1 "Kids First"
- Providing children with opportunities for diverse emotional experiences
- Helping children develop housing literacy
- Continuing to run the Children's Fund, part of the Sekisui House Matching Program corporate program to match employee donations

3 Respect for human rights
- Promoting human rights due diligence for suppliers
- Promoting human rights due diligence in terms of global hiring

2 "Green First"
- Drawing public attention to ethically conscious lifestyles through the promotion of ZEH
- Securing public support for the *Gohon no Ki* Project
- Creating, managing and circulating high-quality housing stock
- Continuing to run the Eco-Fund, part of the Sekisui House Matching Program corporate program to match employee donations

4 Regional revitalization business
- Developing and creating employment for housing construction workers
- Promoting the Trip Base *Michi-no-Eki* Stations Project
- Delivering proposals on the effective utilization of PRE (public real estate)

Human Resources Strategy

Looking Back on the Four Reforms under the Fifth Mid-Term Management Plan

To maximize the happiness of its customers, employees and communities, under the Fifth Mid-Term Management Plan, the Sekisui House Group advanced the following four human resources strategy reforms.

1 Career consciousness reform: Self-directed careers

Our self-directed career development approach continued to take root among employees, as indicated by a rise in scores for items related to employee autonomy on the Governance Awareness Survey (an employee awareness survey) conducted by Group companies. In addition, the revamped internal human resources recruitment system has been proactively used for self-directed career development, with 84 applications for the seven positions posted.

Policy
Foster awareness of self-directed career development
Key Measures
- Rebuilt the Self-Directed Career Development Course career training program
- Self-directed career development course
- Communication through career interviews
- Use of the Human resources recruitment system

2 Leader appointment reform: Leadership pipeline

We worked to enhance the leadership pipeline by expanding the scope of multi-rater assessments to include managerial positions with authority over employee assessments and by selecting and developing successor candidates for key positions (employed executive officers, operating officers, general managers of head office and technology and production divisions, branch heads, the Head of Technology and Head of General Affairs.

Policy
Enhance the leadership pipeline
Key Measures
- Successor management for key positions
- Expanded scope of multi-rater assessment

3 Group human resources interchange reform: Group human resources database

We enhanced our human resources database both quantitatively and qualitatively, for example, enabling users to search Group-wide human resource data and creating a training program utilizing department-specific skill sheets.

Policy
Expand data input into the human resources database
Key Measures
- Expand data
- Increase usage frequency

4 Governance reform: Appropriate deployment of Group governance specialists

In Group governance, we increased the rate of divisions with governance specialists (usually persons in charge of general affairs) to 95% and launched a common Group educational program alongside the creation of training opportunities by individual Group companies. Through such efforts, we made significant progress in reinforcing governance Group-wide.

Policy
Reinforce Group-wide governance
Key Measures
Appropriate deployment of governance specialists

Key Measures under the Sixth Mid-Term Management Plan

Employee Autonomy

Key Measures

In light of the steady progress made under the Fifth Mid-Term Management Plan to foster self-directed career development mindsets, under the Sixth Mid-Term Management Plan, we will work to build growth cycle mechanisms by which individuals can realize their career goals and thereby further increase human resource value through the initiatives listed at right.

Specifically, we will improve the visibility of employee skills and experience using the human resources database and build platforms for learning by expanding e-learning. In addition, we will provide opportunities for proactive career development as well as leave systems and advanced study support systems to facilitate self-directed career development. Through such efforts, we aim to expand measures to support employee growth.

Key Measures
Support learning and skill growth
- Improve visibility of employee skills and experience
- Build platforms for learning

Provide a variety of opportunities for proactive career development
- Invigorate human resources recruitment
- Use career declaration tools

Enable a variety of workstyles to support autonomous employees
- Leave systems for self-directed career development
- Advanced study support systems (graduate school support)
- Increase external assignments, internal side job system

Aims

We aim to enable employees who are highly motivated to grow to benefit from growth mechanisms and leverage the resources of the Sekisui House Group to achieve professional success. Going forward, we will communicate examples of successes achieved by such employees to other employees to strongly motivate them to utilize similar growth cycles. We expect this to accelerate the enhancement of overall human resource value.

Alignment of Efforts

Key Measures

For each division of the Sekisui House Group to implement its specific strategies, external human resources are increasingly important. Through the measures listed at right, we aim to better understand the gaps between the human resources we need and those we currently have in both quantitative and qualitative terms and then increase the achievement of each division's strategies through personnel hiring and reallocation.

During the Fifth Mid-Term Management Plan, we made significant progress in enhancing the leadership pipeline of the Company, so we will now expand the scope of leader development to the entire Sekisui House Group.

Key Measures
Human resource planning
- Better understand gaps between needs and current conditions
- Plans for human resource recruitment, transfer and allocations, and internal development

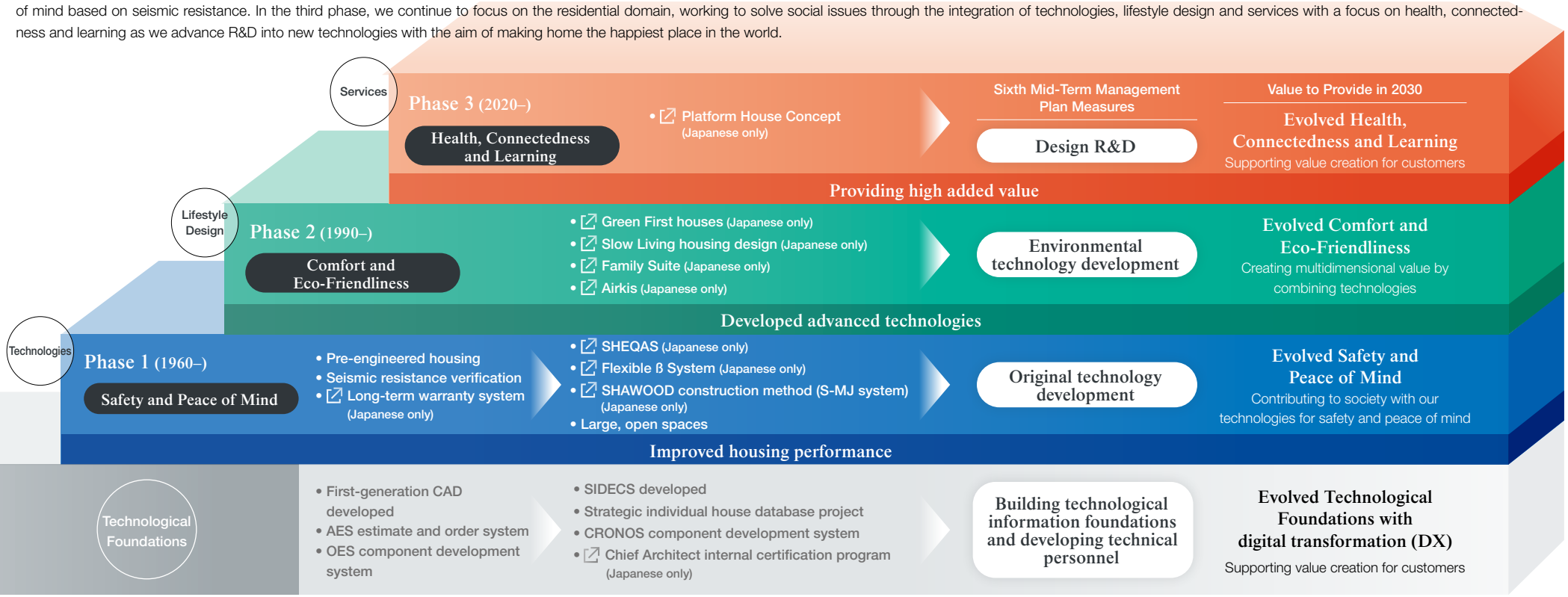
Leader development
- Apply leadership pipeline mechanisms to Group companies
- Reinforce governance specialists and develop next-generation successors

Aims

Demand is particularly rising for human resources with governance knowledge, advanced expertise or overseas work experience. We aim to use technology to improve operational efficiency and recruit human resources from a longer-term perspective, considering how operations will change several years down the line. By advancing such initiatives, we hope that leaders at each site will become aware of the need to concretely estimate the number of personnel and required skill sets from the perspective of strategy execution and for the leaders themselves to continue growing by expanding their perspectives to include Group-wide personnel transfer and allocation.

Technology and R&D Strategy: Sekisui House Technology

Since its founding, Sekisui House has aimed to deliver the highest quality and technology, helping solve the housing-related social issues of each era while growing its technology and R&D efforts. This evolution continues today. Looking at our history in 30-year segments, the Company's first phase began in 1960 with the realization of pre-engineering processes for reinforced concrete foundations and lightweight steel framing, providing housing that offers safety and peace of mind at a time of housing shortages in Japan. In the second phase, our technologies for realizing comfort and eco-friendliness in housing grew in response to the emergence of demand for more affluent lifestyles alongside the issue of global warming. We were the first housing manufacturer to adopt next-generation energy-saving specifications as standard and then evolved these features to realize net zero energy houses (ZEH) and adopted the Airkis and other high-quality indoor air systems. The combination of these technologies with reinforcements to structural framing gave rise to Family Suite, which provides indoor spaces that are spacious and open while comfortable to live in. In addition to greatly improving comfort and reducing environmental impact through cutting-edge technologies, in the wake of the 1995 Great Hanshin-Awaji Earthquake, we developed the SHEQAS seismic control system and worked to evolve our technologies for safety and peace of mind based on seismic resistance. In the third phase, we continue to focus on the residential domain, working to solve social issues through the integration of technologies, lifestyle design and services with a focus on health, connectedness and learning as we advance R&D into new technologies with the aim of making home the happiest place in the world.



Safety and Peace of Mind

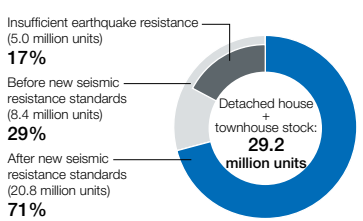
Sixth Mid-Term Management Plan Measures

Original Technology Development

Product technologies are crucial to safety and peace of mind. In this area, we advance R&D of original technologies adapted to evolving needs to local conditions.

Approximately 30% of existing houses in Japan do not meet Japan's current seismic resistance standards. To address this issue, we have developed a version of the foundation direct joints used in our SHAWOOD wooden-frame housing for use in traditional "*shaku*"-based modules in an effort to increase the seismic resistance of other wooden-frame housing through our skeleton and infill business. In addition to new home construction, we are promoting and evolving our seismic resistance remodeling technologies for existing wooden-frame houses, such as our shape memory load-bearing walls introduced in 2022, to contribute to the creation of high-quality housing stock.

Overseas, we aim to create world-leading high-quality housing stock by analyzing the characteristics of the areas where we do business to advance development aimed at applying the SHAWOOD construction methods we have developed in Japan as well as Sekisui House technologies for making optimal lifestyle design proposals.



About 30% of existing detached houses in Japan do not meet current seismic resistance standards, and 17% are deemed to have insufficient seismic resistance.



Foundation Direct Joint

Value to Provide in 2030

Evolved Safety and Peace of Mind

Our technologies for safety and peace of mind, including seismic resistance, have continuously grown and developed over our history of more than 60 years and are already highly advanced. We will further reinforce these technologies in preparation for increasingly frequent and severe natural disasters to provide safety and peace of mind in housing throughout Japan. At the same time, we will advance the use of our technologies for safety and peace of mind around the world.

Comfort and Eco-Friendliness

Sixth Mid-Term Management Plan Measures

Environmental Technology Development

Looking at lifestyle design in the areas of comfort and eco-friendliness, we will proactively advance R&D into environmental technologies that contribute to the creation of high-quality housing stock and a sustainable society. Specifically, we will support the following efforts with technological development: 1. Maintain a high rate of ZEH among new detached houses, 2. Increase the ZEH rate and promote long-life quality housing measures for Sha Maison rental housing and three- to four-story houses, 3. Promote ZEB for non-housing properties and 4. Promote remodeling of existing houses to realize high thermal insulation performance.

From the perspective of promoting a circular economy, we will develop technologies to reuse and recycle leftover materials and scraps from new construction sites and factory production, increasing our "material to material" initiatives. At the same time, we will further advance R&D aimed at "house to house" reuse and recycling in the future. In addition, working toward carbon neutrality, we are implementing R&D of technologies to use wood effectively and reduce CO_2 emissions from a variety of other perspectives.



In the area of comfort, we will promote R&D into environmental technologies related to the senses in terms of sound, heat, air, light and smell while linking these efforts to health.

Value to Provide in 2030

Evolved Comfort and Eco-Friendliness

Sekisui House has led the way in comfort and eco-friendliness for housing and residents by promoting the adoption of technologies for saving, generating and storing energy through its efforts related to ZEH and response to the thermal insulation performance grades set out in the Housing Quality Assurance Act of Japan.

In 2030, we aim to provide housing that offers comfort now and always for each individual customer. In terms of eco-friendliness, we will accelerate initiatives aimed at carbon neutrality and a circular economy as we advance R&D aimed at evolving housing to be friendlier to the planet.

Health, Connectedness and Learning

Technological Foundations

Sixth Mid-Term Management Plan Measures

Design R&D

In the service aspect of health, connectedness and learning, we have launched life knit design, a design concept for housing where attachment continues to grow over time. The key points of life knit design are (1) Designing spaces with universal beauty that reflects emotions, (2) Providing genuine materials that age beautifully over time and (3) Selecting eco-friendly materials. It is a new design approach for the era of the 100-year lifespan that provides value closely aligned with the sensibilities of residents. By reinforcing design capabilities and deepening human attachment to housing, life knit design will contribute to the creation of high-quality housing stock.

In addition to building design, we are reinforcing landscaping design. We will also examine ways of integrating cutting-edge technologies into design methods, such as using digital technology to provide hands-on virtual simulations of the use of living spaces. Furthermore, under the “Kids First” concept, we will propose lifestyles and spaces that center children and advance R&D into product technologies to make these possible, thereby contributing to children’s emotional development.



Design concept for housing where attachment keeps grows over time



Value to Provide in 2030

Evolved Health, Connectedness and Learning

In 2030, Japan is expected to face severe demographic graying, a low birthrate, a declining population and a rising number of households. To respond to these social conditions, Sekisui House will promote health, connectedness and learning through housing from a variety of perspectives, including housing that is rich in feeling and promotes well-being with an emphasis on individuality and personalization, as well as housing that offers virtual worlds through the integration of evolving digital technologies. By doing so, we aim to make home the happiest place in the world.

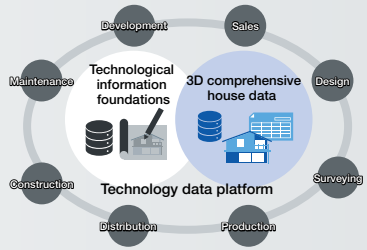
Sixth Mid-Term Management Plan Measures

Building Technological Information Foundations and Developing Technical Personnel

An important aspect of building a next-generation technological platform will be the effective use of technological data. During the period of the Sixth Mid-Term Management Plan, we will overhaul our technological system foundations by introducing a next-generation design system and building a technological data platform.

With our next-generation design system, we aim to increase speed, enhance compatibility with international building information modeling (BIM) formats, and expand tutorial functions for human resource development. At the same time, our technological data platform will enable the integrated management of data not only related to sales, design and component surveys, as in the past, but also data extending to R&D, production, distribution and construction. Through the analysis and use of such data, we will realize operational process innovation, enhance quality and improve operational efficiency while providing new value to customers.

To develop human resources to support our technological capabilities, we will expand our human capital and create happy work environments for technical personnel. We will also promote an autonomous growth program that includes the use of practical skill sheets to enable employees to understand their own abilities and formulate career development routes in line with actual work duties. Furthermore, to increase time spent on creative work, we will study the use of digital assistance technologies in design, including the use of AI and other tools to streamline routine request procedures.



Value to Provide in 2030

Evolved Technological Foundations with Digital Transformation (DX)

Building on our technological foundations, which comprise our technology data platform and technical personnel database, we will create new value leveraging DX (IT) in 2030. For example, we will reinforce development capabilities and create sophisticated cost management technologies for price setting through the analysis of product lifecycle management (PLM) data; implement high-level human resource development that transcends conventional organizational frameworks; and work to maximize employee happiness by formulating new evaluation methods. In these and other ways, we are expanding the ways we approach utilizing our technological foundations.

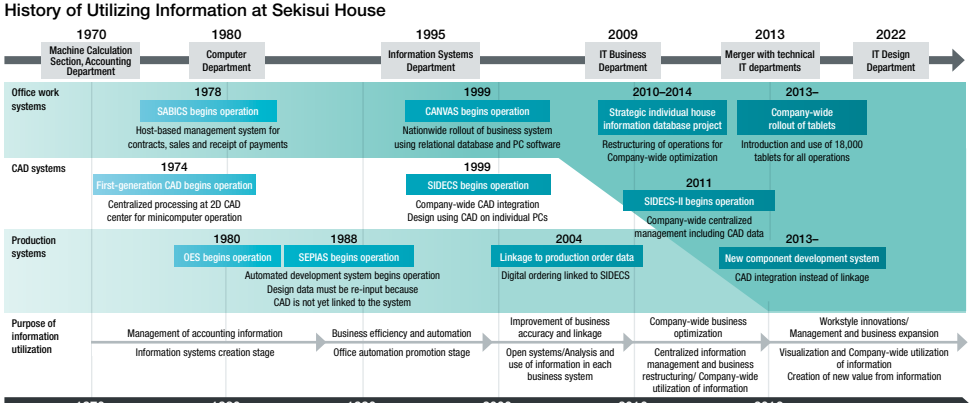
Digital Transformation (DX) Strategy

The 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, followed by the AES estimate and order system in 1980 and the CANVAS business operations system in 1999, among others. In CAD, we started with a first-generation system developed especially for housing in 1974, and after going through several iterations we began operation of SIDECS in 1999. We also took the first step into the age of total product proposal 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 using 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 our initial contact with them to after-sales service and remodeling. 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 in step with 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. 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



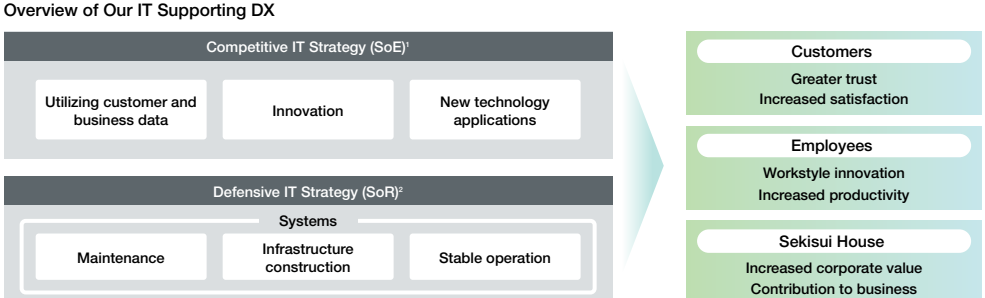
Approach to Digital Transformation (DX)

We believe that the role of DX in the Sekisui House Group's business strategy lies firmly within the boundaries of its businesses. Based on this understanding, we apply digital technologies as a means to transform our 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 risks and returns for each investment in information systems according to uniform rules.

In recent years, responding to labor shortages and workstyle reforms has become an urgent issue. The COVID-19 pandemic beginning 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 the effective use of online communication methods to the fore, we are ambitiously working to improve performance by using such new communication tools not just internally but also for meetings and consultations with customers and suppliers.

We will continue to approach IT from both competitive and defensive strategic perspectives as we promote DX to create value for all our stakeholders.

Overview of Our IT Supporting DX



1 SoE: System of engagement 2 SoR: System of record

DX Strategy in the Sixth Mid-Term Management Plan

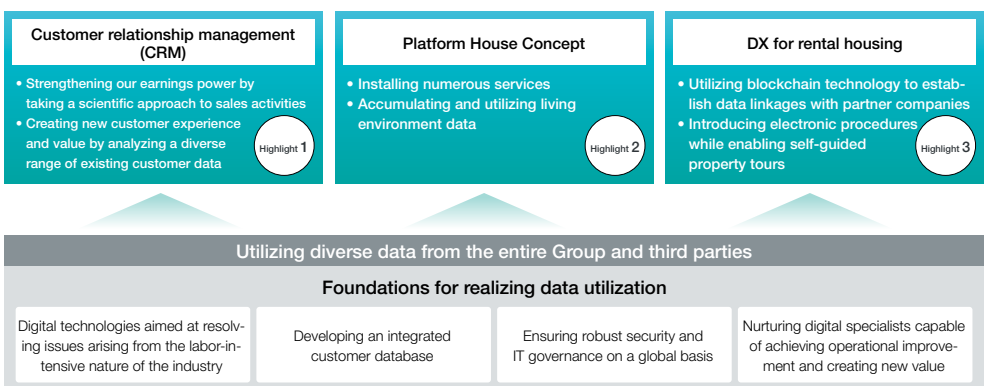
The Sekisui House Group is working to create new customer experience value, maximize business opportunities and transform its operations by using wide-ranging data about its housing-related businesses and customers alongside advanced digital technologies. In particular, under the Sixth Mid-Term Management Plan, we are focusing on customer relationship management (CRM), the Platform House Concept and DX for rental housing as priority initiatives.

In CRM, in order to make proposals to customer segments that we have previously been unable to address in detail due to the limits of management resources, we will take a scientific approach to sales activities and create new customer experience value by analyzing a diverse range of existing customer data in order to contribute to customer happiness and strengthen our earnings power.

Under the Platform House Concept, we will install housing with numerous services centered on health, connectedness and learning as we accumulate and utilize living environment data to provide customer happiness.

In DX for rental housing, we will transform experiences for customers considering moving into our Sha Maison rental housing by using blockchain and other digital technologies to digitize and move various procedures online, from property searches, tours and move in all the way to move out. By doing so, we aim to enhance customer convenience and our operational processes.

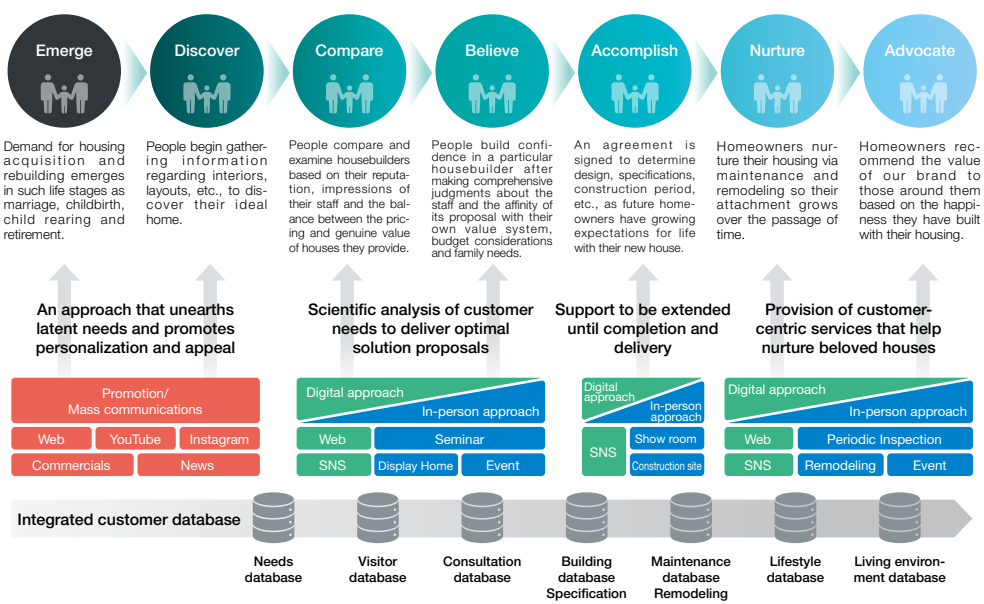
To realize these three DX strategies, we will need to utilize not only the various data that exists within the Group, but also external data from third parties. As such, we will build a foundation for DX from the perspectives of databases, rules (operations), and human resources to enhance the efficacy of each strategy.



Highlight 1 Customer Relationship Management (CRM)

Since our founding, we have been closely attuned to our customers to provide value through housing. Amid the ongoing shift to digital contact with customers, we are promoting CRM with the mission of enhancing the value of the entire customer experience, from housebuilding to after customers take possession. To date, we have established and promoted after-sales services for customers that include the Customer Service Center Owner Desk, which accepts inquiries 24 hours a day, 365 days a year, and the Smart Inspection system, which uses multiple advanced devices for housing inspections. Through such services, we strive to enhance customer satisfaction.

Under the Sixth Mid-Term Management Plan, we will focus efforts on initiatives to further enhance experience value for customers considering housebuilding in order to increase the effectiveness of our proposals and efforts to reach customers. Specifically, we plan to accumulate and improve the usability of such data as the digital responses of customers when approached through digital promotions, as well as their display house visit history. This will enable us to scientifically analyze their latent and apparent needs in order to propose optimal solutions and thereby efficiently secure orders.

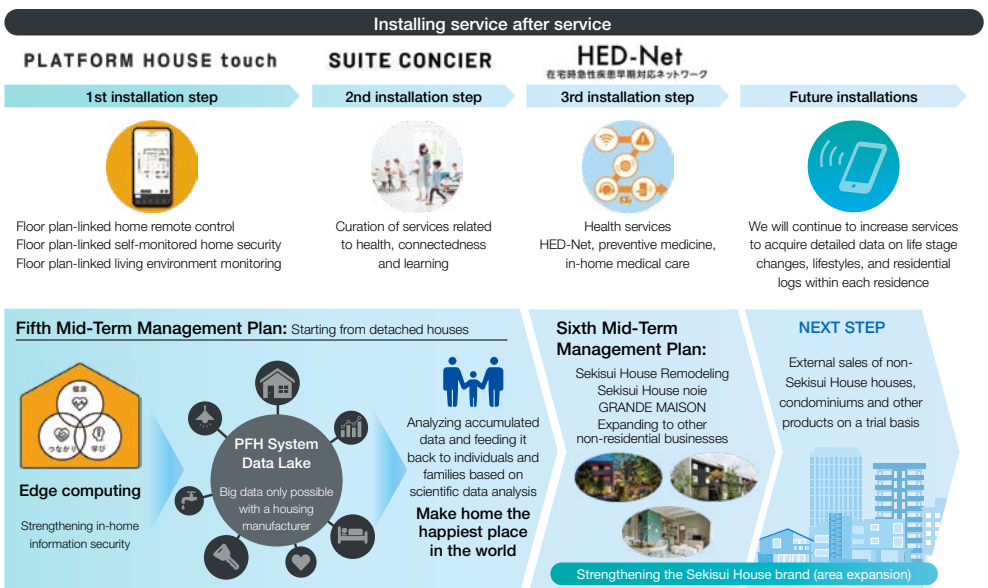


Highlight 2 Platform House Concept

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.

In services focused on connectedness, we offer PLATFORM HOUSE touch, a smart home service installed in housing. Using intuitive controls based on a diagram of the house's floor plan, users can check whether doors and windows are closed and locked to prevent crime, get alerts of heat stroke risk from humidity sensors and respond by remotely operating air conditioners from outside the home, improving living convenience. This service has been well received by customers. In health-focused services, we plan to install HED-Net, an in-home early detection network for acute illnesses, in homes going forward.

Under the Sixth Mid-Term Management Plan, we will provide highly convenient services that connect homes and families by applying IoT and AI functions to our accumulated big data on housing. At the same time, we plan to add such services to the offerings of Sekisui House Remodeling and roll them out to GRANDE MAISON condominiums.

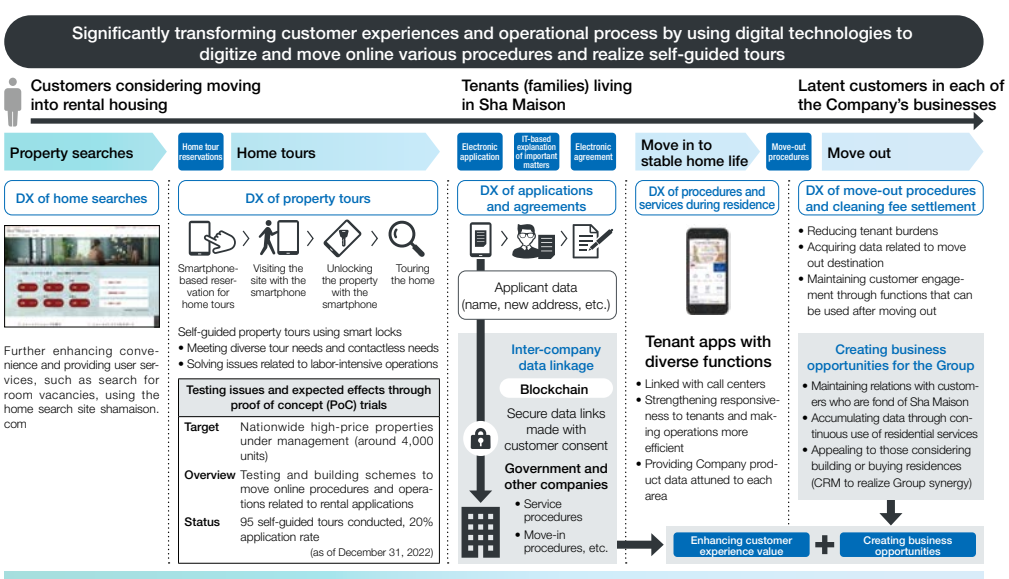


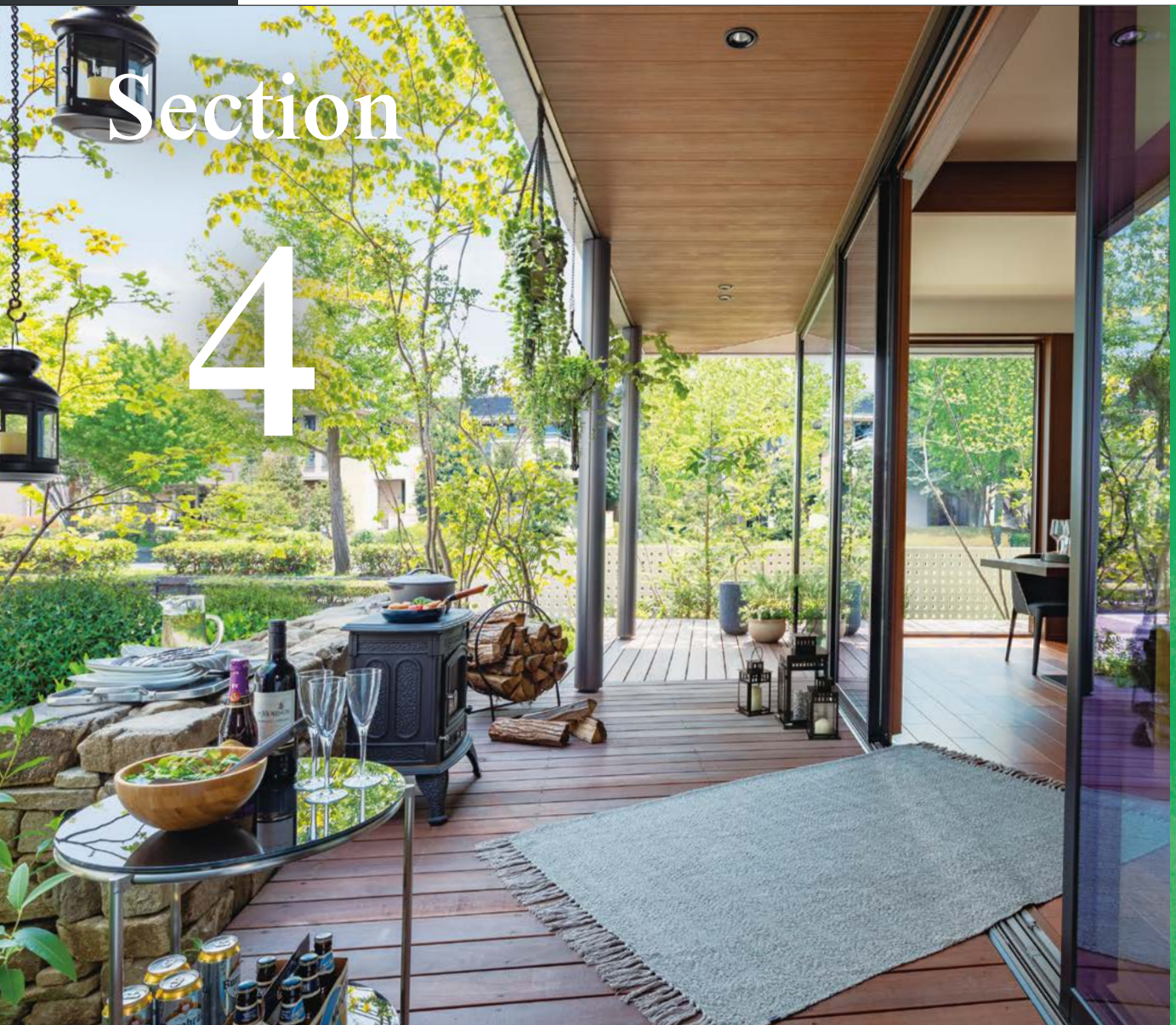
Highlight 3 DX for Rental Housing

Our DX for rental housing refers to the use of digital technologies across all processes related to the Sha Maison rental housing customer experience from move in to move out in order to enhance resident experience value and improve operational efficiency.

For the property search phase, we will reinforce DX for the Sha Maison property information site for prospective tenants to improve convenience. For the subsequent property tour phase, we are implementing proof-of-concept trials of self-guided tours to better meet the diverse needs of prospective tenants. For move in, we aim to shift all procedures online, including allowing customers to apply electronically, using IT to provide legally required explanations of important matters, and signing agreements electronically. In addition, we will promote inter-company data linkages using blockchain technologies for utility and IT infrastructure service applications, such as water, gas and Internet, to realize fully online, one-stop procedures. After move in, we will offer a range of procedures and services through tenant apps. Finally, for move out, we will enable tenants to handle all move-out procedures online.

By thus advancing DX across all processes from move in to move out, we will further enhance the Sha Maison brand.





Section 4

ESG Management

The Outside Members of the ESG Promotion Committee Share Their Views 94

Stance and Initiatives to Promote ESG Management (Sustainability) 97

Governance 99

Environment 133

Social 181

Participation in International Initiatives and Activities with Government and Industry Groups 219

Independent Third-Party Assurance Report 220

The Outside Members of the ESG Promotion Committee Share Their Views



Expectations for New Value Creation Initiatives as a Leading ESG Management Company

As part of our efforts to become a leading company in ESG management, we have established the ESG Promotion Committee, an advisory body to the Board of Directors that holds vigorous discussions. We asked two outside committee members with expert knowledge of ESG issues for their opinions on our ESG-related initiatives up to this point, as well as their future insights on related issues.



Katsuhiko Kokubu

Dean and Professor, Graduate School of Business Administration, Kobe University

After earning a doctorate in business administration from Osaka City University, he worked as an associate professor at Osaka City University and Kobe University before appointment to his current position in 2001. Dr. Kokubu specializes in social and environmental accounting and business ethics. His major publications include *Concept of Value Creation*, published by Nippon Hyoron Sha Co., Ltd.; *Emergent Responsible Management: A Social Connection Model*, published by Nikkei Business Publications, Inc.; *From Accountability to Management Ethics*, published by Yuhikaku Publishing Co., Ltd.; and *The Fundamentals of CSR*, published by Chuokeizai-sha Holdings Inc.

From Inception to Present: Reflecting on the ESG Promotion Committee

Kokubu At the time of the formation of the ESG Promotion Committee in 2020, Sekisui House's ESG initiatives were already advanced. However, I wholeheartedly feel that it has made steady progress since then.

The fact that every single representative director is in attendance for every committee meeting is a good example of the high level of commitment. To my knowledge, it is not common for all representative directors to attend such committee meetings at other companies. Sekisui House's activities have reached this unparalleled level because top-level management has taken the initiative to engage in ESG-related activities on a Company-wide basis.

Tomita I too feel that Sekisui House's ESG activities were already clearly at the top level among its industry peers in 2020. As for the committee's operation, one stand-out feature is that the Directors' seats are set up in the back of the meeting hall. Discussions tend to become formal when management is positioned in the front, but this setup makes it easy for people closer to the front lines of business to speak up.

Kokubu The fact that the meetings are always full of substance is another good indication of how serious the Company is about its ESG activities.

Tomita I agree. It's a rare case indeed for a committee to meet with outside committee members every three months, holding discussions for roughly two hours each time. These discussions, including following up on comments from previous meetings, help drive the progress of ESG initiatives.

Hidemi Tomita

Representative Director, LRQA Sustainability K.K.

After earning a bachelor of science in engineering in applied physics from the University of Tokyo and a master of science in chemical engineering from Princeton University, Mr. Tomita served as general manager of Sony Corporation's CSR Department, following its establishment in 2003, for roughly a decade. He has participated in the establishment of international frameworks for CSR by chairing Communication Task Group 2 in the working group for the formulation of ISO 26000 and by joining the Global Sustainability Standards Board (GSSB). He is the author of *Sustainable Procurement in the Age of ESG Investment*, published by Nikkei Business Publications, Inc.



Kokubu The most concrete change from the committee’s inception to date has, of course, been the reinforcement of the concept of value creation. A more realistic perspective on value creation has emerged, and in addition to a greater emphasis on process, ESG value creation is now approached from a similar perspective as existing business processes. I think that the top management team has also exhibited leadership by clearly demonstrating its stance both internally and externally. What do you think?

Tomita In terms of leadership, top management’s direct participation in the ESG Promotion Committee has created a sense of unity with onsite workers. It is also noteworthy that the direction of the Company as a whole has become clearer and employee engagement has increased through initiatives involving employees, such as the ESG dialogues and the Sekisui House Innovation & Performance (SHIP) Awards Program. This is a significant evolution.

Kokubu Something that particularly stands out from my involvement as an outside committee member is how the Company has incorporated our recommendations and opinions into its actual activities.

For example, I sometimes speak about the concept of ESG not existing within companies, but rather companies existing within ESG. A staff member heard this and asked to use the concept within the Company, to which I readily agreed. I have heard that it has indeed been advocated in the ESG dialogues.

Additionally, the SHIP Awards Program was implemented after we presented cases of emergent responsibility management. As an outside committee member, seeing people resonating with our opinions and acting on them is gratifying and has led me to consider what sort of things we should communicate next in order to contribute to ESG management. Communication has been fruitful on both ends.

Tomita Even the idea of Sekisui House existing within ESG has been well digested and understood by many at the executive level. Recent thinking is much more precise than when they first established the goal of “aiming to be a leading company in ESG management.”

Another thing is that, during meetings, for example, when I make a comment to someone who has made a report, a representative director will sometimes make a comment from a different angle that had not occurred to me before. Having multifaceted opinions expressed from varying perspectives is a sign of a good discussion.

The continuation of these activities is bound to produce results. I am very much looking forward to seeing them in two or three years.

Kokubu It is essential that activities designed for everyone are not forced on participants. Even for those not currently participating, having each person consider what they could do is a form of participation in itself. This kind of broadly conceived participation of all employees is desirable. Creating systems in which people can participate when inspiration strikes, and in which they can really feel that they are contributing to the Company and society, is important. Endeavors such as SHIP help lay the groundwork for such systems.

Sekisui House Group’s Current Position and Reputation

Kokubu There is no doubt that the Sekisui House Group stands in the top class of ESG management, not only in the housing industry, but also among Japanese companies in general, and I think that external evaluations bear that out. However, given that the Company is in the top class within existing frameworks of ESG management, the next step should be to consider what the future holds for ESG management, and to take on the role of pioneering that future. Getting a perfect score within a certain criteria set is good, but if that’s your only focus, you’ll never push past the boundaries that define those criteria to new heights.

If Sekisui House can pioneer ESG initiatives that will change future business models, then and only then can it call itself a true leading company in ESG management. That the Company has grown as large as it has, without a doubt, comes down to its history of business model innovation. I strongly urge Sekisui House to rekindle the spirit of innovation it had at its founding and to take on the challenge of developing a new business model or two for ESG value creation.

Tomita The statement of new value will be essential for ESG management going forward. The ”perfect score,” to borrow your analogy, is determined based on the best practices of various industry initiatives to date. It would be nice to see Sekisui House step out of that framework and take the initiative to define new standards.

Of course, efforts are already underway to take initiatives a step further, such as urging suppliers to set targets that will enable them to obtain a Science Based Targets (SBT) validation. While these are meaningful steps, I hope to see more major developments toward a better future.

Kokubu An easy-to-understand approach to considering new ESG business models is to solve social issues. Factors such as the rapidly mounting effects of Japan’s low birthrate and aging population, along with the resulting depopulation, have made the increase in vacant houses a major issue. How can Sekisui House, as a housing manufacturer, tackle such issues? At

the same time, widening income disparity is giving rise to more young women living in poverty, and the number of single mothers is growing. How could the Company go about addressing the issue of housing for such people? Developing new business models is of the utmost necessity when it comes to solving these issues. To that end, making full use of a system like SHIP, in which people in the field can present their solution ideas for issues they have firsthand experience with, would be a good idea.

There are a variety of issues to be addressed, such as the need for business models that promote employment by utilizing the experience and skills of seniors. Efforts in this arena should prove to be a net positive step for the future.

Tomita Even when considering net zero energy houses (ZEH), I think the Company is approaching the pinnacle of sustainable housing. Therefore, I hope that in the future Sekisui House can broaden its perspective from "building houses" to "living" and consider ways of living that tackle social issues.

Kokubu For issues that are difficult for one company to solve, such as decarbonization, it is imperative for everyone in the industry to join forces. If housing manufacturers work together to conduct scenario analyses and apply them to the entire housing industry, their accuracy is sure to be enhanced.

Tomita In doing so, a possible future approach will be to work not only with other companies, but NPOs and other suitable partners to promote open innovation.

Kokubu I thought it was wonderful when I heard that Sekisui had begun working with local construction companies to implement its own seismic resistance technologies to address the issue of the many homes that still do not meet earthquake resistance standards. As someone who has witnessed firsthand the damage caused by the Great Hanshin-Awaji Earthquake, I am keenly aware of the need for seismic resistance technology. Making some of these technologies available to other companies to promote their wider use serves the interest of Japan as a whole.

Tomita The supply of many houses with excellent seismic resistance may save many lives in the event of a disaster. In addition, local construction companies may be able to create new value with the acquisition of know-how. This is a very important initiative that brings us back to the fundamental question, "For what purpose does a company exist?"

Recently, digital transformation (DX) such as the Platform House Concept has also been advancing. This has the potential to change the meaning and value of living, and now, at a time when the boxes we call houses are approaching their pinnacle, this technology will bring both new value and new meaning.

Kokubu The Platform House Concept is extremely innovative. In particular, DX can be a source of growth for Sekisui House in the future, and life-saving technologies such as the HED-Net In-Home Early Detection Network for Acute Illnesses will be extremely significant in daily living in the era of the 100-year lifespan. This platform business is completely different from the previous know-how of housing manufacturers. I hope it will open the door to a new era.

Future Challenges for Sekisui House's ESG Management

Kokubu I may be repeating myself, but the issue at hand is the creation of new ESG value.

For example, while numerical targets such as reductions in CO_2 emissions or increases in the value of human capital are important, discovering previously unconsidered social value and giving shape to the ESG value generated by Sekisui House as concretely as possible will be a major challenge going forward.

Generating innovation must be in the very DNA of Sekisui House. By incorporating it into ESG management and preparing many possibilities for the next sprout, real fruit will be borne. This is what is done in ordinary business. I expect that Sekisui House will be able to innovate based on such ideas in ESG as well.

Tomita The Company's global vision—to make home the happiest place in the world—is primarily focused on the happiness of Sekisui House's customers, but what I mentioned at the ESG Promotion Committee meeting was the importance of "making Sekisui House, another home for our employees, a happy place."



I would like to see each and every employee enjoy happiness as they develop their careers. Even if they ultimately leave the Company, I would like to see Sekisui House prove it is the company employees always continue to appreciate as having been a great place to work.

Kokubu There are more than a few employees at Sekisui House who are involved in ESG activities not only because it is their job, but also because they consider it important as human beings.

Going forward, increasing the number of such people will be a driving force, not only for the betterment of the Company, but also for the betterment of society. It is my fervent hope that Sekisui House, as a leading company in ESG management, will nurture people who are willing to take action regardless of their department.

Stance and Initiatives to Promote ESG Management (Sustainability)

1. Governance

ESG Promotion Committee

The Board of Directors has established the ESG Promotion Committee, which includes at least two external committee members with special expertise, and has tasked it with exchanging opinions on the progress of initiatives aimed at enhancing the effectiveness of ESG management, along with requisite challenges to be addressed to this end. The committee meets once every three months, with the content of its discussions being reported to and examined by the Board of Directors. When the committee deliberates topics related to risks, its conclusions are shared by the Risk Management Committee so that these topics are reviewed and managed within the Group's overall risk management system.

- 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, the respective chairpersons and vice chairpersons of the three ESG subcommittees (Environmental Subcommittee, Social Improvement Subcommittee and Governance Subcommittee), etc.

Note: Directors of the Board, Audit and Supervisory Board members and officers in managing officer positions or higher attend committee meetings as observers.

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 are appointed from among individuals in charge of relevant operations, with each subcommittee setting goals and key performance indicators. The subcommittees collaborate with each division and Group companies inside and outside of Japan, and take the lead as flag-bearers of our ESG management principles, while implementing effective initiatives. In addition, the subcommittees disseminate these initiatives and promote their greater understanding among all employees by creating progress reports, providing feedback on issues and proposing improvements to the dissemination process.

Established in June 2020, the ESG Management Promotion Headquarters acts in collaboration with business units within the Company as well as Group companies in Japan and overseas to further promote ESG management based on discussions at the ESG Promotion Committee. Under this structure, we have identified three key elements for promoting ESG management: participation of all employees, forward-thinking initiatives and improvement of external evaluations. Among these, we consider the participation of all employees a matter of foremost importance and, to this end, we have reorganized our conventional programs for employee dialogue and training into "ESG Basics." These programs now constitute fundamental initiatives focused on developing foundations for ESG management. In these ways, we have developed a platform that encourages all employees to recognize, understand and embrace ESG and act accordingly.

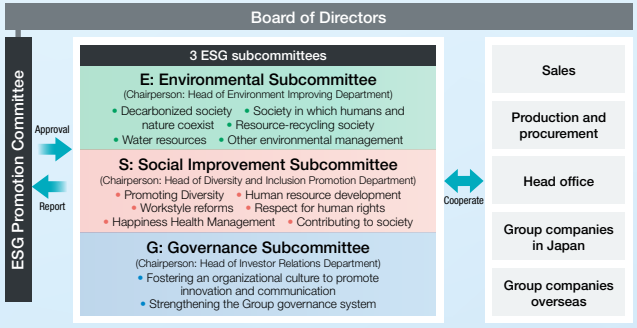
Also, the Sekisui House Group aims to maximize customer value through its initiatives to address social issues, facilitate social sustainability and contribute to SDGs.

Main Agenda of the ESG Promotion Committee for FY2022

Schedule			Main agenda	
8th	2022	March 1	• Formulation of corporate story and review of material issues • Identification of KPIs based on material issues	• Reformulation of Value Creation Process • Overview of FY2022 response to the TCFD
9th		May 20	• Pre-issuance reporting on the *Value Report 2022* • Reporting on the first round of SHIP and its future direction • Second round of Well-Being Survey Reports	• Happiness Health Management • Beneficiaries of FY2022 Sekisui House Matching Program • Human capital-driven enhancement of corporate value and information disclosure
10th		July 19	• Follow-up reporting on progress in the first round of SHIP idea solicitation and policies for screening criteria to be applied to the second round • ESG-focused engagement with institutional investors	• Initiatives related to carbon neutrality • Nationwide rollout of housing education programs • Initiatives to strengthen governance
11th		October 11	• Mid-term management plan policies • Progress reporting on SHIP	• Initiatives to promote paternity leave • Disclosure of human capital-related information
12th	2023	January 17	• Editorial policy for the *Value Report 2023* • Draft of human capital-related information to be disclosed • Results of the *Gohon no Ki* Project activities and policies for response to the TNFD	• Themes for FY2023 ESG dialogue • Status of applications for the second round of SHIP and progress in the projects of second-place winners for the first round

In June 2020, the Sekisui House Group 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 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.

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 a report once a year. By doing so, we strive to raise internal and external stakeholders' awareness of the environment and our efforts to reduce 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, society and employees.

Diversity and inclusion are the practical aspects of our efforts to develop systems, workplace environments and corporate culture supportive of each employee's sense of job fulfillment 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 and act on our corporate philosophy and the essence of ESG management. To strengthen Group governance, we have established a system to activate communication among governance specialists, led by managers responsible for general affairs at each organization in Japan and overseas, and are also working to strengthen the development and conduct appropriate allocation of governance specialists throughout the Group.

2. Strategy

Sustainability basic policy

Based on NEXT SEKISUI HOUSE 30-year Vision toward 2050, the target year of its long-term vision, the Sekisui House Group aims to realize its global vision of making home the happiest place in the world. We thus strive to maximize happiness for customers, society and employees as a global company capable of delivering technologies, lifestyle design and services in an integrated manner, with housing as the axis of these offerings.

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 the creation of high-quality housing stock, contributing to a sustainable society, and diversity and inclusion as material issues when promoting ESG management. The Group has also defined themes and KPIs in connection with these issues.

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 risks as opportunities for future business development. These inputs are, in turn, utilized to formulate medium- to long-term business strategies.

3. Risk management

Risk-related topics are discussed by the Risk Management Committee and reviewed and managed within the Group's overall risk management system.

For more details, please also refer to the following articles.

→ P.106 Risk Management Committee
→ P.142 Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

4. Metrics and targets

For the detail of metrics and targets associated with each material issue, please refer to the following articles.

→ P.22 Creation of High-Quality Housing Stock and KPI
→ P.26 Contributing to a Sustainable Society and KPI
→ P.32 Diversity & Inclusion and KPI
→ P.125 Themes and KPIs for Initiatives That Provide a Basis for Our Material Issues

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 consistently takes on to solve social issues, such as Green First ZERO, the Well-Being Survey and childcare leave for male employees. In terms of the participation of all employees, by fostering employees who can internalize and take ownership of ESG and take action accordingly, we believe the path to becoming a leading company in ESG management will open.



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 and act accordingly.

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

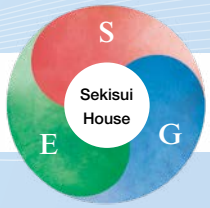
ESG Basics draw on our corporate philosophy to provide all employees with a management platform for implementing fundamental actions for building an ESG management foundation. We have systematized our conventional dialogue, employee survey-based dialogues, training and other elements into three categories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



Vision for ESG Involving All Employees

An enterprise that exists within the concept of ESG



G

Governance

Message from the Chairperson of the Board of Directors 100
Corporate Governance 101
Promoting Compliance 117
Strengthening Risk Management 121
Themes and KPIs for Initiatives That Provide a Basis for Our Material Issues 125
Shareholder and Investor Engagement 126
Message from the Audit and Supervisory Board 127
Directors of the Board and Audit and Supervisory Board Members 128

G Message from the Chairperson of the Board of Directors

Progress in the Strengthening of Corporate Governance at Sekisui House



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.

Progress in the Strengthening of Governance

Sekisui House was incorporated in 1960 and will celebrate its 64th anniversary in 2023. Since 2018, the Company has proactively undertaken governance reforms to ensure its ability to achieve sound and sustainable growth while continuously delivering safe and comfortable housing. Examples of various reforms we have achieved thus far include securing a highly transparent decision-making mechanism that requires substantial discussion among executives through the establishment of Management Meetings. In addition, to ensure the independence of the Board of Directors and enhance the diversity of its composition, we have incrementally increased the proportion of outside directors. Furthermore, we have defined the retirement age for representative directors while abolishing executive advisor and advisor systems. Meanwhile, we have clarified the skill matrix for Board members in addition to initiating the disclosure of remuneration paid to individual internal directors of the Board. In these ways, we have pushed ahead proactively with initiatives to update our management structure in terms of fairness and transparency.

Sekisui House also considers the further enhancement of consolidated governance for all Group members to be a matter of importance. Accordingly, the Group is currently promoting the integration of Group companies operating in various regions. Specifically, Sekisui House Real Estate Holdings, Ltd. was established in November 2021 and is now tasked with functioning as an intermediate holding company. This move is yet another example of our measures to achieve even stronger corporate governance.

All outside directors are aware of the profound importance of strengthening governance and believe that doing so is essential to ensuring sound and sustainable growth for Sekisui House. Based on this awareness, we have overseen the governance reforms undertaken thus far. For example, Outside Director Yukiko Yoshimaru was appointed as the Chair of the Personnel Affairs and Remuneration Committee in April 2020. She now takes full advantage of her immense knowledge and experience in human resource management and diversity promotion as she takes the lead in the decisive and proactive reform of nomination and remuneration systems. Also, in April 2021, I was appointed as the Chairperson of the Board of Directors. I am currently striving to ensure that the Board of Directors operates in a fair, transparent and vibrant manner.

Sekisui House strives for its global vision of “making home the happiest place in the world” through its business. To achieve this vision, I believe that the proactive upgrading of the Company’s governance systems will remain essential going forward.

Features of Sekisui House’s Board of Directors and Initiatives to Enhance Its Effectiveness

Sekisui House’s Board of Directors consists of five internal directors and five outside directors, and I was appointed from among the outside directors to serve as the Chairperson. All five outside directors boast experience in leading positions in diverse fields. In addition, three outside directors are women.

For the Board of Directors to proactively deliberate on a variety of management issues, it is essential to empower outside directors to accurately understand Sekisui House’s business operations. Accordingly, the Office of Directors of the Board plays a central role in setting up individual interviews for these directors and internal directors, organizing tours visiting construction sites and production facilities, hosting inspections of overseas business bases and inviting local senior managers to engage in the exchange of opinions with them. This office also takes a proactive stance toward holding study sessions focused on an array of topics. In sum, outside directors are given robust opportunities to enhance their understanding of Sekisui House’s business.

Moreover, outside directors are free to observe various in-house meetings, including the Management Meetings, and, accordingly, well-positioned to closely study agenda topics before attending Board of Directors meetings. This is why they can deliberate agenda items more in depth.

The Board of Directors provides key functions of strengthening governance and supervising executives. When it comes to addressing long-term growth strategies, including those under the Sixth Mid-Term Management Plan launched in April 2023, outside directors participate in discussion from early stages. In the course of multifaceted discussions regarding these topics, I have personally striven to offer optimal advice and otherwise facilitate meaningful deliberation in a way that helps executives examine diverse talking points and prevents them from overlooking opportunities for sound growth.

The Board of Directors needs to continue operating in a manner that is highly effective, qualitatively well-balanced and appropriate. The Board should undergo objective assessments to determine whether it is evaluated as such. In this light, conducting annual evaluations by third-party organizations is a viable option. Since 2018, Sekisui House has commissioned a third-party firm to evaluate the effectiveness of the Board of Directors. Based on analysis of the results provided by this firm, the Board of Directors is engaged in initiatives to further upgrade its functions.

As stipulated under the Sixth Mid-Term Management Plan, Sekisui House is about to enter a new stage of growth in terms of both stable and further expansion in Japan and fresh growth in the U.S. and other overseas operations through the utilization of its superior technical capabilities. With this in mind, the Board of Directors intends to continue to upgrade the Company’s governance systems so that it remains capable of achieving robust and sound business growth at home and abroad.

G Corporate Governance

Basic Approach

In accordance with our corporate philosophy of love of humanity, under which we pursue truth and 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[1] 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 have steadily implemented 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, and will continue implementing reforms as a leader in ESG management.

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

Basic Policy on Corporate Governance

Changes in Governance

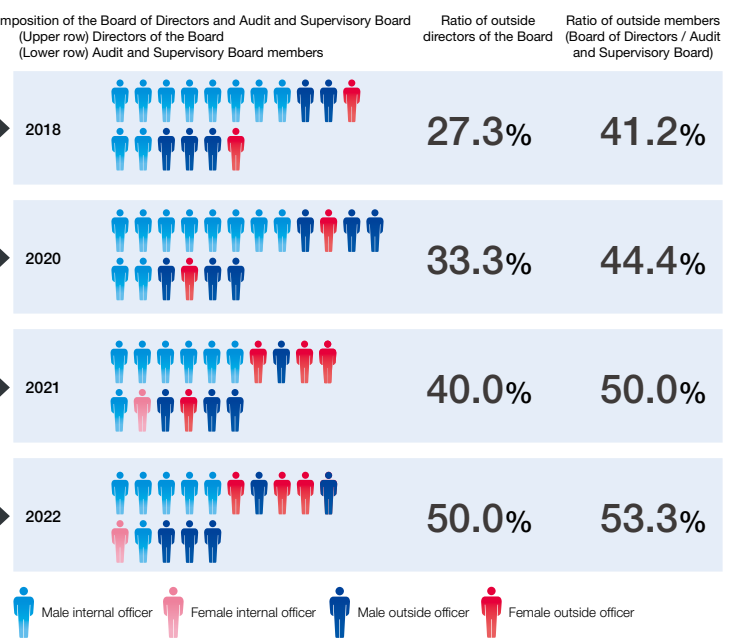
2018 **First year of corporate governance reforms**
Increased the number of outside directors of the Board from two to three and the number of outside Audit and Supervisory Board members from three to four

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 branch heads
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)

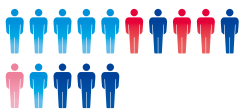
2021 Reform of the executive officer system
Outside director of the Board appointed as Chairperson of the Board of Directors
Disclosed individual remuneration of internal directors of the Board

2022 Increased the number of outside directors of the Board from four to five



Corporate Governance Highlights (As of April 26, 2023)

Composition of the Board of Directors and Audit and Supervisory Board



Ratio of outside directors of the Board	Ratio of outside Audit and Supervisory Board members	Ratio of outside officers	Ratio of female officers
50.0% (5 of 10)	60.0% (3 of 5)	53.3% (8 of 15)[2]	26.7% (4 of 15)[3]

2 5 of 10 directors of the Board and 3 of 5 Audit and Supervisory Board members

3 3 of 10 directors of the Board and 1 of 5 Audit and Supervisory Board members

Direction of Governance Reinforcement Measures under the Sixth Mid-Term Management Plan

The Sekisui House Group has been conducting governance reforms that balance enhancing the effectiveness of governance with sustainable corporate growth. We have steadily implemented 28 specific initiatives over the five 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. Under the Sixth Mid-Term Management Plan, we aim to enter a new stage of exercising even stronger governance functions building on the corporate governance framework developed thus far. We expect these governance reforms to serve as a catalyst that helps power robust innovation and communication. In these ways, the Sekisui House Group will continue to promote governance reforms for both senior management and business-level management.

1 Senior Management Level

1. Moving forward from the development of a corporate governance framework to the new stage of realizing its functional effectiveness
   The Board of Directors, now equipped with greater diversity than before, exercises its functions to the fullest.
   - ■ Facilitating lively Board room discussions in accordance with our global vision
     - ・Enhancing the Board of Directors' functions via the third-party evaluation of its effectiveness
     - ・Delegating authority from the Board of Directors to Management Meetings and other bodies
   - ■ Strengthening the effectiveness of our senior management candidate pipeline
     - ・Strengthening our pipeline by upgrading the selection process for executive officers and operations officers
     - ・The Personnel Affairs and Remuneration Committee monitors the effectiveness of the management pipeline
2. Increasing the sophistication of stakeholder engagement
   Exercising spontaneous judgment for consistent information disclosure
   - ■ Further upgrading our mode of information disclosure
     - ・Enhancing the content of information being disclosed about the current status of the linkage between tackling material issues and strengthening corporate governance
     - ・Securing consistency in information disclosure and reinforcing its effectiveness as messaging

At the senior management level, we will further strengthen corporate governance in the course of the Sixth Mid-Term Management Plan period by building on the framework developed to date. We consider this period a new stage of fully realizing the functions of the Board of Directors, whose composition has become more diverse than before, with outside directors and female directors accounting for 50% and 30%, respectively, of overall membership.

The Board of Directors will work to enhance its effectiveness and, to this end, proactively utilize periodic, objective evaluations undertaken by third-party organizations. With regard to business execution, the Board of Directors will advance the delegation of its authority to Management Meetings and other bodies. In these ways, we will invigorate discussions of medium- to long-term strategies based on the global vision while increasing the sophistication of our corporate governance via the strengthening of the Board of Director's' supervisory functions over business execution.

To reinforce our human resource pipeline for future senior management personnel, we will upgrade the selection process for Executive Officer and Operating Officer candidates by, for example, monitoring the effectiveness of said process through the Personnel Affairs and Remuneration Committee.

We will also strive to enhance disclosure of information regarding initiatives to achieve the targets of the Sekisui House Group's material issues and corresponding governance reform activities in order to enhance stakeholder engagement.

2 Business Management Level

1. Rolling out Group governance systems on a global basis
   Removing boundaries between domestic and overseas Group entities, with the aim of creating a network based on mutual trust
   - ■ Establishing Group governance in the U.S.
     - ・Ensuring that our U.S. operations are supervised by clearly defined regional headquarters functions on an ongoing basis
     - ・Allocating human resources to local subsidiaries based on their functions
   - ■ Promoting the development of a governance network
     - ・Stepping up the development of governance specialists and optimally allocating them to Group companies at home and abroad
     - ・Strengthening corporate functions in place at domestic and overseas Group companies
   - ■ Enhancing our internal audit structure for global auditing
     - ・Developing internal audit functions aligned with the size of Group companies at home and abroad as well as risks specific to each
2. Fostering a corporate culture based on mutual trust achieved via robust communications
   Aiming for the creation of a workplace that ensures psychological safety for employees and empowers them to work vibrantly
   - ■ Developing an environment aimed at raising compliance awareness among employees
     - ・Promoting training for all employees while encouraging the active use of internal reporting and consultation systems
   - ■ Strengthening our capabilities for autonomous organizational management
     - ・Securing a greater number of leaders equipped with robust integrity

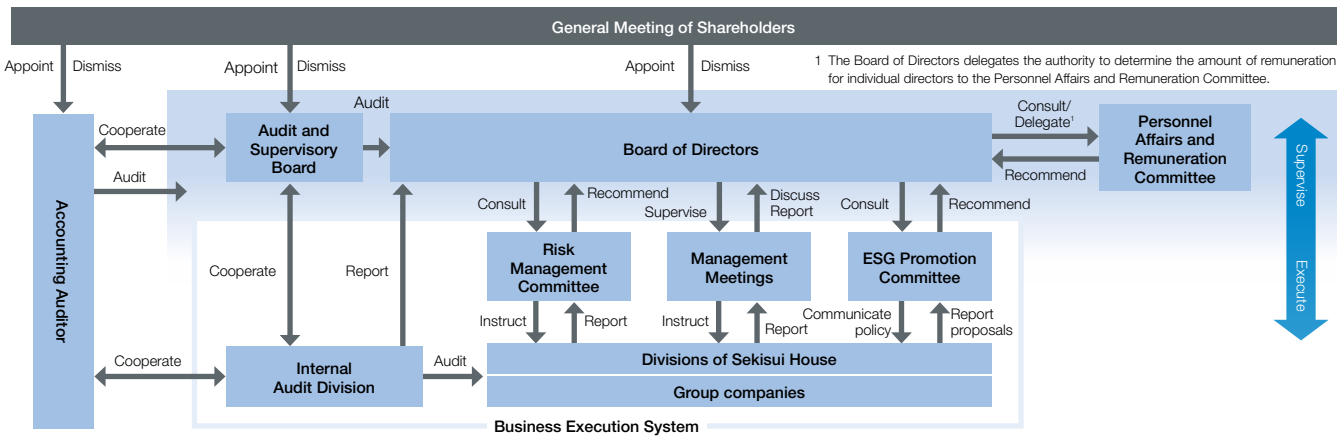
The Sekisui House Group's strengths are a function of the ability of its front-line organization, including the various sales administration headquarters, branches, factories and Group companies in Japan and overseas. This is because our front-line organization is most aware of operational issues from the perspective of customers. Accordingly, we work to reinforce governance at the business management level to further enhance our front-line capabilities. To this end, we will strengthen corporate governance while striving to foster a corporate culture based on trust achieved via robust communications.

In particular, to secure robust governance functions sufficient for the growing scope of our U.S. operations, we will augment regional headquarters functions in the United States and allocate human resources to local subsidiaries based on their respective functions. For each Group company at home and abroad, we will nurture and effectively allocate human resources equipped with expertise in governance while enhancing corporate functions via, for example, the strengthening and development of internal audit functions. In these ways, we will enhance the effectiveness of our integrated governance network encompassing the entire Sekisui House Group.

In addition, we will develop an environment that ensures psychological safety for all employees and empowers them to work vibrantly by fostering a trust-based corporate culture via robust communication.

Corporate Governance System

Corporate Governance System (As of April 26, 2023)



- 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 between management supervisory and business execution functions through the delegation of authority for short-term and segment-level business execution.
- Our goal in structuring the Board with a 1-to-1 ratio of internal to outside directors of the Board is to enhance transparency and independence while fostering fair and healthy tension among members that results in innovative management.
- The Audit and Supervisory Board conducts interviews with directors of the Board and representatives of divisions charged with business execution based on audit plans it formulates. These interviews are held to address risks and other issues, while onsite inspections are performed on an as-necessary basis. The Audit and Supervisory Board also acts in collaboration with the Internal Audit Division as well as the accounting auditor. This mutual collaboration is designed to ensure that various audit activities are undertaken in an efficient and effective manner.
- The Personnel Affairs and Remuneration Committee serves as a consultative body to the Board of Directors. This committee provides the Board of Directors with opinions with the objective of securing fairness and transparency regarding personnel affairs and remuneration associated with directors and executive officers. Furthermore, this body is commissioned by the Board of Directors to determine the amount of individual remuneration to be paid to directors of the Board and entrusted executive officers.
- Management Meetings are charged with preliminary discussion of important agenda items to be submitted to the Board of Directors, making decisions on the execution of certain operational matters based on management policy and business strategy, and sharing information on business execution policy and issues.
- The ESG Promotion Committee is engaged in the exchange of opinions regarding progress under the Group's ESG management initiatives, issues to be addressed in the course of these initiatives and other relevant topics. As a consultative body to the Board of Directors, this committee is thus enhancing the effectiveness of the Group's ESG management.
- The Risk Management Committee aims to develop appropriate risk management systems and ensure the effective operation of these systems, to this end acting as a consultative body to the Board of Directors in its capacity to assess the status of risk management for the entire Group and provide the Board of Directors with its opinions whenever necessary.
- The internal audit division acts in collaboration with the Audit and Supervisory Board as well as the accounting auditor to undertake periodic audits of each division of the Company. Similarly, this division also audits Group companies. Results of audits are directly reported to the Board of Directors on a regular basis.

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 onsite 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 audits major Group companies and has 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.

Major Organizations/Committees and Their Roles

Board of Directors

The Board of Directors consists of ten directors of the Board (seven men and three women) including five outside directors of the Board and meets once per month in principle, with the Audit and Supervisory Board members in attendance. 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, we formulate a skill matrix based on business strategies and management plans to help ensure the Board of Directors shall have a well-balanced composition of members 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.

Audit and Supervisory Board

The Audit and Supervisory Board has five members (four men and one women), 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.

Board of Directors Composition (as of April 26, 2023)

Directors	Outside directors	Ratio of independent outside directors	Ratio of female directors	Age			Average age	Maximum No. of directors	Chairperson
				Under 50	50-59	60 and above			
10 (7 men, 3 women)	5 (2 men, 3 women)	50.0%	30.0%	0	3	7	62.1	12	Toshifumi Kitazawa (Outside Director)

Audit and Supervisory Board Composition (As of April 26, 2023)

Audit and Supervisory Board members	Outside members	Ratio of outside members	Ratio of female members	Age			Average age	Maximum No. of members	Chairperson
				Under 50	50-59	60 and above			
5 (4 men, 1 woman)	3 (3 men)	60.0%	20.0%	0	0	5	67.4	7	Ryuichi Tsuruta (Standing Audit and Supervisory Board Member, Outside Standing Audit and Supervisory Board Member)

Evaluation of the Effectiveness of the Board of Directors

Initiatives to Enhance the Effectiveness of the Board of Directors

Every year, the Company conducts an evaluation of the Board of Directors' overall operation. This includes the evaluation of the development status of systems for supporting directors of the Board as well as Audit and Supervisory Board members. By doing so, we confirm the strength of our Board of Directors, the status of improvement in connection with issues identified in the course of the evaluation undertaken in the preceding fiscal year, the future direction for the Board's operation and other matters. At the same time, we draw on results of this evaluation to implement specific measures aimed at enhancing the Board of Directors' effectiveness to strengthen corporate governance.

Overview of FY2022 Evaluation Results

1. Evaluation methods

As in FY2021, we used an independent third-party evaluation agency to conduct the FY2022 evaluation. The evaluation methods are described below.

(1) Questionnaires for all directors of the Board as well as all Audit and Supervisory Board members (prepared, distributed and collected by the third-party evaluation agency)
(2) Interviews conducted by the third-party evaluation agency targeting all directors of the Board as well as all Audit and Supervisory Board members (around one hour per individual)
(3) Reviews of materials used in Board of Directors meetings and minutes of meetings

Main Questionnaire Items

- Overall evaluation of the Board of Directors
- Composition of the Board of Directors
- Preparatory measures undertaken prior to meetings
- Mode of the Board of Directors' operations
- Content of discussions
- Activities undertaken by the Personnel Affairs and Remuneration Committee
- Supervision over business execution
- The time allocated to each agenda item relative to its importance

The results of questionnaires and interviews were evaluated and examined by the third-party agency and summarized into a report. Based on this report, the Board of Directors held discussions at its February 2023 meeting after receiving explanations from said agency.

2. Evaluation of Effectiveness of the Board of Directors

(1) Conclusions

The FY2022 evaluation concluded that the Board of Directors' overall operations were highly effective. In addition, it was confirmed that general progress was made concerning initiatives to address issues identified in the course of the previous fiscal year's evaluation of the Board of Directors' effectiveness.

Issues for FY2022	Initiatives and Issues Confirmed through the Board of Directors Evaluation of FY2022	Progress
1 Enhancement of discussions from a medium- to long-term perspective	• It was confirmed that the Board made progress in terms of incorporating sufficient input from long-term and external perspectives and otherwise implementing various measures to enhance the quality of discussion. Main initiatives ・In the course of formulating the Sixth Mid-Term Management Plan, the Board has engaged in discussion based on a long-term perspective of reflecting on the past 60 years as well as looking ahead to the next 30 years. Based upon the results of this discussion, the Board proceeded with strategic deliberations focused on the immediate future of the next three years. ・Outside directors participated in the process to formulate said plan from the early stages to contribute to in-depth discussions and planning. ・In addition to Board of Directors meetings, separate sessions specialized in deliberating the Mid-Term Management Plan were convened with the attendance of outside directors. In this way, the Board strove to enhance the quality of its discussions. • It is expected that the Board will further enhance discussions of financial strategies.	Improved
2 Strengthening risk management and Group governance	• In the fiscal year ended January 31, 2023, the new governance structure under Sekisui House Real Estate Holdings, Ltd. was launched, thereby pushing ahead with governance reforms in a steady and swift manner. Meanwhile, the Board of Directors has been able to engage in in-depth discussions focused on Group governance in connection with the consolidation of the Sekisui House Construction companies. Progress was thus confirmed in these and other areas. Main initiatives ・The Board of Directors has engaged in even closer collaboration with the Audit and Supervisory Board toward the strengthening of Group governance. This led to the qualitative enhancement of the Board of Directors' discussions. ・The Board has examined the allocation of audit departments in place at each headquarters, the introduction of governance specialists at Group companies and the status of in-house discussions regarding corrections of incentive systems. These topics were addressed as part of deliberations on agenda items related to the integration and reorganization of Sekisui House Construction companies. ・In the fiscal year ended January 31, 2023, the Internal Audit Division delivered a report to the Board of Directors in accordance with the Corporate Governance Code. This report was then discussed forthrightly with the incorporation of input from outside officers. The Board of Directors also conducted follow-up reporting sessions to hear from executives. It is anticipated that the Board will further deliberate on the desired frequency of these reporting sessions. • Looking ahead, it is also expected that the Board will enhance the quality of discussions regarding how to secure and nurture governance specialists from the medium- to long-term perspective, with an eye to horizontally rolling out the Company's governance systems to Group companies, including those operating overseas.	Improvement now under way

(2) Strengths Supporting the Effectiveness of the Board of Directors

Based on results of evaluation by the third-party agency, the Board of Directors confirmed that its effectiveness has been supported by the strengths outlined below in 1 to 4.

Strengths	Details (observations by the third-party agency)
1 Strong commitment to strengthening governance	• Senior management has a strong will to strengthen corporate governance. • Outside Officers (directors and outside Audit and Supervisory Board members) have been selected who are able to commit themselves to strengthening corporate governance.
2 Clarification of roles to be borne by the Board of Directors	• All directors of the Board clearly share the basic governance policy of securing the moderate separation of supervisory and executive functions based on the current state of Sekisui House.
3 Contribution by independent outside directors	• The independent outside directors are committed to Sekisui House. • The diversity of independent outside directors of the Board is outstanding. • Quality discussions are ensured through the attendance of Outside Officers at the Management Meetings and expansion of opportunities for off-site discussion.
4 Good practices observed in the Board of Directors' operation	• The Chairperson of the Board of Directors demonstrates leadership, backed by integrity, at forums including those outside regular Board meetings. • The Chairperson of the Board of Directors promotes vigorous discussions. • The function of the secretariat underpins governance reforms.

(3) Issues for Further Enhancing the Effectiveness of the Board of Directors

As listed below, the Board of Directors identified issues to be addressed in FY2023 based on the findings and proposals of the third-party agency. The Board also confirmed that it will consider the following initiatives going forward.

Issues for FY2023	Details (observations by the third-party agency)	Initiatives to be considered
1 Discussion of strategy from a Group-wide perspective	• There is insufficient discussion of finance strategy incorporating the balance sheet, cash flows, and capital efficiency. Strengthening financial literacy among both supervisory and executive teams is expected. • There is room for extensive discussions on medium- to long-term business strategy from a broad perspective, including sharing and utilizing customer assets held across the entire Group. • There is room for more strategic discussion concerning the DX and human resources development already underway.	• To share agenda items for discussion across the Group. • To secure insight into matters such as capital cost management and expand discussions as the Board of Directors. • To encourage initiatives to strengthen the CFO function on the executive side.
2 Supervision over the execution of risk management and Group governance	• The design of a cross-company system of Group governance is desired. • It will be effective to monitor the promotion of integration processes at the Sekisui House Real Estate Group and the Sekisui House Construction Group, analyze their success factors and carry out a PDCA cycle. • It is necessary to increase the opportunities for reporting by the Internal Audit Divisions.	• To expand discussions regarding strategies to strengthen Group governance. • To follow up on the progress of implementation regarding risk management and Group governance. • To discuss the optimal manner and frequency of reporting by the Internal Audit Divisions.
3 Advance the "moderate separation of supervision and execution"	• By actively involving independent outside directors of the Board in corporate decision-making processes and aiming for the "moderate separation of supervision and execution," the Company has progressively strengthened its governance based on its issues. In the future, an increasing range of situations will require "executive autonomy" to respond to increasingly sophisticated business issues of the Company. • The Board of Directors must advance the Company's governance by proceeding with the delegation of authority to the executive team and shifting its focus to the monitoring of execution.	• To advance the method of independent outside directors of the Board's involvement through greater executive autonomy. • To clarify important themes for more extensive discussion by the Board of Directors. • To implement new methods of deliberation by the Board of Directors (such as collective deliberation), narrowing-down of proposals, and more modulated and lively discussions.

Personnel Affairs and Remuneration Committee

As a consultative body to the Board of Directors, the Personnel Affairs and Remuneration Committee provides opinions officers to ensure fairness and transparency with regard to the personnel affairs and remuneration of the directors and executive officers. In addition, the committee, based on delegation from the Board of Directors, determines the amount of remuneration for individual directors and entrusted executive officers.

The committee is chaired by an independent outside director and the majority of its membership consists of independent outside directors. Currently, the committee members are comprised of two representative directors and three independent outside directors, with Yukiko Yoshimaru serving as the chairperson.

Composition

Chairperson: Yukiko Yoshimaru (Outside Director of the Board)
Internal directors of the Board: Yoshihiro Nakai, Satoshi Tanaka
Outside directors of the Board: Yukiko Yoshimaru, Toshifumi Kitazawa, Keiko Takegawa

Initiatives of the Personnel Affairs and Remuneration Committee Nomination

Main subjects discussed in FY2022

- Outside directors' meeting aimed at evaluation the performance of the CEO
- Revision of rules for officer remuneration that aligns with the Sixth Mid-Term Management Plan
- Evaluation of officer performance for FY2022 and the determination of bonuses to be paid to individual recipients
- Inclusion of FY2022 performance-related bonuses and Performance Share Units (PSU) into deductible items for tax purposes
- Reference number of share units to be applied to PSU
- Determination of performance evaluation indicators (ESG-related items) for performance share units and target values for such indicators
- Process for the selection of officers and the evaluation of their performance as well as pipeline for senior management candidates
- Upper limit on the term of directors
- Reconfirmation of the content of directors' skill matrix
- Selection of directors of the Board and entrusted executive officers

Status of external advisors' involvement in the determination of remuneration

In FY2022, six of 11 Personnel Affairs and Remuneration Committee meetings were attended by remuneration advisors from Willis Towers Watson.

Management Meetings

This body was established to promote the active exchange of opinions 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. The committee also welcomes the attendance of outside directors of the Board and Audit and Supervisory Board members who act as observers.

Composition

Chairperson: Yoshihiro Nakai (Representative Director of the Board, President, Executive Officer)
Entrusted executive officers: Yoshihiro Nakai, Yosuke Horiuchi, Satoshi Tanaka, Toru Ishii, Hiroshi Shinozaki, Haruhiko Toyoda, Keizo Yoshimoto, Kohei Hirota, Osamu Minagawa, Kohei Joki, Masaru Noma, Takehisa Yanagi, Shinji Aoki, Yoshinori Kimura and Yasushi Omura

Note: Outside directors of the Board and Audit and Supervisory Board members may attend as observers.

ESG Promotion Committee

As a consultative body to the Board of Directors, the committee mainly consists of two or more external committee members who bring specialist insight, outside directors of the Board, executive officers and others responsible for business execution. The committee thus 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.

Composition

Chairperson: Yosuke Horiuchi (Representative Director of the Board, Vice Chairman, Executive Officer)
Outside members: Katsuhiko Kokubu (Dean and Professor, Graduate School of Business Administration, Kobe University), Hidemi Tomita (Representative Director, LRQA Sustainability K.K.)
Internal members: Yosuke Horiuchi, Haruhiko Toyoda, Toshiya Chikada, Miwa Yamada, Atsushi Yoshida, Kazu Nakayama, Naoki Kawamura, Ken Kishimoto

Note: Directors of the Board, Audit and Supervisory Board members and executive officers of the rank managing officer and above may attend as observers

Risk Management Committee

As a consultative body to the Board of Directors, this committee strives to develop an appropriate risk management structure and secure the effectiveness of its operations. To this end, the Risk Management Committee gains an understanding of the risk management status of the entire Group and provides opinions to the Board of Directors as necessary. The committee's risk assessment process includes risk mapping on the two axes of the frequency of risk materialization and the magnitude of impact on the Group. By doing so, the committee identifies important risk items in such areas as "quality management," "information security," "compliance," "human rights," "crisis response," "the environment" and "labor laws and labor management." Every month, the committee holds meetings to monitor and verify these risk items.

Also, the Quality Management Committee and the Information Security Committee are placed under the Risk Management Committee to engage in discussions employing specialist viewpoints and periodically report their conclusions to the latter.

Composition

Chairperson: Satoshi Tanaka (Representative Director of the Board, Executive Vice President, Executive Officer)
Vice Chairperson: Keizo Yoshimoto
Internal members: Satoshi Tanaka, Keizo Yoshimoto, Kohei Hirota, Osamu Minagawa, Masaru Noma, Toru Fujita, Kazu Nakayama, Takahiro Kishi, Hiroyuki Kitamura and Naoki Kawamura

FY2022 Attendance at Key Meetings by Directors of the Board

Name	Title	Board of Directors		Personnel Affairs and Remuneration Committee		Management Meetings		ESG Promotion Committee		Risk Management Committee		Notes
		Members	Attendance rate	Members	Attendance rate	Members	Attendance rate	Members	Attendance rate	Members	Attendance rate	
Yoshihiro Nakai	Representative Director of the Board, President, Executive Officer and CEO	○	12/12	○	11/11	●	13/13					
Yosuke Horiuchi	Representative Director of the Board, Vice Chairman, Executive Officer	○	12/12			○	13/13	●	5/5			
Kunpei Nishida	Representative Director of the Board, Executive Vice President, Executive Officer	○	3/3			○	3/4					Retired on April 26, 2022
Satoshi Tanaka	Representative Director of the Board, Executive Vice President, Executive Officer	○	12/12	○	11/11	○	13/13			●	10/10	
Toshiharu Miura	Director of the Board, Senior Managing Officer	○	12/12			○	13/13			○	10/10	Retired on April 25, 2023
Toru Ishii	Director of the Board, Senior Managing Officer	○	12/12			○	13/13					
Yukiko Yoshimaru	Outside Director of the Board	○	12/12	●	11/11							
Toshifumi Kitazawa	Outside Director of the Board	●	12/12	○	11/11							
Yoshimi Nakajima	Outside Director of the Board	○	12/12									
Keiko Takegawa	Outside Director of the Board	○	12/12	○	11/11							
Shinichi Abe	Outside Director of the Board	○	9/9									Assumed office on April 26, 2022

● Chairperson
Note: Attendance as an observer at Management Meetings, the ESG Promotion Committee and the Risk Management Committee is not counted.

FY2022 Attendance at Key Meetings by Audit and Supervisory Board Members

Name	Title	Board of Directors		Audit and Supervisory Board		Notes
		Members	Attendance rate	Members	Attendance rate	
Haruyuki Iwata	Standing Audit and Supervisory Board Member (full-time)	○	3/3	○	5/5	Retired on April 26, 2022
Midori Ito	Standing Audit and Supervisory Board Member (full-time)	○	12/12	○	15/15	
Takashi Ogino	Standing Audit and Supervisory Board Member (full-time)	○	9/9	○	10/10	Assumed office on April 26, 2022
Ryuichi Tsuruta[1]	Standing Audit and Supervisory Board Member (full-time: Outside Audit and Supervisory Board Member)	○	12/12	○	15/15	
Takashi Kobayashi	Outside Audit and Supervisory Board Member	○	12/12	○	15/15	
Hisako Makimura	Outside Audit and Supervisory Board Member	○	3/3	○	5/5	Retired on April 26, 2022
Yoritomo Wada	Outside Audit and Supervisory Board Member	○	12/12	○	15/15	

1 Mr. Ryuichi Tsuruta, who has been serving as an Outside Audit and Supervisory Board member, assumed the office of Standing Audit and Supervisory Board member on April 26, 2022.

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 25, 2023)	Particular knowledge, experience and abilities expected					
			Corporate management Business strategy	Overseas business International knowledge	Financial strategy and accounting	Technology and environment Innovation	Improvement of social value Human resource development Diversity	Governance Risk management Compliance
Yoshihiro Nakai	●	7	●		●		●	●
Yosuke Horiuchi	●	7	●		●	●	●	
Satoshi Tanaka	●	3	●	●		●	●	●
Toru Ishii	●	3	●	●			●	
Hiroshi Shinozaki	●	—	●			●		●
Yukiko Yoshimaru	●	5	●	●			●	●
Toshifumi Kitazawa	●	3	●	●	●			●
Yoshimi Nakajima	●	2	●	●	●		●	
Keiko Takegawa	●	2				●	●	●
Shinichi Abe	●	1	●	●		●	●	

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	Reasons for Selection
Corporate management Business strategy	We are a leading company in the housing industry and have constructed a cumulative total of more than 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. Additionally, to realize one of the tenets of our global vision—to 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 environment Innovation	In order to realize the supply of high-quality housing that combines safety, peace of mind 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 diverse innovation along with the knowledge and experience to enable proactive efforts to address global environmental issues from a corporate management perspective.
Improvement of social value Human resource development Diversity	In order to provide homes that make our customers feel more content and address various social challenges through its business activities, the Company needs to develop human resource strategies that enable each employee to maximize their potential, and the Company needs Directors of the Board with solid knowledge and experience in the field of human resources development, including the promotion of diversity, equity and inclusion.
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.

Office of Directors of the Board

The Company has 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. 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 that provide 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 to ensure that they understand the Sekisui House Group's businesses, management strategy, business strategy and financial status.

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 highly ethical), 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 business 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	In the Corporate Management Planning Division, Mr. Nakai exercised his outstanding conceptual ability and realized many innovative sales strategies and management policies involving sales offices nationwide. He consistently played a central role in formulating and implementing the Group's management strategies and plans. In particular, since assuming the post of President, he has focused on demonstrating the comprehensive capabilities of the Group, with the Corporate Philosophy as a compass, while strengthening the corporate governance system and promoting ESG management aggressively. In the Fifth Mid-Term Management Plan, which he formulated as top management, he strived to develop human resources with integrity and autonomy under the slogan of innovation and communication, and focused on aligning the efforts of the whole Group. As a result, the Group's performance exceeded the plan. To launch the Sixth Mid-Term Management Plan—for achieving sustainable growth and increasing the corporate value of the Sekisui House Group through new development and aggressive growth investment in the lifestyle design and service fields—under his strong leadership and to contribute to the creation of high-quality housing stock, the Company has reelected him as a Director of the Board.
Yosuke Horiuchi	In the business field based on "Sha Maison" rental housing, Mr. Horuichi has contributed to the development of the three- and four-story rental housing market by leading the area marketing strategy that is dedicated to responding to the local tenant market. He has also promoted the expansion of the customer base through means such as strengthening the corporate real estate (CRE) and public real estate (PRE) businesses with a focus on corporate customers. He has been in charge of the Finance and ESG Division since 2020 and is working to enhance the Sekisui House Group's social value through collaboration with diverse stakeholders as the Chairperson of the ESG Promotion Committee, which includes outside members. He also has received a high evaluation from outside the company for proactive disclosure of information including ESG-related information. In addition, since assuming the post of Representative Director of the Board in 2021, he has served in a key position at the industry group and contributed to realizing a more comfortable housing life. To achieve sustainable growth and increase the corporate value of the Sekisui House Group, in strongly promoting the realization of ESG management, the strengthening of the financial base and the enhancement of information disclosure, the Company has reelected him as a Director of the Board.

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 corporate staff divisions in positions including CAO, CIO and CPO. Since assuming the position of Outside Director of the Board of the Company in 2020, he has continued to serve 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 human resource strategies such as supporting employees' self-directed career development as the person in charge of Administration and Personnel Division, and making various efforts to strengthen the effectiveness of the risk management system as the Chairperson of the Risk Management Committee. To achieve sustainable growth and increase the corporate value of the Sekisui House Group based on his extensive knowledge as a manager and his activities and contributions as an Outside Director of the Board of the Company, especially in further enhancing the value of human resources in the Group and strengthening the effectiveness of corporate governance and risk management system, the Company has reelected him as a Director of the Board.
Toru Ishii	Since joining the Company, Mr. Ishii has experienced sales planning work in the urban development business and engaged 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, focusing on human resources development and demonstrating the comprehensive capabilities of the Sekisui House Group. In the international business in particular, he has focused on achieving a balance between investment and return, while realizing M&A mainly in the U.S., which greatly contributed to the achievement of the Fifth Mid-Term Management Plan. He has been steadily promoting enhancement of the business foundation in new markets and development of the organizational structure. To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in strengthening our development business including international business, as well as in enhancing the diversity of our overseas subsidiaries and further strengthening the governance system through the integration process, the Company has reelected him as a Director of the Board.

Reasons for Appointing Directors of the Board

Name	Reasons for Selection
Hiroshi Shinozaki	In the building business field based on “Sha Maison” rental housing, Mr. Shinozaki has served as a sales staff, Branch Head, and Head of Administration Headquarters. As a Managing Officer in charge of Building Sales Administration since 2021, he has been promoting the area marketing strategy that is dedicated to responding to the local tenant market, and proactive initiatives for increasing orders of three- and four-story rental houses, as well as the improvement of sales of “Sha Maison ZEH,” zero-energy rental housing that contributes to decarbonization while increasing profitability. In addition, he is strongly leading the growth of this business field by utilizing his leadership and strategic thinking ability such as building a stronger collaborative relationship between the Company and Sekisui House Real Estate Group. To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in strengthening the effectiveness of corporate governance and the risk management system involving Sekisui House Real Estate Group; further developing the building business field by promoting sales of “Sha Maison ZEH,” which contributes to a decarbonized society; and expanding the business field, the Company has newly elected him as a Director of the Board.
Yukiko Yoshimaru	Ms. Yoshimaru has a wide range of global experience including management experience as a director of domestic and overseas companies and M&A experience at a U.S. subsidiary of a major Japanese company. In particular, she 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, diversity and corporate governance. In addition, since becoming the Chairperson of the Personnel Affairs and Remuneration Committee in May 2020, she has been taking a leadership in clarifying the process of selecting and dismissing Directors of the Board, facilitating the succession planning, and strengthening remuneration governance. She has been leading the revision of officer remuneration related to the Sixth Mid-Term Management Plan. To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in the formulation of growth strategies from the perspectives of global business and diversity promotion, and in strengthening the management supervision function in areas including personnel affairs and remuneration, the Company has reelected her as an Outside Director of the Board.

Name	Reasons for Selection
Toshifumi Kitazawa	Having held key positions at a major insurance company, Mr. Kitazawa has extensive knowledge and experience in areas including global business, M&A, risk management and compliance, as well as abundant achievements and experience as a manager. Since becoming Chairman of the Board of Directors in May 2021, he has been leading constructive discussions to strengthen the effectiveness of the Board of Directors meetings by steering proceedings flexibly to further activate deliberations on medium- and long-term management issues. He has also been contributing to the enhancement of deliberations as a member of the Personnel Affairs and Remuneration Committee of the Company. To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in the formulation of growth strategies from the perspective of global business, and in strengthening the management supervision function in areas including M&A and other financial strategies, risk management and compliance, the Company has reelected him as an Outside Director of the Board.
Yoshimi Nakajima	Having held key positions in domestic and overseas companies, Ms. Nakajima has extensive experience in financial strategy, M&A, and other areas by serving as the head of Asian and Japanese subsidiaries of global financial institutions. She has embodied diversity in corporate management in an environment where diversity in senior management is considered to be natural. 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 actively expressing frank opinions that promote appropriate risk-taking and management reform. To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in the formulation of growth strategies from the perspectives of global business and diversity promotion, and in strengthening the management supervision function in areas including M&A and other financial strategies, the Company has reelected her as an Outside Director of the Board.

Name	Reasons for Selection
Keiko Takegawa	Having held key positions in the Cabinet Office, Ms. Takegawa worked hard to realize policies related to gender equality, and 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 an ordinary citizen and actively expressing frank opinions related to matters including environmental issues, diversity and human capital. She has also been contributing to enhancing deliberations as a member of the Personnel Affairs and Remuneration Committee of the Company since May 2021. To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in the formulation of growth strategies from the perspective of diversity promotion, and in strengthening the management supervision function in areas including quality control, compliance, and personnel affairs and remuneration, the Company has reelected her as an Outside Director of the Board.
Shinichi Abe	Having worked for an overseas consulting firm and software vendors, Mr. Abe was involved in the launch of Google’s cloud business. At that business, 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 cloud services business for Japanese companies, he gained the deep trust of many client companies and promoted digital innovation together. Currently, he serves as Representative Director of the Board, 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. Since April 2022, he 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 actively expressing frank opinions from the perspective of global operations and digitally-driven business model transformation and disseminating information to promote innovation. To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in the formulation of alliances and growth strategies in new service business fields, and in strengthening the management supervision function, including supervision of the area of human resources development, the Company has reelected him as an Outside Director of the Board.

A More Sophisticated Executive Officer Selection Process

Selection of Entrusted Executive Officers: Implementation 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 implemented meetings to visualize successors for employed executive officers and operating officers, and to share succession information among division 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.
- Internal directors of the Board and officers participate in Human Resource Promotion Council meetings, where each director of the Board discusses the selection of candidates, upon which the President and 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 5	Entrusted executive officers 10	Employed executive officers 24	Operating officers 26
	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.
	Yoshihiro Nakai (Representative Director of the Board, President and CEO)			
Division of Built-to-Order Business	Hiroshi Shinozaki (Senior Managing Officer)	Shinji Aoki (Managing Officer) Yoshinori Kimura (Managing Officer)	Kazunori Ito / Yuji Yoshiyasu / Takumi Nukanobu / Ken Miyakoshi / Yoshitaka Iwata / Yoshio Ichikawa / Takahiro Kondo / Kenji Konishi	Kenichi Kanazawa / Ichiro Otaka / Yuichi Ihara / Junji Takeuchi / Tomoaki Minobe / Hiroshi Asada / Motomichi Shozu / Akira Kogo / Yasuyuki Tsukada
Division of Development Business	Toru Ishii (Senior Managing Officer)	Takehisa Yanagi (Managing Officer)	Toru Tsuji / Hiroaki Takahama / Naoki Tamori	Kazuhito Miyajima
Business Strategy Division		Kohei Hirota (Managing Officer) Yasushi Omura (Managing Officer)	Yoshiyuki Kamiya / Hiroaki Yoshida / Norio Adachi / Yoichi Komatsu	Yuta Nakano / Yoshinori Sumitomo / Naoya Matsui
Division of Finance and ESG	Yosuke Horiuchi (Representative Director of the Board, Vice Chairman, Executive Officer)	Haruhiko Toyoda (Senior Managing Officer)	Toru Fujita / Masahiro Kikuchi / Atsushi Yoshida / Miwa Yamada[1] / Toshiya Chikada /	Hirokazu Kishimoto
Division of Administration and Human Resources	Satoshi Tanaka (Representative Director of the Board, Executive Vice President, Executive Officer)	Keizo Yoshimoto (Senior Managing Officer) Osamu Minagawa (Managing Officer)	Kazu Nakayama	Takahiro Kishi / Hideaki Yasunobu / Naoki Kawamura / Hiroyuki Kitamura / Takanobu Haruki
Division of Technology and Production		Kohei Jouki (Managing Officer) Masaru Noma (Managing Officer)	Hidehiko Nakayama / Kenji Okazawa / Hirokazu Higashi	Yasuyo Sawabe[1] / Naoko Yano[1] / Koya Matsumura / Atsushi Nakata / Hideo Saito / Masahiro Tanaka / Yoshiyuki Ueno

1 Indicates female members

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.

Remuneration for Directors of the Board (including the CEO and Excluding Outside Directors of the Board)

Remuneration Level

Using objective remuneration market survey data from an external specialist organization (a management remuneration database compiled by Willis Towers Watson), we select a group of companies to serve as a benchmark for remuneration and set the amount of remuneration at an appropriate level commensurate with the size of operations and financial results of the Sekisui House Group.

Overview of Remuneration Systems and Incentive Systems

Remuneration for directors of the Board (including the CEO and excluding outside directors of the Board) consists of basic remuneration (fixed amount) and incentive remuneration (variable amount). The latter consists of three components: Performance-related bonuses (linked with short-term operating results), Performance Share Units (PSU: linked with medium-term operating results) and restricted stock remuneration (linked with long-term operating results).

The proportion of performance-related bonuses within overall remuneration has been reduced, while the proportion of share-based remuneration has been increased with the aim of providing sound incentives to pursue long-term, sustainable improvement of corporate value, in addition to single-year operating results targets. The specific ratio for each director of the Board is set in line with their position-based roles and responsibilities. Based on this policy, the ratio of basic remuneration, performance-related bonuses and share-based remuneration for representative directors of the Board is set at about 1:1:1 (provided that the Company achieves base performance).

Introduction of Shareholding Guidelines

We have established shareholding guidelines for directors (other than outside directors) to ensure their remuneration remains consistently aligned with shareholder value. As a rule, during their terms of office, directors 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 (including the CEO) and equal to annual basic remuneration for other eligible directors of the Board.

Stock Remuneration Return (Malus and Clawback Provisions)

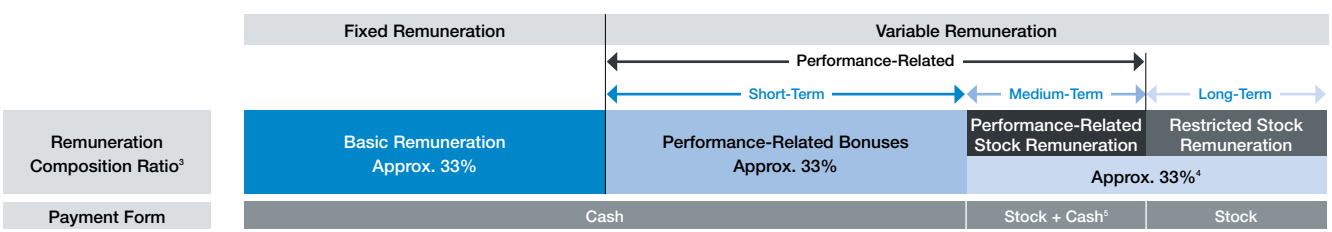
In order to control excessive risk-taking by directors (including the CEO and excluding outside directors of the Board) and to ensure sound management, we established malus and clawback provisions in the rules for officer remuneration. These provisions enable the Company to acquire shares or PSU allotted to recipients in the form of share-based remuneration free of charge, confiscate such remuneration or demand the return of it in full or in part (or the amount of money commensurate with share-based remuneration paid) if the recipient was found to be involved in such serious events as illicit conduct and legal violations, in the course of, or in connection with, the execution of his/her duties or other actions. The invocation of these provisions requires a resolution of the Board of Directors following deliberations by the Personnel Affairs and Remuneration Committee.

Remuneration and Incentive Framework for Directors of the Board (Including the CEO and 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 profit	The amount to be paid shall be calculated by multiplying consolidated ordinary profit, 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 ¥120 billion.
	Medium-term	Performance-related stock remuneration (PSU)[1]	ROE and ESG	ROE (a key financial indicator for the medium term) and a non-financial ESG management indicator are used as performance indicators. The Reference Number of Share Units corresponding to predetermined standards for each director of the Board (including the CEO and excluding outside directors) 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 the evaluation period spanning three consecutive fiscal years. 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)[2]	—	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.

1 PSU: Performance Share Unit
2 RS: Restricted Stock

Image of Remuneration Composition Ratio for Representative Directors of the Board (including the CEO) at Base Performance



3 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 (including the CEO) at base performance is presented.
4 The composition ratio of performance-related stock remuneration to restricted stock remuneration is approximately 1:1 (at base performance).
5 50% of the performance-related stock remuneration will be paid in cash for the purpose of appropriation to funds for tax payments.

Target Value and Results Basis for Performance-Related Stock Remuneration (PSU1) Paid for FY2020 through FY2022

KPI	Weighting	Changes in payment ratio	Target value		Results	Payment ratio by indicator
ROE (average for three years)	80%	0% to 150%	Maximum	12.00%	10.79%	120%
			Standard	10.00%		
			Minimum	8.00%		
ESG management indicator	20%	0% to 150%	Note 1			136%

1 The ESG management indicator used in the determination of the amount of PSU consists of targets determined for the following items; E (Environment): (1) Ratio of detached house ZEH; (2) Number of Sha Maison ZEH units; S (Social): (3) Number of female managers; (4) Take-up rate for eligible male employee childcare leave; (5) Annual paid leave take-up rate; G (Governance): (6) Reviewing the grand design of governance; (7) Enhancing response to the Corporate Governance Code; and (8) Increasing integrity at business management level. The degree of achievement in items named above was evaluated by the Personnel Affairs and Remuneration Committee. As a result, the payment ratio vis-à-vis ESG management indicator was set at 136%.

ESG Management KPI and Target Value for Performance-Related Stock Remuneration (PSU2) for FY2021 through FY2023

ESG Management Indicators		Target (January 31, 2024)	Weighting
Environment	Ratio of detached house ZEH	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 per person	175 per month	
Governance	Responding to Corporate Governance Code according to reviews by evaluation organizations and others	Improve the mode of information disclosure through third-party reviews (comparison of TOPIX100 companies)	30%
	Clarifying the authority and responsibilities of the parent company and its subsidiaries; the development and appropriate allocation of governance specialists	Implement Group company administrative regulations and evaluate the effectiveness of human resource measures	

ESG Management KPI and Target Value for Performance-Related Stock Remuneration (PSU3) for FY2022 through FY2024

ESG Management Indicators		Numerical Target (January 31, 2025)	Weighting
Environment	Ratio of detached house ZEH	90%	40%
	Ratio of ZEH units for rent	70%	
Social	Number of female managers	310	30%
	Take-up rate for eligible male employee childcare leave	98%	
	Monthly average working hours per person	175 per month	
Governance	Responding to Corporate Governance Code according to reviews by evaluation organizations and others	Improve the mode of information disclosure through third-party reviews (comparison of TOPIX100 companies)	30%
	Establishment of governance systems by clarifying Group company administrative regulations and the development and appropriate allocation of governance specialists	Implement Group company administrative regulations and governance specialist development and assignment	

Remuneration, etc., to Be Paid to Outside Directors of the Board

Remuneration, etc., to be paid to outside directors of the Board consists of basic remuneration (fixed amount) along with various allowances. The latter are determined based on job responsibilities borne by each recipient as Chairperson or other membership at the Board of Directors and the Personnel Affairs and Remuneration Committee in light of their supervisory roles over the Company's management that require an objective and independent standpoint. The level of basic remuneration and various allowances is being set in reference to data acquired by external specialist organizations via objective market surveys of similar remuneration (management remuneration database compiled by Willis Towers Watson).

Remuneration, etc., to Be Paid to Audit and Supervisory Board Members

Remuneration, etc., to be paid to Audit and Supervisory Board members consists solely of basic remuneration (fixed amount) in light of their supervisory roles over the Company's management that require an objective and independent standpoint. The level of basic remuneration is being set based on job responsibilities borne by each recipient in reference to surveys undertaken by external specialist organizations regarding similar remuneration.

Officer Remuneration for FY2022

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

Officer Category	Total Remuneration, etc. (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)	817	257	282	168	108	6
Audit and Supervisory Board Members (Excluding Outside members)	80	80	—	—	—	3
Outside Officers	195	195	—	—	—	9

Note: The above-listed amount of basic remuneration, performance share units and restricted stock remuneration includes remuneration paid to one director of the Board and two Audit and Supervisory Board members who stepped aside from their office as of the close of the 71st Ordinary General Meeting of Shareholders held on April 26, 2022.

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	81	47	31	226
Yosuke Horiuchi	54	65	37	25	182
Satoshi Tanaka	48	59	32	22	162
Toshiharu Miura	39	38	16	11	105
Toru Ishii	39	38	16	11	105

Note: The above figures are only for 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, 2023.

Enhancing the Group Governance System

Enhanced Group Company Administrative Systems

The Company has designated administrative departments responsible for the segment-based management and supervision of business activities undertaken by Group companies. In addition, specialized departments at the head office of Sekisui House provide functional assistance and management leadership for particularly specialized operations. In these ways, the Company develops and operates a two-tier administrative system.

Administrative departments require reporting from each subsidiary regarding the status of business execution on a periodic or ad-hoc basis while acting in collaboration with the Company's head office departments in such endeavors as the development of operational standards. Furthermore, the head office departments provide subsidiaries with guidance and supervision over their operations in line with missions assigned to each. For some subsidiaries, the Company dispatches personnel to serve as directors of their boards or members of their Audit and Supervisory Boards to exercise supervision over or conduct audits of business execution.

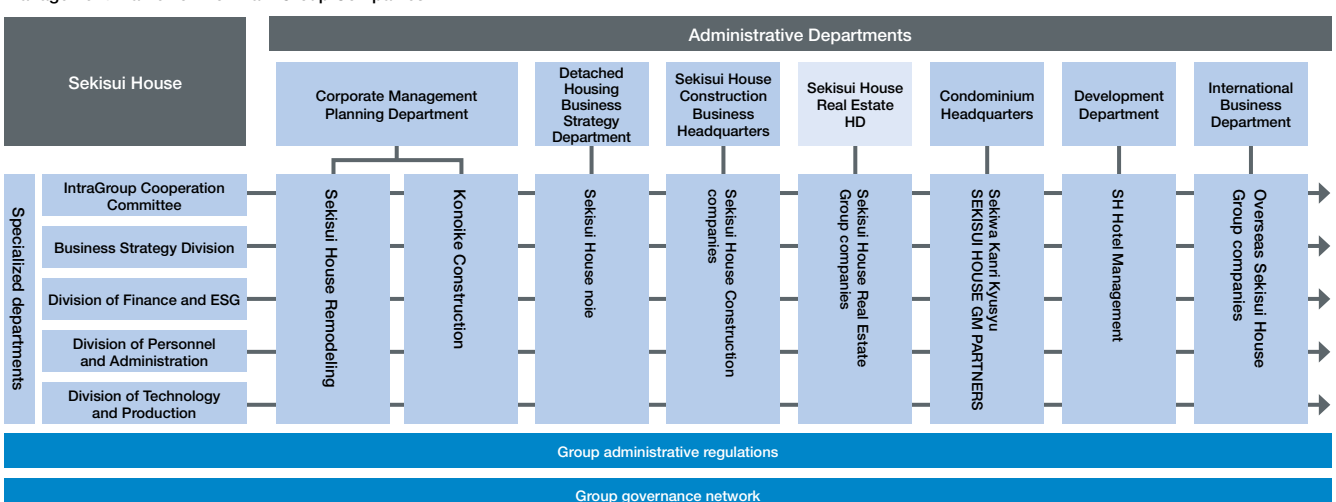
Start of Operations at Sekisui House Real Estate Holdings, an Intermediate Holding Company

Sekisui House Real Estate Holdings Co., Ltd., a holding company for Sekisui House Real Estate companies, initiated operations in February 2022. In addition to delegating authority from the head office of Sekisui House to this intermediate holding company, we have created specialized departments within the latter and allocated human resources to promote the strengthening of corporate governance.

Main objectives of the intermediate holding company system:

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

Management Framework for Main Group Companies



Reorganization of the Sekiwa Construction Group

In February 2023, Sekiwa Construction was reorganized from 15 companies to eight companies with the aim of enhancing cooperating within the Sekisui House Group. In conjunction with this move, Sekiwa Construction was renamed Sekisui House Construction. Furthermore, in order to strengthen corporate governance for these companies, Sekiwa Construction Business Headquarters was renamed Sekisui House Construction Business Headquarters and began operating as a head office department of Sekisui House.

Promoting Networking for Governance

Currently, we are promoting the optimal allocation of human resources charged with corporate governance based on the close assessment of their status at main business subsidiaries (Sekisui House Real Estate Group, Sekisui House Construction companies, Sekisui House Remodeling, Sekisui House noie and Konoike Construction) as well as issues they are now confronting. Also, we periodically hold global governance meetings and area governance meetings to provide a place for discussions among Sekisui House Group members, including those overseas, to strengthen corporate governance.

Risk Maps Developed at Group Companies

Risk maps are being developed at main business subsidiaries (Sekisui House Real Estate Group, Sekisui House Construction companies, Sekisui House Remodeling, Sekisui House noie and Konoike Construction), with the Risk Management Committee receiving reporting based on these risk maps from each company and engaging in periodic discussion regarding risk recognition.

Cross-Shareholdings

Basic Stance on Cross-Shareholdings

a. The Company shall not enter into cross-shareholdings with business partners unless it judges that it will be helpful to medium- and long-term increases in the corporate value through the stable maintenance and strengthening of relationships with them. In addition, the Company shall comprehensively verify the economic rationality of transactions with parties that own cross-shareholdings to determine if it will continue these transactions.

b. The Company shall analyze the appropriateness of cross-shareholdings at a 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- and long-term economic rationality of each individual stock based on holding objectives and 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. Even for stocks considered appropriate to hold, the Company may sell all or some shares after considering its capital policies and the market environment.

c. An overview of the analysis at the meeting of the Board of Directors regarding cross-shareholding shall be disclosed as appropriate in the reports related to corporate governance.

d. When companies holding the Company stock as cross-shareholdings express an intention to sell such shares, the Company shall not prevent the sale in any way by, for example, insinuating a reduction in their business relationship.

Overview of the Verification with Regard to Cross-Shareholdings

At the meeting of the Board of Directors held in October 2022, the Company analyzed all listed stocks it holds as cross-shareholding (for 21 different companies, excluding Sekisui House Reit, Inc. and companies to which the 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. Based on this policy, the Company achieved its target of reducing the ratio[1] 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 now intends to pursue further reduction of cross-shareholdings and has set a new target of reducing this ratio to 3% or less during the period of the Sixth Mid-Term Management Plan (by January 31, 2026).

1 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 FY2022:

Of the 21 companies examined, the Company sold all shares of four companies and a portion of shares of two companies.

Ratio of cross-shareholdings to consolidated net assets for FY2022:

The ratio on January 31, 2023 was 4.6%.

G Promoting Compliance

1. Governance

1. Sekisui House Group Corporate Ethics Guidelines

The Sekisui House Group established Sekisui House Group Corporate Ethics Guidelines, which provide specific guidance regarding compliance with laws, regulations, the Articles of Incorporation and other corporate ethics principles. We strive to ensure that these guidelines are upheld and practiced by all officers and employees across the Group.

Sekisui House Group Corporate Ethics Guidelines

2. Training to enhance compliance awareness

We implement Compliance Training targeting all Group employees in order to foster a robust compliance awareness among the entire workforce of the Group.

3. Internal reporting system

The Sekisui House Group maintains an internal reporting system (the Sekisui House Group Compliance Helpline), which accepts reports and requests for consultation from its officers and employees, as well as those at partner building constructors in ongoing transactional relationships with the Group. This system is equipped with in-house contact desks along with external contacts operated by a law office. In addition, the Sekisui House Global Helpline is also in place, with an external law office serving as the contact point for officers and employees at overseas Group companies. The Company's Board of Directors is periodically briefed on the status of its internal reporting system to exercise appropriate supervision over it.

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. We distribute pamphlets containing the Corporate Philosophy and Corporate Ethics Guidelines to all Group employees as part of thoroughgoing efforts to spread awareness, and we have executives and employees submit a Pledge of Compliance with the Corporate Ethics Guidelines every year.

From the viewpoint of anti-corruption, we have also stipulated a provision regarding 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 Corporate Ethics Guidelines

Compliance Training Implementation

Until FY2021, we provided all Group employees with annual legal training addressing laws, regulations, legal risks and other subjects determined as part of ongoing efforts to foster compliance awareness. In FY2022, we changed the name of this training to Compliance Training, and began implementing programs centered on small-group discussions aimed at addressing case studies of compliance violations, including the violation of corporate ethics. Through this training, we provide employees with opportunities to spontaneously think about compliance and develop robust awareness regarding relevant issues. In this way, we are fostering broader compliance awareness that extends beyond laws and regulations.

We also implement annual Human Relations Training for all Group employees to raise their awareness of human rights-related issues on an ongoing basis. This training covers a variety of issues addressed in the Sekisui House Group Corporate Ethics Guidelines (the prevention of sexual/power harassment, labor management, mental health-related issues, etc.) and is aimed at instilling robust knowledge and moral bearing so that each employee can identify the relevance of human rights-related issues to their operations and engage with their colleagues in an even more respectful manner. Through this training, we strive to help employees remain attuned to our corporate philosophy of love of humanity and encourage them to act on this philosophy. In the FY2022 round of this training, we addressed such subjects as relationships between business and human rights and those between children's rights and corporations. Participants were engaged in discussions regarding the ways the Sekisui House Group should respond to diverse aspects of human rights, such as children's rights. We are thus striving to help employees gain a deeper understanding of the importance of human rights protection in the course of business activities and raise their compliance awareness.

In order to promote compliance at business bases, we also provide their senior managers with risk management training to develop their compliance awareness as leaders. In FY2022, this training was focused on such subjects as the strengthening of worksite information security, the prevention of harassment and the reduction of overall working hours, and consisted mainly of discussions among participants to enable them to educate one another on these topics. Even after training, participants are engaged in ongoing discussions with their peers while operating in their respective worksites in order to ensure that each remains immensely conscious of their leading role in terms of promoting compliance throughout the entirety of the worksites under their supervision. Looking ahead, we will expand the scope of this training to include senior managers at Group companies to strengthen our overall Group-wide structure for promoting compliance.

Implementing the Governance Awareness Survey

Every year, we conduct the Governance Awareness Survey targeting all Group employees. These anonymous surveys are periodically conducted by distributing questionnaires regarding employee awareness of corporate ethics, conditions of workplace environments and other matters. Through these surveys, we strive to accurately assess the current status of our workplaces while creating opportunities for the exchange of opinions among business units based on survey results. In these ways, we utilize findings from surveys to foster a workplace culture supportive of unfettered communications.

Promoting active use of internal reporting systems and consultation services

In accordance with the Whistleblower Protection Act, we have in place an internal reporting system through which the Compliance Office in the Legal Department accepts requests for consultation or reports regarding any conduct that violates or may violate laws or corporate ethics. This system is dubbed the Sekisui House Group Compliance Helpline[1] and is available to all Group employees, while our corporate law office serves as an external point of contact for the same purpose. Moreover, the Human Relations Office within the Legal Department operates the Sexual and Power Harassment Hotline to accept requests for consultation regarding human rights-related issues, including sexual harassment and power harassment as well as problems associated with interpersonal relationships and other relevant subjects. Similarly, this hotline is available to all Group employees.

In addition, the Sekisui House Group Compliance Helpline accepts requests for consultation from officers and employees at partner building constructors and suppliers in ongoing transactional relationships with the Group. This helpline handles reporting on cases that violate or possibly violate laws or corporate ethics in connection with transactional relationships with the Group. Furthermore, the Sekisui House Global Helpline was established in June 2020 for employees at overseas subsidiaries operating in English-speaking regions, with an external law office serving as the contact point. (For employees at our subsidiaries in China, we established a separate contact point capable of accommodating inquiries in Chinese.)

Prior to the June 2022 enforcement of the revised Whistleblower Protection Act, we established internal regulations regarding the whistleblowing system (Regulations on Sekisui House Group Compliance Helplines, etc.) in May 2022 to secure compliance with said act. Since then, we operate this system in accordance with these rules. These rules stipulate that the system must accept anonymous requests for consultation or reporting while mandating the protection of whistleblowers by, for example, prohibiting detrimental treatment on the grounds of whistleblowing, banning any attempts to specify their identities and outlining secrecy obligations to be borne by those handling the system.

Although it is desirable that any issue that arises is first addressed by the workplace involved, we also believe that ensuring that our whistleblowing system is known by all employees and available to them without any barriers is essential. Accordingly, we continuously strive to spread awareness of this system through annual Compliance Training (previously referred to as legal training until FY2021), Human Relations Training and other various training in which all employees participate.

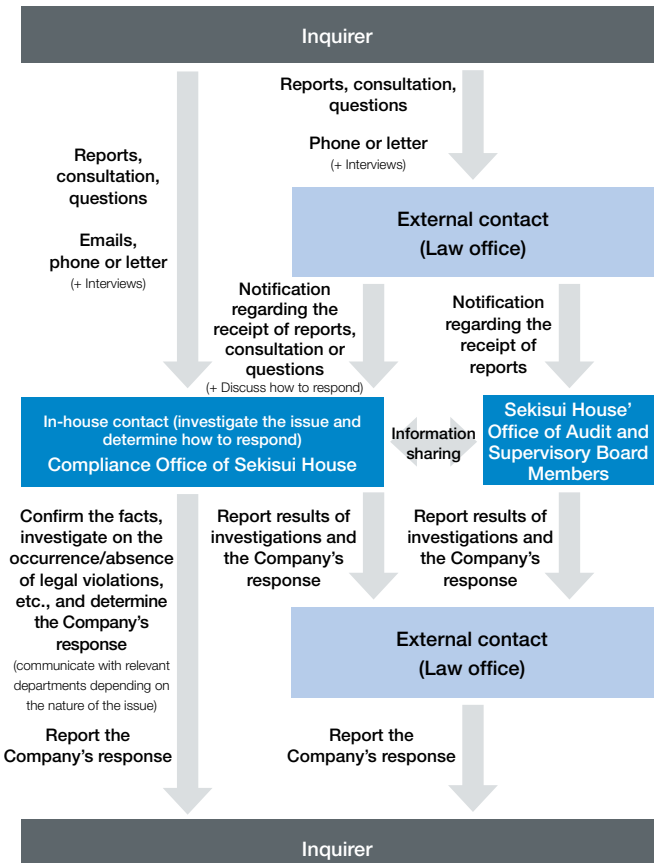
1 This system handles a broad range of issues, including bribery.

Details of the Sekisui House Group's Whistleblowing System

	Point of contact	Consultation methods	Content of report
Sekisui House Group Compliance Helpline	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.

Note: We also provide an external (outside the Company) contact for counseling by a professional for Group employees and their families. This contact accepts email-based requests for counseling on an around-the-clock basis.

Flow of Inquiries Accepted by the Sekisui House Group Compliance Helpline



About the Sekisui House Group Compliance Helpline (Japanese only)

Tax transparency

The Sekisui House Group is committed to complying with tax laws and upholding fairness in its tax affairs in every country in which it operates. We disclose matters related to transparency in tax affairs in the following article.

Tax transparency

Breakdown of taxes paid in each country

The breakdown of taxes paid by the Sekisui House Group (FY2022) by country is as follows.

Country	Amount (millions of yen)
Japan	74,826
The United States	13,383
Australia	99
China	6,177

3. Risk Management

Initiatives for compliance with laws and regulations

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 supervising 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 striving to instill robust knowledge of personal information protection among employees by, for example, educating them about in-house guidelines regarding compliance with the Personal Information Protection Law. 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 subsequent 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 international 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

Sekisui House, Ltd. Information Security Policy (Japanese only)

Anti-corruption initiatives

Sekisui House strives to maintain a sound and healthy corporate presence. To this end, we believe that we must eliminate any inappropriate relationships with government officials or politicians and promote appropriate business activities. To ensure fair business practices, improper relationships with government officials and politicians are expressly forbidden in the Sekisui House Group Corporate Code of Conduct and Sekisui House Group Corporate Ethics Guidelines.

Furthermore, we have established internal anti-corruption guidelines. These guidelines concretely define the government officials to whom the guidelines apply and conduct that is generally prohibited in order to prevent improper relationships or transactions on the part of officers (directors of the Board, Audit & Supervisory Board members, executive officers and operations officers) or employees (including contract employees and part-time employees).

A single improper action can become a major problem; in light of this danger, when in doubt, we recommend that employees consult with their supervisors, managers responsible for general affairs, or the Head Office Legal Department before taking action and always maintain appropriate records.

Sekisui House Group Corporate Code of Conduct (excerpt)

Fair business practices

2. We will engage in fair and free competition, appropriate transactions, and sustainable and responsible procurement. We will maintain sound relationships with political and governmental entities.

Sekisui House Group Corporate Code of Conduct (Japanese only)

Sekisui House Group Corporate Ethics Guidelines (excerpts)

2–4 Restrictions on Donations and Political Contributions

(1) Upon donating to various organizations, etc., recognize the roles of companies in society, proactively judge the need for donations, comply with related laws and regulations, and follow proper methods.

(2) Upon making political donations, comply with related laws and regulations including the Public Offices Election Act and the Political Funds Control Act, carefully avoid any and all action that can be misunderstood as colluding with politicians or public officials by bribery and payoffs, and strive to create healthy and transparent relationship with all parties.

(3) Receive prior authorization according to internal rules upon making various donations and contributions.

3–6 Entertaining and Presenting Gifts

(1) Do not entertain nor present gifts to public officials or any equivalent individuals.

(2) Upon entertaining or presenting gifts to business partners, operate within the range of generally and socially acceptable common sense.

(3) In principle, do not accept entertainment nor gifts from customers or business partners.

Sekisui House Group Corporate Ethics Guidelines

4. Metrics and Targets

In FY2022, there were no serious violations of laws, regulations or voluntary norms related to bribery or corruption within the Group.

Legal compliance status

Penalties for non-compliance with the anti-corruption policy

In FY2022, no disciplinary action or dismissal took place against any employee for non-compliance with the anti-corruption policy. To the best of our knowledge, no cost was incurred on payments for penalties, surcharges or settlements related to corruption.

Infractions and penalties related to the environment

There were no major infractions or penalties of environmental laws or regulations in FY2022. There were no accidental spills or other incidents impacting the environment surrounding our factories. Although we are aware of the need of allowances to secure our preparedness for a major environmental accident or other incident arising from our operations, we recorded no allowances for ESG-related issues, including environmental issues, in said fiscal year.

Infractions and penalties related to products and services, health and safety

In FY2022, there were no legal or regulatory infractions or penalties paid as a result of violations of laws or regulations 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 FY2022, there were no substantiated petitions for redress related to customer privacy infringements or customer data loss.

Legal action related to monopolistic practices

In FY2022, the Group faced no legal action, substantial fines or punitive measures in connection with anticompetition, antitrust or monopolistic practices, or violations of relevant laws and regulations.

Number of Consultations Received by the Whistle Blowing System and the Internal Consultation Services

(FY)

	2020	2021	2022
Compliance Helpline	5	17	32
Sexual and power harassment hotline (Of which, harassment-related consultations)	167	169	213

5. Activities and Other Related Information

Marketing and advertising policy

As stipulated in the Sekisui House Group Corporate Code of Conduct, we provide appropriate and accurate information on products and services to consumers and customers. We comply with the relevant laws and regulations of the countries where we operate, including Japan's Act against Unjustifiable Premiums and Misleading Representations, regulations on real estate representations, and the Real Estate Brokerage Act. We strive to consider the perspective of consumers and customers to carry out marketing and advertising in a manner that will not cause misunderstanding.

We produce and supervise advertisements in accordance with an in-house manual that stipulates rules regarding precautions to be taken during production and checks by relevant departments as necessary.

At offices that handle real estate advertising, we train a wide range of employees, not just general managers and supervisors, to help them gain necessary expertise. We have also established a system to check Group websites.

Sekisui House Group Corporate Code of Conduct (excerpt)

Relationship of trust with consumers and customers:

5. Provide consumers and customers with appropriate and accurate information regarding our products and services, engage in sincere communications with them, and secure their satisfaction and trust.

The Sekisui House Group Corporate Code of Conduct (Japanese only)

G Strengthening Risk Management

1. Governance

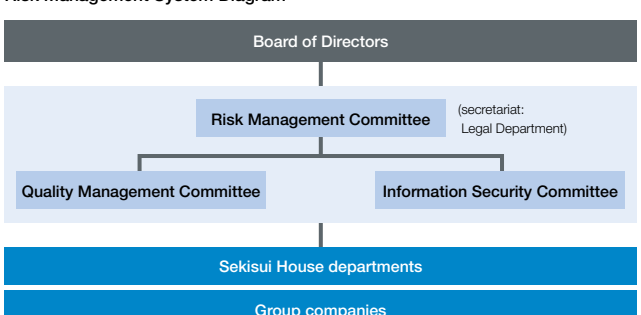
Our risk management system

The Group strives to keep itself accurately updated regarding important risks that may arise in the course of its business activities while developing a structure to ensure that, if such risks materialize, appropriate measures are taken in order to mitigate their impact on the Group's businesses. For example, strategic risks and financial risks, both of which are considered important in terms of business management, are discussed by such bodies as the Board of Directors and the Management Meetings. With regard to operational risks and hazard risks, the Risk Management Committee (chaired by Satoshi Tanaka, Representative Director of the Board, Executive Vice President, Executive Officer) is in place, acting as a consultative body to the Board of Directors to monitor the status of risk management.

This committee mainly consists of members appointed via a resolution by the Board of Directors and meets once a month, in principle. Its activities include risk assessments based on interviews with relevant departments and the identification of material risk items in addition to the monitoring of specialized departments at the head office and meeting bodies responsible for such risk items. Through these endeavors, the committee summarizes and verifies the development status of the Company's risk management structure, with reference to findings from the monitoring mentioned above, while giving necessary advice. Also, the committee regularly reports on its deliberations to the Board of Directors in order to be properly verified and evaluated by the latter. Members of the committee include representatives from the Internal Audit Division to coordinate its activities with the content of periodic audits.

Moreover, in line with our recognition of the importance of quality control and information security, we established 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



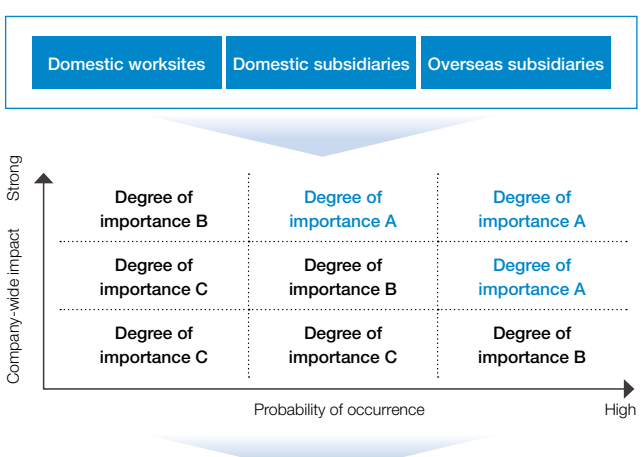
2. Strategy

Risk management process

We identify risk issues present at domestic offices as well as domestic and overseas subsidiaries in connection with quality management, information security, compliance, human rights, crisis management, the environment, labor law, labor management and other themes. This identification draws on findings from monitoring over these business units in the preceding fiscal year and is informed by interviews with each department in the head office. The Risk Management Committee then evaluates these risk issues to determine the probability of their occurrence and degree of their impact on the Group and selects material risks based on these evaluations. The departments and meeting bodies responsible for each important risk theme 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 offered by the committee, in this way using a PDCA cycle for risk management.

With regard to risk management for Group companies, we have clarified administrative departments charged with overall business management for each Group member as well as specialized departments charged with taking a cross-sectional approach to risk management in each field of specialty. Under this structure, we promote matrix-based risk management. To obtain risk information from sources across the Group, we also strive to develop a governance network that will, in turn, help strengthen check-and-balance functions provided by individuals responsible for general affairs at each domestic and overseas Group company and invigorate information sharing among the Auditing, Human Resources and General Affairs, Human Resources Development, Legal, and other departments charged with administration and human resource management. As for key business subsidiaries, we require them to acquire the approval of the Company or a resolution of the Board of Directors when they make decisions on the execution of businesses that involve a certain degree of importance. Furthermore, these key Group companies prepare risk maps similar to those prepared by the Company, with the aim of evaluating important risks. In order to understand risk recognition at these companies, the content of their risk maps is shared by and discussed at the Risk Management Committee.

If certain incidents, accidents or other emergencies occur and lead to economic losses for our customers or other stakeholders or somehow damage their health or should these occurrences result in other phenomenon negatively affecting the Company's corporate activities, the head office administrative department reports to the Risk Management Committee in accordance with the Crisis Response Manual. This manual



Risk items labeled with A in terms of degree of importance are prioritized in monitoring by the Risk Management Committee

is prepared upon the approval of the Risk Management Committee to clarify the Sekisui House Group's stance on risk response and concepts behind it. When the incident is considered to entail a degree of seriousness that exceeds the crisis level defined by the manual, the Crisis Countermeasure Headquarters will, upon judgment by the chairperson of the Risk Management Committee, be launched. The headquarters will act as a dedicated team responsible for preventing any additional fallout from the incident, developing a structure aimed at ensuring early resolution, and handling information disclosure targeting business partners, customers, regional communities, mass media and all other stakeholders via emergency press conferences and news releases. The flow of the aforementioned procedures is clearly stipulated by the manual.

The relevant departments strive to secure their incident response capabilities, to this end ensuring that the above fundamental policy is known and well understood by all their employees while conducting ongoing training at least once a year. In this way, we expand employee awareness of crisis response and enhance their skills to respond effectively. We also update the manual periodically to improve and align its content with predicted types of incidents based on the latest crisis outlook.

3. Risk Management

Quality control

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 construction technicians, including technical trainees 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 possibly result in the filing of claims for damage from customers or other stakeholders, the loss of market confidence in the Company or other negative consequences that would, in turn, affect the Group's business performance.

To counter the risks described above, the Information Security Committee within the Risk Management Committee discusses and implements information security and information management measures based on the Group's fundamental Information Security Policy, as well as internal regulations regarding the management of confidential information. Simultaneously, we strengthen our systems for controlling internal and external access to safeguard ourselves from computer viruses and other modes of cyberattacks and to prevent the leakage or tampering of confidential information. We also endeavor to raise IT literacy among employees by implementing drills on targeted email attacks and otherwise providing them with training in addition to conducting information security audits. Moreover, the CSIRT[1] is in place within the Information Security Systems Office of the IT Design Department to serve as a dedicated team to counter security incidents. With CSIRT's involvement, we have prepared incident response plans for both emergency and non-emergency situations. To raise our incident response capabilities and ensure full preparedness for emergency, we also implement drills in which each department participates on the assumption that a security incident occurred. In addition, we undergo periodic security assessments undertaken by external organizations (at least once in two years) as part of efforts to further strengthen our security governance systems. The status of these initiatives is reported to the Risk Management Committee on a quarterly basis or, when necessary, on an ad-hoc basis.

We also manage customer information based on 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, through periodic online courses, we teach employees how to handle personal information, and we raise awareness of the roles and responsibilities of each employee regarding the protection of personal information.

Also, the Information Security Promotion Subcommittee is placed within the Information Security Committee to enhance security awareness among employees at each business base and Group company. This subcommittee consists of representatives from all Group business bases and strives to raise each employee's security awareness, starting from those in senior management positions, and thoroughly implement security measures. In addition, we have established the Information Security Guidelines and made them accessible from all Group companies via intranet. Based on these guidelines, information security self-checks are conducted at all business bases run by domestic Group companies. Furthermore, all employees, including those at domestic Group companies, undergo annual e-learning training on information security and the handling of personal information, while senior managers at each business base receive risk management training on an annual basis.

1 CSIRT: Computer Security Incident Response Team

Sekisui House, Ltd. Information Security Policy (Japanese only)

Human rights

If the Group fails to take sufficient steps to address human rights-related issues associated with stakeholders surrounding it in Japan and overseas, the Group could possibly suffer reputational damage or loss of social standing.

To address these risks, the Group established the Sekisui House Group Human Rights Policy in April 2020. In line with this policy, we implement Human Relations Training and other measures to disseminate up-to-date concepts on human rights in conformity with international standards and to properly disclose our relevant initiatives. By doing so, we strive to ensure that all employees are regularly educated on this matter. Practicing this policy, we have also adopted human rights due diligence process to be implemented in the course of business activities. This process involves the preparation of human rights risk maps which, in turn, help us identify important issues regarding human rights and inform our countermeasures.

→ P.182 Respect for Human Rights

Climate change countermeasures

Primary risks and opportunities arising from climate change are identified under the initiative of head office and other business departments and reported to the Board of Directors after being discussed by the ESG Promotion Committee and the Risk Management Committee, both of which act as consultative bodies to the former. When necessary, the mitigation, transfer, acceptance or control of risks is considered and determined under the aforementioned structure.

The content of risks and opportunities is summarized and disclosed in accordance with the framework provided by the TCFD.

→ P.142 Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

Labor management

Long working hours for employees can lead to the development of health problems, including mental illness, and in some cases can lead to extended leaves of absence.

We counter these risks through labor management that aims to curb total working hours. To this end, each department has set its target for monthly average total working hours per employee, while each business base strives to improve workstyles. Moreover, we have made it a rule to confirm the status of work at the head office, factories and offices every month. In addition, the Human Resources and General Affairs Department promotes effective labor management by implementing monitoring and labor management training as necessary.

We also believe it is essential to prevent the occurrence of occupational accidents at business and construction sites. Especially at construction sites, accidents could occur due to flaws in operational environment, procedures and methods that, in many cases, result in human injuries. If such accidents involve fatalities or other serious consequences, the Company may be held liable for resulting damages and thus lose society's trust.

To prevent the occurrence of occupational accidents, each organizational unit holds health and safety committee meetings to conduct periodic inspections of accident prevention measures, examine actual cases of accidents, formulate fresh measures aimed at preventing recurrences and promote other activities.

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, we also endeavor to reduce high-frequency accidents through such countermeasures as the development of a structure designed to ensure and confirm compliance with operational procedures.

Securing human resources

For the Sekisui House Group to achieve sustainable growth, securing excellent human resources capable of developing its existing businesses and taking on challenges in new businesses is essential. We therefore deem it important to secure such human resources at home and abroad and to maintain employment for them. If the Group faces a decline in its hiring competitiveness or a serious outflow of human resources via resignation, the Group could be affected by resulting stagnation in corporate growth and deterioration in its social reputation.

To counter the aforementioned risks, we have clarified ideal traits for human resources necessary to execute our business strategies while strengthening branding in the field of hiring. Furthermore, we proactively push ahead with the diversification of our recruitment pipeline and selection methods. As part of our personnel system reforms, we have made it possible for employees to choose from multiple career courses in addition to introducing a personnel evaluation system with upgrades aimed at ensuring fairness and transparency. Through these measures, we help employees pursue self-directed career development. We also conduct periodic career interviews to provide them with opportunities for dialogue with their supervisors. By doing so, we aim to foster career awareness among employees while developing an organizational culture that ensures psychological safety. Looking ahead, we will continue striving to secure human resources via a twofold approach of strengthening our hiring functions and offering robust opportunities for employees to achieve personal growth.

→ P.187-191 Developing Human Resources

Changes in the housing market environment

The Sekisui House Group is engaged in business activities centered on the provision of housing at home and abroad. Accordingly, the Group's business performance is highly susceptible to changes in personal consumption, interest rates, land prices, housing-related government policies and tax systems as well as rent prices that may fluctuate due to the aforementioned factors, along with regional economic trends. Going forward, if the business environment evolves upon these changes, the Group's operating results could be materially affected.

To counter the risks described above, the Group pursues the flexible implementation of various measures aimed at adapting to changes in the market environment. To that end, domestic executive meetings are held monthly under the leadership of heads of business and administration headquarters. These meetings help ensure that all attendees are on the same page about the status of progress in measures undertaken to counter market trends as well as issues identified in the course of frontline operations. Also, we draw on conclusions of these meetings to formulate fresh measures aligned with the evolving situation.

We also maintain ongoing informational coordination between each overseas business base and the Company's head office to update the latter about the market environment in countries in which we pursue business expansion. Based on input afforded by this coordination, specialized departments at the head office engage in market analysis and strategic planning.

Assets held by the Group

The Sekisui House Group holds real estate for sale, non-current assets, investment securities and other business assets in Japan and overseas. The Group may record impairment losses or valuation losses in connection with these assets due to plunges in their market value or other reasons.

Fluctuations in foreign exchange rates could also affect the value of these assets. The Group's operating results and financial position could therefore be impacted by changes in asset value.

To counter the risks described above, the Group has made it a rule to ensure that any investment project with monetary value exceeding a certain threshold must undergo preliminary screening by Sekisui House's head office. Moreover, each such project is sufficiently discussed at Management Meetings before being authorized. In these ways, we take a prudent approach to making investment decisions. With regard to real estate, we endeavor to stably manage it by acquiring excellent properties and enhancing the asset turnover ratio. As for cross-shareholdings, we maintain a basic policy of restricting the volume of such shareholdings to a bare minimum level from the perspective of improving capital and asset efficiency. The appropriateness of such shareholdings is annually verified by the Board of Directors. At the same time, we strive for the phased reduction of cross-shareholdings under quantitative targets. To mitigate the impact of foreign exchange fluctuations, we utilize forward exchange contracts and other hedging procedures as necessary. In addition, we conduct periodic assessments of the risk of impairment or valuation losses associated with our asset holdings and ensure that the occurrence of such losses is properly accounted for as necessary.

Fundraising costs

The Sekisui House Group procures funds through borrowings from financial institutions, the issuance of bonds and other measures. Fundraising costs may possibly increase upon the occurrence of such events as major fluctuations in market interest rates, turmoil in the financial market or the radical downgrading of the Company's ratings by rating agencies. This could, in turn, impact the Group's operating results and financial position.

To address these risks, we strive to secure financial soundness and maintain our ratings at an appropriate level, with the aim of reducing fundraising costs. We also endeavor to mitigate interest rate fluctuation risks via the diversification of fundraising vehicles and the dispersion of their maturities.

Procurement of raw materials and supplies, etc.

If the Group's suppliers sustain damage from a major natural disaster or social disorder (war, terrorism, infectious disease pandemic, geopolitical risk, etc.), the Group may be forced to suspend construction under way and delay the contracted construction period as these phenomena could make it difficult for them to maintain the supply of materials. Also, if surges in raw material and energy prices progress in countries around the world, procurement costs could further increase and thus impact the Group's operating results.

To counter these risks, the Sekisui House Group promotes preparatory measures described below, assuming such scenarios as a major disaster and the resulting disruption of supply from a certain supplier.

(1) Supply chain: We strive to secure multiple lineups of components, utilize multiple suppliers and establish multiple production bases while strengthening our domestic supply bases.
(2) Specifications: We promote a shift to materials that are readily available. For example, we incorporate components made using general-purpose materials. We also endeavor to revise product specifications to ease material procurement.
(3) Information: We develop a supplier database to secure a structure supporting swift response to emergencies.

In addition, we ask our suppliers to strengthen their own supply chains. This, in turn, makes our entire supply chain more resilient, with a growing number of suppliers striving to secure their preparedness against emergencies. Furthermore, in the course of procuring materials, we always consider multiple supplier candidates to ensure price competition. We will also promote favorable procurement conditions via the reorganization and consolidation of suppliers while striving to optimize specifications. In these and other ways, we will endeavor to realize rational prices for procured materials.

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, instructions on actions to be taken in the event of a natural disaster, and other necessary information.

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 by, for example, organizing disaster aid teams consisting of employees from across the country.

Business continuity planning

Delays in the initial response due to unclear response plans during large-scale natural disasters, infectious disease pandemics or other emergencies could impair business continuity at our locations. This could, in turn, affect the Group's business performance.

The Sekisui House Group maintains preparedness by establishing its Basic Policy Concerning Business Continuity Planning. This policy informs the development of our procedures and systems designed to ensure proper response to a serious incident or hazard risk impacting business management. In this way, we strive to ensure that our core operations remain ongoing in the face of emergency or can be restored at the earliest possible date even when suspended.

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 that a large-scale disaster hit the head office and made it hard to maintain its ongoing functions, we will continue important 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). This structure is established based on our disaster response manual stipulating the launch of the head office Disaster Countermeasure Headquarters and other measures.

We do business internationally, which puts the employees of overseas Group companies 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.

Themes and KPIs for Initiatives That Provide a Basis for Our Material Issues

We have identified the following KPIs regarding the "creation of high-quality housing stock," "contributing to a sustainable society" and "diversity and inclusion." These KPIs will serve as guideposts over the course of the three-year period of the Sixth Mid-Term Management Plan to achieve the three material issues named above.

Category	No.	Indicator	Officer remuneration indicators PSU[1]			Mid-Term Management Plan		President commendation ESG indicators	FY2022		FY2023	FY2024	FY2025	Remarks
			1	2	3	Fifth	Sixth		Targets	Results	Targets	Targets	Targets	
Governance	48	Responding to Corporate Governance Code according to reviews by evaluation organizations and others	○	○	○	○			9th place or higher	4th place	9th place or higher	9th place or higher	9th place or higher	
	49	Strengthening the Group governance system (Group administrative regulations; development and appropriate assignment of governance specialists		○	○				Enforce regulations	Enforce regulations	Human resource (HR) development and allocation	Promote HR development and allocation	Secure the effectiveness of HR development and allocation	
	50	Number of serious violations of laws and voluntary norms							0	0	0	0	0	
	51	Number of cases brought to Compliance Helpline or Sexual and Power Harassment Hotline for consultation (Per 1,000 employees) (New)					○		—	8.5	—	—	—	Only results are disclosed
	52	Progress in the strengthening of security measures (% of progress vis-à-vis the annual plan) (New)							—	—	100%	100%	100%	
	53	Ratio of employees who completed security training (New)							—	—	100%	100%	100%	
	54	Cumulative number of DX-related projects (linked with Mid-Term Management Plan) (New)							—	—	—	—	—	Only results are disclosed

1 PSU= Performance Share Unit (performance-related stock remuneration): PSU1 = FY2020 to FY2022; PSU2 = FY2021 to FY2023; PSU3 = FY2022 to FY2024

G Shareholder and Investor Engagement

In line with its Basic Policy on Corporate Governance, Sekisui House discloses various financial information regarding its financial position and business results, as well as non-financial information regarding management policies, ESG-related activities and other matters. To address all stakeholders, including shareholders and investors, we maintain a proactive stance toward information disclosure and strive to remain fair in this endeavor. We also aim to ensure that our operations are accurately understood by stakeholders even as we build appropriate relationships of trust with them. Accordingly, we engage in direct communications and proactive dialogue with stakeholders while striving to incorporate their opinions to inform our business judgment and other management activities.

To secure sustainable growth for the Sekisui House Group and medium- to long-term improvement in its corporate value, we create opportunities for periodic engagement with shareholders and investors. Through these opportunities, we facilitate constructive dialogue with them. Moreover, we hold IR interviews with analysts and institutional investors while inviting our investors, both individual and institutional, to attend management plan briefing sessions and to join tours of our factories. In these and other ways, we strive to enhance direct communications with investors in addition to holding individual meetings with them.

Main Results of Shareholder and Investor Engagement in FY2022

Individual shareholders and investors
- Ordinary General Meeting of Shareholders
- Online factory tours
- Corporate briefings sponsored by the Stock Exchange
- Online corporate briefings sponsored by securities firms

Institutional shareholders (Japan and overseas)
- Ordinary General Meeting of Shareholders
- Individual SR interviews
- Small-group meetings hosted by outside directors of the Board
- Financial results and management plan briefing sessions
- Briefing sessions on ESG and business overview

Institutional investors (Japan and overseas)
- Financial results briefing sessions
- Management plan briefing sessions
- Individual IR interviews
- Briefing sessions on the Value Report and ESG
- Briefing sessions on overseas business
- Small-group meetings themed on ESG
- Participation in conferences sponsored by securities firms
- Inviting investors to tour the Company's properties and facilities

Organizing online factory tours for individual shareholders

On November 29, 2022, we held a factory tour at Sekisui House's Kanto Factory (Koga City, Ibaraki Prefecture). Since the factory tour was held online in the previous year to prevent the spread of COVID-19, this event marked the second instance of an online factory tour.

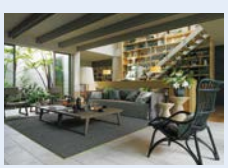
As part of this virtual event, we streamed video recordings of manufacturing process for DYNE CONCRETE, a proprietary exterior wall material used in "IS" series steel-framed detached houses. These video recordings have rarely been seen by attendees of physical factory tours. We also delivered presentations using animated pictures while introducing case studies of homebuilding. Thus, we provided attendees with enriched content afforded only via online tour.

This event also provided opportunities for attendees to gain a deeper understanding of proprietary Sekisui House technologies, such as cutting-edge robots used in the small-lot production of multiple items based on the Company's unique policy of production involving different specifications for each home, as well as AI technologies employed to realize both superior efficiency and sophisticated quality control. As a result, questionnaires targeting attendees revealed that around 80% of them responded favorably by indicating that they were satisfied or somewhat satisfied.

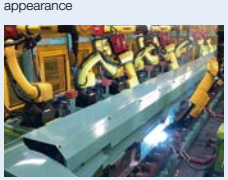
While a tour of manufacturing lines garnered particularly favorable reviews, we also received a number of valuable opinions that will likely inform the planning of and discussions regarding similar tours to be organized going forward.



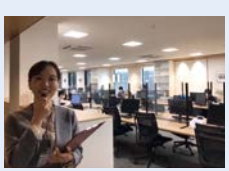
Manufacturing line of DYNE CONCRETE, a highest-grade exterior wall material boasting robust fire resistance, high durability and outstanding appearance



Virtual tour of the Family Suite living room exhibited in Tomorrow's Life Museum, a hands-on experience facility



Video recordings were streamed to help attendees learn about our production capacity for ß beams, which consist of heavyweight steel frames for use in three- to four-story housing.



An employee reporter shared her takes on the Kanto Factory's workplace environment that boasts ZEB specifications.

Small-group meetings hosted by outside directors of the Board for institutional shareholders

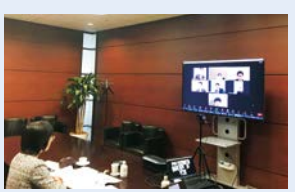
As we aim to become a leading company in ESG management, we consider dialogue with institutional shareholders and investors to be a matter of particular importance. In February 2023, we held online small-group meetings for institutional shareholders, with outside directors of the Board acting as hosts.

Each meeting involved vigorous discussions with institutional shareholders. For example, attendees shared their evaluations of the current executive team while contributing their thoughts on initiatives now under way at the Company to strengthen corporate governance and upgrade processes for determining the nomination of and remuneration for officers. In sum, these meetings have provided us with valuable opportunities to engage in the mutual exchange of opinions on and insights into key issues that have been regularly addressed by outside directors of the Board.

These meetings were hosted by Director Kitazawa, Chairperson of the Board of Directors, and Director Yoshimaru, Chairperson of the Personnel Affairs and Remuneration Committee, respectively.



Director Kitazawa, Chairperson of the Board of Directors, addressing attendees from 10 institutional shareholders



Director Yoshimaru, Chairperson of the Personnel Affairs and Remuneration Committee, addressing attendees from 11 institutional shareholders

G Message from the Audit and Supervisory Board



The Audit and Supervisory Board's Role in Achieving the Global Vision

When determining future corporate value, non-financial information is one of the factors that draws attention. We, the Audit and Supervisory Board members, would like to express our respect for President Nakai and the rest of the management team, who have been leading efforts in pursuit of becoming a leading company in ESG management, as well as to all of the employees who are working together to achieve this goal. Under the Sixth Mid-Term Management Plan, launched in FY2023, Sekisui House aims to further enhance corporate value based on the ESG management foundations it has built to date. It will be an important role of the Audit and Supervisory Board members to objectively monitor the Mid-Term Management Plan's progress from a neutral standpoint, providing our opinions from time to time.

To contribute to the sound and sustainable development of society at large as well as the Company, and to live up to the roles and expectations entrusted us by all stakeholders, we, the Audit and Supervisory Board members, while maintaining our status as independent agents, will work in consultation with one another as we audit the execution of duties by directors of the Board and the development and operation of internal control systems. As we carry out our duties in the current fiscal year, we feel that we must more closely share information with the accounting auditor and the internal audit division, while also maintaining an awareness of the lines between us to maintain independence. To that end, we will take the initiative to strengthen the three-way auditing coordination among the audits of the internal audit department, accounting auditor, and the Audit and Supervisory Board members.

The Audit and Supervisory Board consists of five members, three of whom are outside Audit and Supervisory Board members: Mr. Tsuruta, a second-term standing Audit and Supervisory member with an extensive knowledge of finance, investor relations and overseas business management; Mr. Kobayashi, a second-term member who is an attorney with experience as a prosecutor and a wealth of knowledge regarding compliance and governance; and Mr. Wada, who has expertise in accounting and internal control as a certified public accountant. Ms. Ito and Mr. Ogino are standing Audit and Supervisory Board Members who are extensively familiar with the Company's business, operations and organization. Outside Audit and Supervisory member Ryuichi Tsuruta has been appointed Chairperson of the Audit and Supervisory Board, serving as its leader.

The Sekisui House Group is brimming with the potential to bring happiness to society. Part of its global vision—to make home the happiest place in the world—is a desire to make employees and their families happy, and to make no employee unhappy. We will watch over the Group with a sometimes stern, sometimes warm gaze to help the Group give shape to this aspiration while maximizing its potential to achieve sustainable growth.

G Directors of the Board and Audit and Supervisory Board Members (As of April 26, 2023)

Outside: Outside Director of the Board or Outside Audit and Supervisory Board Member

Independent: Independent officer based on the rules of Tokyo Stock Exchange, Inc.

Directors

		Particular knowledge, experience and abilities expected					
		Corporate management Business Strategy	Overseas business International knowledge	Financial strategy and accounting	Technology and Environment Innovation	Human resource development Diversity Improvement of social value	Governance Risk management Compliance
	**Yoshihiro Nakai** Representative Director of the Board President, Executive Officer, CEO Significant concurrent posts at other companies None Number of years in office as director of the Board 7 Attendance at meetings (FY2022) Board of Directors: 12/12 (100%) Apr. 1988 : Joined the Company Feb. 2012 : General Manager of Corporate Management Planning Department 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)	●		●		●	●
	**Yosuke Horiuchi** Representative Director of the Board Vice Chairman, Executive Officer In charge of Division of Finance and ESG Significant concurrent posts at other companies President & Representative Director of Sekisui House Financial Services Co., Ltd. Vice President of the Japan Federation of Housing Organizations Number of years in office as director of the Board 7 Attendance at meetings (FY2022) Board of Directors: 12/12 (100%) Apr. 1980 : Joined the Company Feb. 2010 : General Manager of Tokyo Sha Maison Sales Administration Headquarters 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 Apr. 2021 : Representative Director of the Board, Vice Chairman, Executive Officer (current position) Feb. 2022 : Acting Head of ESG Management Promotion Headquarters Feb. 2023 : In charge of Division of Finance and ESG (current position)	●		●	●	●	
	**Satoshi Tanaka** Representative Director of the Board Executive Vice President, Executive Officer In charge of Division of Administration and Human Resources 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 3 Attendance at meetings (FY2022) 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)	●	●		●	●	●

Directors

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



Toru Ishii

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

Significant concurrent posts at other companies
None

Number of years in office as director of the Board
3

Attendance at meetings (FY2022)
Board of Directors: 12/12 (100%)

Apr. 1990 : Joined the Company
May 2012 : General manager of Development Department
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)



Hiroshi Shinozaki

Director of the Board
Senior Managing Officer
In Charge of Building Sales Administration and TKC Project

Significant concurrent posts at other companies
Executive Vice President, Director of the Board of Sekisui House Real Estate Holdings, Ltd.

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

Attendance at meetings (FY2022)
Board of Directors: —

Apr. 1987 : Joined the Company
Feb. 2010 : Head of Tokyo-Tokken Building Projects Branch
Aug. 2018 : Head of East Japan Building Sales Administration Headquarters
Apr. 2020 : Executive Officer of the Company, assigned to the post of Head of East Japan Building Sales Administration Headquarters
Feb. 2021 : In charge of Building Sales Administration
Apr. 2021 : Managing Officer of the Company
Feb. 2023 : In charge of Building Sales Administration and TKC Project (current position)
Executive Vice President, Director of the Board of Sekisui House Real Estate Holdings, Ltd. (current position)
Apr. 2023 : Senior Managing Officer (current position)
Apr. 2023 : Director of the Board (current position)

	Particular knowledge, experience and abilities expected					
	Corporate management Business Strategy	Overseas business International knowledge	Financial strategy and accounting	Technology and Environment Innovation	Human resource development Diversity Improvement of social value	Governance Risk management Compliance
Toru Ishii	●	●			●	
Hiroshi Shinozaki	●			●		●

Directors

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



Yukiko Yoshimaru
Outside Director of the Board

Outside | Independent

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
5

Attendance at meetings (FY2022)
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)



Toshifumi Kitazawa
Outside Director of the Board

Outside | Independent

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
3

Attendance at meetings (FY2022)
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)



Yoshimi Nakajima
Outside Director of the Board

Outside | Independent

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
2

Attendance at meetings (FY2022)
Board of Directors: 12/12 (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)

	Particular knowledge, experience and abilities expected					
	Corporate management Business Strategy	Overseas business International knowledge	Financial strategy and accounting	Technology and Environment Innovation	Human resource development Diversity Improvement of social value	Governance Risk management Compliance
Yukiko Yoshimaru	●	●			●	●
Toshifumi Kitazawa	●	●	●			●
Yoshimi Nakajima	●	●	●		●	

Directors

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

		Particular knowledge, experience and abilities expected					
		Corporate management Business Strategy	Overseas business International knowledge	Financial strategy and accounting	Technology and Environment Innovation	Human resource development Diversity Improvement of social value	Governance Risk management Compliance
	**Keiko Takegawa** Outside Director of the Board Outside Independent Significant concurrent posts at other companies 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 2 Attendance at meetings (FY2022) Board of Directors: 12/12 (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 (currently Specially Appointed Professor) of Showa Women's University Jun. 2019 : Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION 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 : Outside Director of the Board of the Company (current position) Jun. 2021 : Outside Director of MITSUI MINING & SMELTING CO., LTD. (current position)				●	●	●
	**Shinichi Abe** Outside Director of the Board Outside Independent Significant concurrent posts at other companies Representative Director, President and CEO of MNES Inc. Number of years in office as director of the Board 1 Attendance at meetings (FY2022) Board of Directors: 9/9 (100%) 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)	●	●		●	●	

Audit and Supervisory Board Members

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



Midori Ito
Standing Audit and Supervisory Board Member

Significant concurrent posts at other companies
None

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

Attendance at meetings (FY2022)
Board of Directors: 12/12 (100%)
Audit and Supervisory Board: 15/15 (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)



Takashi Ogino
Standing Audit and Supervisory Board Member

Significant concurrent posts at other companies
None

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

Attendance at meetings (FY2022)
Board of Directors: 9/9 (100%)
Audit and Supervisory Board: 10/10 (100%)

Apr. 1982: Joined the Company
Aug. 2014: General Manager of Utsunomiya Branch
Feb. 2020: Deputy General Manager of Auditing Department
Feb. 2021: General Manager of Auditing Department
Apr. 2021: Operating Officer
Apr. 2022: Standing Audit and Supervisory Board Member (current position)



Ryuichi Tsuruta
Outside Standing Audit and Supervisory Board Member

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
5

Attendance at meetings (FY2022)
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.
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)



Takashi Kobayashi
Outside Audit and Supervisory Board Member

Significant concurrent posts at other companies
Lawyer of Ono-Kobayashi Law Office

Number of years in office as Audit and Supervisory Board member
6

Attendance at meetings (FY2022)
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.



Yoritomo Wada
Outside Audit and Supervisory Board Member

Significant concurrent posts at other companies
Certified Public Accountant, Wada CPA Accounting Firm
External Statutory Corporate Auditor of NIPPON SHOKUBAI CO., LTD.
Outside Audit and Supervisory Board Member of TRUSCO NAKAYAMA Corporation

Number of years in office as Audit and Supervisory Board member
3

Attendance at meetings (FY2022)
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)
Mar. 2023: Outside Audit and Supervisory Board Member of TRUSCO NAKAYAMA Corporation (current position)

E

Environment

Environmental Management 134
Contributing to a Decarbonized Society 136
Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations 142
Biodiversity Conservation 146
Disclosure in Line with the Taskforce on Nature-related Financial Disclosures (TNFD) Draft Recommended Disclosures 152
Initiatives to Realize a Circular Economy 154
Water Security 162
Environmental Data 166
Factory Site Report 175

E Environmental Management

1. Governance

Processes, controls and procedures for addressing environmental issues, and commitment to reducing environmental impact

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. Addressing environmental issues—including contributing to a decarbonized society, biodiversity conservation, realizing a circular economy and water security—is one of the key issues discussed by the committee. The committee 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 business divisions Group-wide, this subcommittee meets as needed to conduct more specific and detailed discussions. In addition, the Environmental Subcommittee broadly disseminates the decisions of the ESG Promotion Committee for adoption throughout the Group.

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.

In addition, the committee sets goals for reducing environmental impact in response to new issues and works to achieve them.

Acquiring ISO 14001 certification

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. One overseas factory, the Ingleburn Manufacturing and Quality Control Centre in Australia, has acquired the certification as well. ISO 14001 is the international standard for environmental management systems. We are continuing the operation of these systems, and 100% of our production facilities are certified.

2. Strategy

Working to realize its global vision to make home the happiest place in the world, the Sekisui House Group aims to be a leader in ESG management that solves social issues and builds a sustainable society by promoting environmental strategies that are both advanced and have significant knock-on effects. To this end, under Sustainability Vision 2050, our long-term vision for 2050, we have set out the goals of Leading the Way to a Decarbonized Society, Leading the Way to a Society in Which Humans and Nature Coexist and Leading the Way to a Resource-Recycling Society. Under each of these, we have established targets and are advancing concrete initiatives toward their achievement. The Sekisui House Group's environmental strategy is characterized by its integration with the Group's business. Since the announcement of its Environmental Future Plan in 1999, Sekisui House has made the position of environmental measures within its business activities clear. We have advanced a variety of environmental initiatives, driving such efforts within the housing industry while gaining the support of all stakeholders, including customers and the supply chain, as we expand the range and scale of our business. In this way, we seek to exert a substantial positive effect on a variety of environmental issues—such as global warming prevention, biodiversity conservation and realizing a circular economy—while achieving business growth.

Sustainability Vision 2050

Sekisui House established the Sustainability Vision 2050 in 2016 and updated it in 2017, laying out a unified vision that encompasses the NEXT SEKISUI HOUSE 30-year Vision, which is our management policy, and initiatives to address the five material issues, which comprise our ESG management policy.

Sustainability Vision 2050 comprises five specific visions: Leading the way to a decarbonized society; leading the way to a society in which humans and nature coexist; leading the way to a resource-recycling society; leading the way to an advanced, healthy and long-lived society; and leading the way to a diverse society. For each of these, we have set targets as challenges for 2050 as well as targets for 2030, showing how they align with the Sustainable Development Goals (SDGs).

Sustainability Vision 2050

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 (the Eco-First Promise) related to 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 of our initiatives. In 2020, we further updated our commitments, and we continue to expand our efforts.

Eco-First Promise

Urban Development Charter

In 2005, we established the Urban Development Charter to fulfill our responsibility to the future as a housing manufacturer. This charter summarizes the range of expertise we have cultivated as part of our urban development initiatives through the lens of sustainability. Based on our four types of value (environmental value, economic value, social value and homeowner value), we have adopted four perspectives: environmental management, economic management, town management and lifestyle management. We promote urban development by applying these perspectives while considering our Basic Urban Development Policy and 24 specific guidelines.

Urban Development Charter

3. Risk Management

Environment-related risks are discussed as needed by the ESG Promotion Committee and Risk Management Committee before being reported to the Board of Directors, which considers and makes decisions regarding risk mitigation, transfer, acceptance and control. Any violations of environmental laws and regulations (including potential soil, groundwater or air pollution) are reported to the head office.

4. Metrics and Targets

Sekisui House has set the following key performance indicators (KPIs) for environmental initiatives: Ratio of detached house ZEH, number and ratio of ZEH units for rent, number and ratio of ZEH condominiums for sale, number of insulation upgrades, rate of CO_2 emissions reduction from new housing, rate of CO_2 emissions reduction from business operations, RE100 achievement rate, supplier science-based target-setting rate, sustainable wood procurement rate, biodiversity-friendly tree planting, waste rate (new construction), waste recycling rate (maintenance and remodeling), rate of electrified Company vehicles and rate of zero-deforestation timber procurement. Details about initiatives related to these KPIs are provided in the relevant sections of this report.

→ P.136 Promoting ZEH through Green First ZERO detached houses
→ P.137 Promoting ZEH in Sha Maison rental housing
→ P.138 Promoting ZEH in GRANDE MAISON condominiums
→ P.139 Energy efficient remodeling of existing houses
→ P.139 Promoting RE100 through Sekisui House Owner Denki
→ P.140 Initiatives aimed at 100% electrification of Company vehicles
→ P.141 Reduction of CO_2 emissions at procurement stages for components and raw materials
→ P.146 Commitment to biodiversity and zero deforestation
→ P.146 The Gohon no Ki Project, an eco-friendly landscaping and greening project
→ P.148 Wood Procurement Risk Survey
→ P.156 Zero emissions in production and construction divisions

Compliance with environmental laws and regulations

As shown below, there were no significant violations environmental laws and regulations, including those related to soil, groundwater or air pollution, in FY2022.

(FY)

2019	2020	2021	2022
No reports of significant violations (subject to punishments, administrative penalties or administrative guidance) of greenhouse gas laws and regulations or of serious leaks of fluorocarbons.	Same	Same	Same

5. Activities and Other Related Information

Environmental charter

In 1999, Sekisui House announced its Environmental Future Plan, which includes the environmental charter, basic environmental guidelines and environmental action guidelines.

Environmental Charter

To continue to protect our one and only global environment;
To pass down a healthier, more sustainable world to our children;
And by doing so, to contribute to continued health and prosperity—
This is our wish.
Through the creation of environmentally friendly communities and living environments that can be comfortably passed down to future residents, Sekisui House is working as a responsible member of society to create a future in which individuals, communities and the planet exist in harmony.



What can we do for the future?

E Contributing to a Decarbonized Society

1 Achieving Comfortable Living alongside Decarbonization While Strengthening Disaster Resilience

Promoting ZEH[1] through Green First ZERO detached houses

Sekisui House's Green First ZERO (ZEH) detached houses contribute to the reduction of CO_2 emissions and decarbonization through excellent energy-saving and energy-generating performance without sacrificing living comfort.

The foundation of this comfort is excellent thermal insulation that clears ZEH standards. A home designed with a living room atrium or large windows offers a bright, open space, but these features can be disadvantageous in terms of energy efficiency. By using windows with excellent thermal insulation, we achieve both an open indoor environment and energy efficiency. Since 2022, the standard specifications for Green First ZERO houses meet the newly established upper grades of thermal insulation—grade 5—and primary energy consumption—grade 6—under Japan's housing performance indication system.

In terms of exterior appearance, to harmonize with the townscape, creating a beautiful home while also achieving ZEH standards is crucial. Photovoltaic panels, including tile-shaped photovoltaic panels that blend in beautifully with ordinary roof tiles, are an essential part of ZEH and are a standard feature on our sloped-roof buildings. In addition to their appearance, these tile-shaped panels make it possible to install a large area of panels even on complexly shaped roofs.

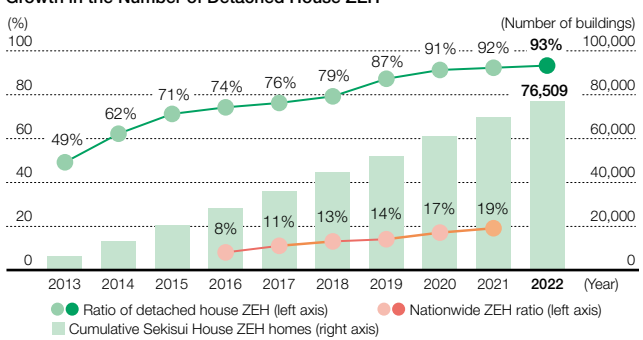
ZEH also helps promote everyday comfort and economy. Comfortable living requires energy for use in air conditioning and electronics. In addition, the spread of telecommuting is leading to an increase in time spent at home and, in turn, home energy consumption. Combined with recent rises in electricity and gas prices, this could cause an even greater burden on households. The energy saving and generation of ZEH help significantly reduce these utility costs so that residents do not have to worry about major cost increases due to spending more time at home. The combined effect of this with the Family Suite bright and spacious interior designs we recommend, this makes it possible to live comfortably and free of new stresses arising from new modes of living that incorporate telecommuting.

Thanks to these advantages, Sekisui House's Green First ZERO (ZEH) detached houses have been embraced by customers, and in FY2022, 93%[2] of Sekisui House's new detached houses were ZEH buildings, far exceeding the rate for Japan as a whole of 18.5%.[3] In addition, the cumulative number of ZEH houses we have constructed since the launch of this product reached 76,509 as of March 31, 2023. The Japanese government's 6th Strategic Energy Plan, announced in 2021, sets the goals of having all new houses built from 2030 meet the ZEH standard for energy efficiency and installing photovoltaic power generation equipment in 60% of new detached houses by 2030. Sekisui House already meets both of these targets.

The largest portion of the Sekisui House Group's CO_2 emissions, at 61% of the total, is from the use of supplied housing (Scope 3, Category 11). Promoting the adoption of ZEH is therefore indispensable to reducing CO_2 emissions.

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 house ZEH with standard adoption of a solar power generation system.
2 The ratio of ZEH, Nearly ZEH, and ZEH Oriented (in areas with snow accumulation of 100 cm or more) dwellings constructed between April 2022 and March 2023 in all areas excluding Hokkaido. The ratio for Hokkaido was 72%.
3 Source: Net-Zero Energy House Demonstration Project Survey Results (2022 Edition); Ministry of Economy, Trade and Industry, Agency for Natural Resources and Energy; Sustainable open Innovation Initiative. Figure for FY2021.

Growth in the Number of Detached House ZEH



Note: The ZEH ratio includes contracted and built-for-sale housing. Nationwide figures are rounded to the nearest whole number, from figures published in the Net-Zero Energy House Demonstration Project Survey Presentation 2022 (sponsored by the Agency for Natural Resources and Energy and the Ministry of Economy, Trade and Industry).



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



Sekisui House proprietary tile-shaped photovoltaic panels

(FY)

KPI	Unit	2020	2021	2022	2023 target
Ratio of detached ZEH homes[4]	%	91	92	93	90
Rate of CO_2 emissions reduction from new housing[5]	%	51.2[6]	50.0[6]	55.3	55% reduction by FY2030

4 ZEH ratio of contracted and for-sale housing in areas other than Hokkaido.
5 Scope 3, Category 11 emissions reduction relative to FY2013 levels. FY2020 and FY2021 figures are calculated based on the boundary of our previous SBT-verified target (excluding Konoike Construction Co., Ltd.). The scope of emissions was broadened in alignment with the revised SBT-verified target for FY2022 and, for comparison, the scope of emissions in FY2013 was also broadened accordingly. For details on the scope of emissions included, please refer to page 172.
6 Figures have been revised due to more precise calculations of photovoltaic power generated.

Expansion to Group companies

In order to expand its business domain in housing construction, the Sekisui House Group is engaged in initiatives for conventional wooden housing in addition to its mainstay pre-engineered housing. While Group companies Sekisui House noie and Sekisui House Construction are developing the noie brand and the *ki no ie* brand, respectively, the commitment to realizing a decarbonized society through ZEH is common to all Group companies. In FY2022, 147 of the 472 houses sold under the noie brand, and 13 of the 113 houses sold under the *ki no ie* brand were ZEH. We are working to promote ZEH in ways that align with each of these brands, which propose simple and just-right home building, though such means as using third-party ownership schemes for photovoltaic power generation.

Disaster resilience of Green First ZERO Houses

Comfortable living is only possible if residents feel secure about their homes when disaster strikes. To prepare for earthquakes, typhoons and other natural disasters, in addition to the robustness of houses themselves, it is crucial to secure living spaces, food, water and energy for use in the aftermath of a disaster. In 2004, the Sekisui House Group became the first house builder in Japan to launch an energy-saving, disaster-resistant house with facilities for storing supplies of food and water as well as household power storage cells and photovoltaic power generation equipment. Then in 2011, we launched Green First HYBRID houses, which enable both optimized energy use every day and power use during power outages through the coordinated control of these systems with fuel cells. As climate change has caused more frequent and severe natural disasters, we have enhanced the disaster resilience of our housing so that residents can live their lives with peace of mind.

Today, we propose disaster-resilient zero energy houses that combine three features: securing living spaces after major earthquakes with high seismic resistance; space and facilities to store a three-day supply of food, drinking water and water for hygiene; and energy self-sufficiency. Such houses offer photovoltaic power generation systems to generate electricity when the sun is shining, fuel cells that can generate electricity in cloudy weather or at night as long as they have gas and water supply, storage cells that store excess power generated by photovoltaic and fuel cell systems, a strong structure, and excellent thermal insulation and energy-saving performance. Through this combination, these houses allow residents to live in a way that is closer to normal after disasters, making home an effective disaster shelter.

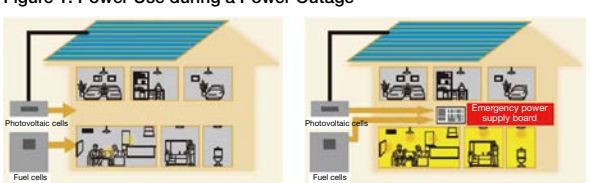
In April 2022, we further enhanced our resilience offerings with new emergency power supply boards for use in power outages and reinforced measures to prevent water from entering underfloor spaces during sudden heavy rains or flooding. In a home that has only photovoltaic panels and fuel cells, during a power outage, power is only available from specific emergency outlets. With an emergency power supply board, however, appliances that need to stay powered, such as refrigerators, can stay plugged into their normal plugs (Figure 1). In addition, to address increasingly common flooding damage, we raised the installation height of equipment, added water stops that can be set up at front doors during flooding emergencies, adopted reinforced concrete foundation slabs, added sewerage pipe air pressure release valves, and raised the height of building foundations. Through the combination of these five measures, we have reinforced measures to prevent underfloor flooding (Figure 2).

In addition to prevention, recovery measures after a disaster are also important. Sekisui House leverages its Company-wide organizational strength to quickly assess the safety of the residents and the state of damage, make its nationwide factories available as bases to support regional restoration, and work with partner construction companies nationwide to provide the construction capabilities necessary for recovery. Through this recovery support framework, we aim to help customers get back to their normal lives as quickly as possible.

In this way, we are continuously working to better protect the lives of our customers by balancing comfortable living with the realization of a decarbonized society in normal times and providing a recovery support system that leverages the resilience of buildings themselves and the organizational strength of our nationwide operations in times of disaster. These efforts encompass both the mitigation and adaptation approaches necessary to address climate change.

Based on its global vision to make home the happiest place in the world, Sekisui House will continue to evolve Green First ZERO while developing and spreading the value of ZEH, which contributes to the happiness of residents and society at large. By doing so, we will lead the way in the decarbonization of the housing industry.

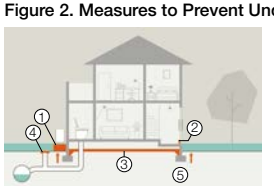
Figure 1. Power Use during a Power Outage



Power supply via emergency outlets

Supply though an emergency power supply board

Figure 2. Measures to Prevent Underfloor Flooding



1 Raised installation height of equipment (to prevent costly equipment repairs due to water damage)
2 Water stop that can be set up at the front door during emergencies to keep water out
3 Reinforced concrete foundation slab to prevent the entry of water from below the foundations
4 Sewerage pipe air pressure release valve to prevent water spraying from toilets during sudden heavy rains, etc.
5 Raised building foundation to prevent the entry of water over the foundation

Promoting 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. Of this, rental housing accounts for a large fraction, approximately two thirds. Therefore, the conversion of rental housing to ZEH is essential for decarbonization. We have designated ZEH under the Sekisui House rental housing brand Sha Maison as Sha Maison ZEH, and have been promoting its full-scale



popularization since FY2020.

Two types of ZEH standards, each with different targets, are used for multi-unit housing complexes. The first is known simply as ZEH and applies the net zero energy standard to individual housing units in much the same way it applies to detached houses.[1] The second is known as ZEH-M and applies the net zero energy standard to entire residential buildings, including common areas. In ZEH-M, the building as a whole is judged against the ZEH standard, and it may clear the standard even if individual units within it do not. For this reason, from a resident-first perspective, we offer systems in which photovoltaic panels are connected to each unit so that residents can sell their own electricity individually, thus promoting unit-level ZEH that allows residents to enjoy the benefits of ZEH, including comfort and reduced utility costs. By making as many units ZEH as possible within each building, 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 businesses, which entails higher costs, it is also crucial to create business benefits for owners. We believe that as society as a whole progresses toward decarbonization, demand for ZEH will eventually increase in rental housing, as well. As the merits of residential units with unit-level ZEH are immediately clear before move-in, unit-level ZEH can be expected to help prevent occupancy rates and rents from declining, leading to long-term stable management.

A survey we conducted in FY2021 of young people, who are the main users of rental housing, found that respondents were familiar with the effects of climate change, and we were able to discern an ethical-mindedness among them in terms of choosing to live in an environmentally friendly manner in order to combat such effects. 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.

Furthermore, a FY2022 survey of Sha Maison ZEH residents found that 88% of respondents were satisfied and, of these, 78% said that they would choose ZEH for their next home after moving out. Rental housing residents often move out after a few years, meaning that over time, Sha Maison ZEH is helping increase the total number of people who prefer ZEH. In this way, Sha Maison ZEH, with its clear benefits to residents, is expected to have knock-on effects in popularizing ZEH throughout society.

The Sha Maison ZEH approach has been well received by numerous owners and residents, leading to orders received for 15,064 ZEH residential units in FY2022, up significantly year on year.

In recognition of these efforts to popularize ZEH, Sha Maison ZEH received the Energy Conservation Center Chairman's Award in the FY2022 Energy Conservation Grand Prize.

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 net primary energy consumption by 100% or more; "Nearly ZEH" represents a reduction 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 "residential 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)

(FY)

KPI	Unit	2020	2021	2022	2023 target
Number and ratio of ZEH units for rent[2]	%	—	—	65	70
	Housing units	2,976	8,501	15,064	—
Number and ratio of ZEH condominiums for sale[3]	%	—	39.4	88.8	100
	Housing units	32	192	585	

2 Ratio of orders received for ZEH Ready or higher grade units (includes only units in which individual residents can sell electricity to the grid; number of units was used as a KPI through FY2021)

3 Cumulative number of completed units ranked ZEH Oriented or higher grade. The percentage is that of ZEH Oriented or higher grade units among all units sold in the fiscal year.

Promoting ZEH in GRANDE MAISON condominiums

As with rental housing, we are promoting the transition to ZEH at the unit level in condominiums for sale.

In February 2019, Sekisui House built GRANDE MAISON Kakuouzan Kikuzakacho (Nagoya City, Aichi Prefecture), the first condominium building in Japan with all ZEH units connected to photovoltaic power generation systems. In FY2022, we completed construction of four buildings with 393 ZEH condominiums, bringing the cumulative total of ZEH condominiums to 11 buildings and 585 units,[4] exceeding the target of 540 set under the Fifth Mid-Term Management Plan. In FY2023, we plan to complete construction of 16 GRANDE MAISON buildings with 880 units, all of which will be ZEH.

In its condominiums, Sekisui House designs ZEH with an emphasis on livability, which is a benefit for the tenants. For example, sweeping vistas are part of the appeal of high-rise condominiums. The large windows typically used to maximize this appeal are disadvantageous in terms of energy conservation, but we have achieved both ZEH and comfort through innovations such as the use of vacuum double-glazed windows with extremely high thermal insulation performance.

In FY2022, 88.8% of condominiums sold were ZEH. We plan to increase this to 100% from FY2023 onward.

4 Residential units that meet the ZEH Oriented standard or higher grade

News release: All GRANDE MAISON Condominiums to Adopt ZEH-Specifications by FY2023 (Japanese only)



Uemachi 1-chome Tower: 43% of the property's surface area is green space, designed to be environment-friendly with expansive green walls.



Uemachi 1-chome Tower: Residential units feature high-performance vacuum double-glazed windows for beautiful views.



The Sumiyoshi Honmachi: Common lounge featuring materials and motifs that harmonize with the granite masonry of the neighborhood known for its old estates.

Promotion of ZEB for non-residential construction

In addition to detached houses and multi-unit residential buildings, we are also promoting ZEB[5] in non-residential construction. In FY2022, we actively promoted a style of proposal for office buildings called Green First Office.

5 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.

These proposals meet ZEB standards based on excellent thermal insulation performance that leverages ZEH design expertise and technologies developed in the housing business. These office buildings include proposals for spaces that improve worker productivity and help reinforce BCPs[1] with highly seismically resistant structures, thereby undergirding the sustained growth of companies. Reflecting customer needs related to reducing utility costs, promoting carbon neutrality and increasing employee satisfaction, FY2022 orders were up year on year. Outside of office buildings, we are also rolling out proposals suited to other building uses, such as clinics and nursing care facilities.

In FY2022, we completed 89 ZEB buildings, bringing our cumulative total to 173.

Under the ZEB planner registration system, our target is for a majority of orders received in FY2025 to be for ZEB. We are reinforcing efforts to reach this target.

Furthermore, to reduce CO_2 emissions from our business activities (Scope 1 and 2), since FY2021 we have ensured that all new offices and facilities built for the Group's use are ZEB. For example, at Tomorrow's Life Museum Kansai, a facility where visitors can experience the kinds of living that the Company proposes, the Welcome Hall opened in February 2023 meets the Nearly ZEB standard. Including buildings designed, built and occupied by the Sekisui House Group, we now have a total of 14 ZEB buildings.




Tomorrow's Life Museum Kansai Welcome Hall

1 Business continuity plan, an emergency plan for corporate survival or for business continuity that makes strategic preparations to avoid an interruption of critical operations in the event that a disaster or other risk transpires. Since the Great East Japan Earthquake in 2011, such plans have been attracting attention and, as major earthquakes and large typhoons have caused substantial damage in recent years, an increasing number of companies and local governments have been strengthening related efforts.

Energy efficient remodeling of existing houses

We make energy efficient remodeling proposals to owners through Group company Sekisui House Remodeling, Ltd. Energy efficient remodeling is general term for remodeling that entails the installation of photovoltaic panels or storage cells to increase energy self-sufficiency, improving thermal insulation performance, or replacing existing air conditioning and water heating equipment with high-efficiency models. In particular, we focus on housing that is more than 20 years old, which is typically much less thermally insulated than ZEH. In this area, we propose *Idocoro Dan-netsu* insulation remodeling, which emphasizes the living room, dining room and kitchen area, where people spend most of their time, and promote replacement of equipment with highly energy efficient models. For owners of homes equipped with solar power generation systems that have reached the post-FIT period (past the end of the feed-in tariff system's purchase period), we emphasize the merits of adding storage cells to their systems. Specifically, in addition to increasing the rate of self-consumption of surplus power, thereby helping reduce utility costs, we highlight the enhanced resilience that such an addition provides by enabling the use of electricity during power outages caused by natural disasters, which are increasing due to climate change. In FY2022, we received 1,601 orders for *Idocoro Dan-netsu* as we worked to promote both comfort for owners and decarbonization.

As part of our efforts to decarbonize existing housing, we are also focusing on SumStock, an initiative to promote the proper recognition of the value of existing houses and create an active market for them. We believe that the proper assessment of the value of existing housing can help create more opportunities for investment in energy-saving remodeling and thus contribute to the decarbonization of hosing stock.

The Japanese government's goal of reducing greenhouse gas emissions attributable to the residential sector 66% compared with the FY2013 baseline by 2030 depends on decarbonizing existing housing. As such, initiatives in this area are expected to receive a range of policy support going forward. Sekisui House has supplied more than 2.5 million housing units to date. For our approximately 800,000 detached houses and 230,000 rental housing Sha Maison buildings that are more than 10 years old, we will make remodeling proposals and promote market circulation based on proper valuation while taking advantage of various forms of support from the government to promote the decarbonization of existing housing.

→ P.209 SumStock quality housing stock system

(FY)

KPI	Unit	2020	2021	2022	2023 targets
Idocoro Dan-netsu houses (location-based insulation upgrades)[2]	Housing units	1,005	1,338	1,601	1,800

2 Number of units remodeled using *Idocoro Dan-netsu* with partial thermal insulation and heating systems

2 Decarbonization of Business Activities and Response to Climate Change

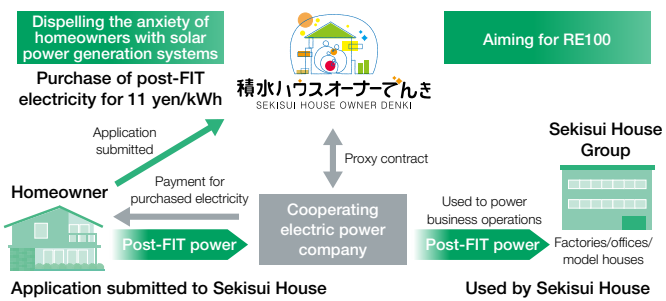
Promoting RE100 through Sekisui House Owner Denki

In an effort to decarbonize its business activities, in 2017, the Sekisui House Group became the second Japanese company and the first company in the housing industry to join the international initiative RE100. The Group is working to switch to power derived from renewable energy sources for use in its business operations. Most companies procure renewable energy through the purchase of green power certificates and the installation of photovoltaic power generation systems. In contrast, we procure 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 when we joined RE100, 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 by around 2040 if we could procure surplus power from 20%–30% of our customers under the post-FIT mechanism, and established this as a target. In actuality, we have been able to procure such power from roughly 50% of our customers, and expect to achieve RE100 earlier than originally anticipated. The amount of renewable energy purchased in FY2022 through Sekisui House Owner Denki was approximately 60.7 GWh, accounting for roughly 55.1% 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 adopting renewable energy.

Overview of Sekisui House Owner Denki



(FY)

KPI	Unit	2020	2021	2022	2023 targets
RE100 achievement rate[1]	%	16.4	33.5	55.1	100% by FY2040
Rate of CO_2 emissions reduction from business operations[2]	%	39.2	46.6	50.9	75% by FY2030

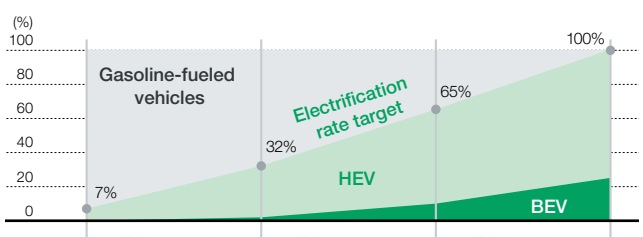
1 Ratio of the post-FIT photovoltaic power purchased by Sekisui House Owner Denki and other renewable power to the total electricity consumed in business operations
2 Scope 1 and 2 emissions reduction rate relative to FY2013. Konoike Construction Co., Ltd. became a wholly owned subsidiary in FY2019. To enable time series comparability for emissions, we have retroactively added Konoike's annual CO_2 emissions to those of the Sekisui House Group for FY2013 (the baseline year for the Group's planned CO_2 emissions target).

Initiatives aimed at 100% electrification of Company vehicles

Company vehicles account for roughly 30% of the Sekisui House Group's CO_2 emissions. We thus regard reducing these emissions as an important aspect of realizing a decarbonized society.

We are promoting the switch to and adoption of electric vehicles, such as hybrid electric vehicles (HEVs) and battery electric vehicles (BEVs), and have set the target of 100% electrification of Company vehicles by 2030 and begun initiatives to achieve this goal. This rate stood at approximately 7% in 2022. 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. By utilizing electricity derived from renewable energy through Sekisui House Owner Denki, we aim to further significantly reduce CO_2 emissions from Company vehicles (25,277 t-CO_2 in FY2022) and contribute to the realization of a decarbonized society.

Roadmap for Electrification of Company Vehicles



Company vehicle electrification targets (% of stock)

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, formulated 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. We actively cooperate with and make recommendations to these entities.

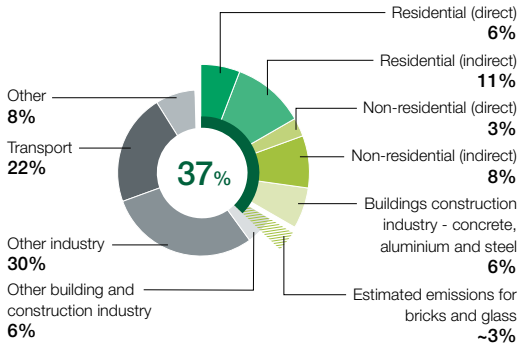
Collaboration with international public organizations

In 2008, Sekisui House declared that it would aim to be carbon-free in its operations and value chain 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.

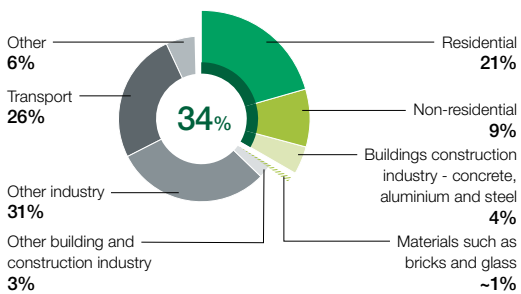
Against this background, we joined the Global Alliance for Buildings and Construction (GlobalABC), which was established at the UN's COP21 conference in Paris. We later participated in and submitted reports to the UN's COP22 conference in Marrakech, Morocco. At COP23 in Bonn, Germany, we made a presentation advocating the development of sustainable cities at SDG 11 Day, a ministerial meeting on SDG 11, highlighting the rationale and background for the mass adoption of ZEH. Since FY2022, we have participated in the Building Materials Working Group. 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 campaign organized by Science Based Targets (SBT).

We will continue to work with experts from around the world to decarbonize the building and construction sector.

Global share of buildings and construction operational and process CO_2 emissions, 2021



Global share of buildings and construction final energy demand, 2021



From the UNEP 2022 Global Status Report for Buildings and Construction

Reduction of CO_2 emissions at procurement stages for components and raw materials

To reduce lifecycle CO_2 emissions from homes, Sekisui House has been promoting the uptake of ZEH and other energy-efficient housing with the aim of reducing CO_2 emissions at the residential stage (Scope 3, Category 11). These efforts have led to significant reductions. However, CO_2 emissions from the procurement of components and raw materials in the supply chain (Scope 3, Category 1) account for 30% of the Group's total emissions (FY2022 figure). We cannot address this significant portion of emissions alone, so we have begun collaborative efforts with suppliers. First, in October 2020 we surveyed our suppliers to determine the state of their initiatives to reduce CO_2 emissions. Based on the results, we held a seminar in February 2021, which 135 suppliers attended. We positioned this event as the kickoff of initiatives to reduce CO_2 emissions in our supply chain, subsequently holding additional seminars with 61 participating companies in April 2021; 242 in October 2021; 260 in September 2022; and 157 in February 2023. We use these events to promote awareness of the need to acquire SBT validation[1] and to provide training for procurement staff. The seminars also feature keynote speeches by speakers from the SBT organization, and major suppliers as well as small- and medium-sized suppliers present about how they acquired SBT validation. Sharing positive examples of how even small companies can obtain SBT validation helps more suppliers get validated. We have also set up a consultation service within the Company for small- and medium-sized suppliers to provide specific advice and answers to individual questions.

We have set the medium-term target of raising the SBT-setting rate of our major suppliers to 80% by 2030 and are steadily raising the current rate. Around 20% of the Sekisui House Group's Scope 3, Category 1 CO_2 emissions attributable to procurement come from small- and medium-sized suppliers and, in 2022, a total of 19 such companies acquired SBT validation. In addition, as our suppliers set decarbonization targets and begin initiatives, these efforts contribute to the decarbonization of the construction industry as a whole. 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.

1 Validation by the Science Based Targets Initiative (SBTi) of corporate greenhouse gas reduction targets as being aligned with the requirements of the Paris Agreement

(FY)

KPI	Unit	2020	2021	2022	2030 targets
Supplier SBT-setting rate[1]	%	18.6	22.2	31.9	80

1 Percentage of our major suppliers (by portion of CO_2 emissions) who have adopted science-based targets

Environmental certifications acquired by suppliers

We confirmed our suppliers' acquisition status of environmental certifications, including ISO 14001 (environmental management).

(FY)

	Unit	2020	2021	2022
Status of acquisition	%	—	70	79

Note: Percentage based on annual CO_2 emissions

Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

1. 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 meets as needed to conduct 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.

→ P.103 Corporate Governance System

2. Strategy

The Sekisui House Group aims for steady progress toward the overall decarbonization of its businesses. Accordingly, to clarify the appropriateness of the Group's strategy and issues, we anticipate various situations that may occur in the future, then conduct a scenario analysis 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&A over the past few years, we are planning to create transition plans for all existing businesses based on their specific circumstances by roughly 2025 in order to adapt to physical risks. In addition, we intend to establish a system for early risk assessment and response for 100% of our new businesses in the future, and disclose the necessary related information.

The scenario we refer 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 individual 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, Japan set a new greenhouse gas emission reduction target of 46%, compared to the 2013 levels, by 2030 with a view to achieving carbon neutrality. Based on this target, various medium- to long-term policies 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 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 scenarios	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 (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 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 scenarios 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, stated in the IPCC SSP 3-7.0, is 2.1°C 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 82% of sales from February 1, 2022 to January 31, 2023). 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 IPCC: Intergovernmental Panel on Climate Change; SSP: Shared Socioeconomic Pathways
2 Sekisui House and 345 consolidated subsidiaries. (as of January 31, 2023)

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 government is considering the introduction of a carbon tax, and it may be introduced relatively soon.	**Financial impact**	**Assumed time**
		High	**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 due to the need 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 circulated in the market.	**Financial impact**	**Assumed time**
		High	**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**	**Assumed time**
		High	**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.	**Financial impact**	**Assumed time**
		Medium	**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**	**Assumed time**
		Low	**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.		

Damage to Company-owned Assets Due to Weather-related Disasters

The Sekisui House Group conducts risk management based on the following assumptions about rain or windstorms of a severity it has never yet experienced.

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**	**Assumed time**
		High	**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 business continuity planning (BCP) measures are properly managed by the Risk Management Committee and updated as necessary. The amount of damage to the 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 the four of these factories other than 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 the expected damage has been confirmed to be within the coverage of the insurance policy that is already in place. Assuming, however, 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**	**Assumed time**
		Not calculated	**Medium-term**
Response	Although the Company already has measures in place to decentralize the supply chain in anticipation of damage to suppliers' 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 require the use of hazard maps to conduct an analysis of possible risks. When constructing large 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, so the Sekisui House Group will continue to study how to deal with related risks.

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, positioning ZEH and ZEB as key measures. In addition, demand for ZEH and ZEB is expected to increase in the future, as consumers become more ethically conscious and businesses further decarbonize.	High	Medium-term
Response	The ratio of our detached house ZEH 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 ethically conscious.	High	Medium-term
Response	Since completing 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 27,000 units and is preparing for a future expansion of demand for rental ZEH units, especially among ethically conscious 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 to come. For this reason, orders for decarbonization remodeling are expected to increase.	High	Medium-term
Response	Orders for insulation retrofitting, power generation and storage cells 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 areas where residents spend the most time, has been well received because of the small burden of the cost and construction period for the customer. These remodeling proposals also highlight 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 initiative, renewable energy power is procured at almost no cost. Considering the possibility of the electrification of energy used in business 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 to secure funding 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 our 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 more on external procurement, thus reducing the impact of carbon taxes. The cost reductions are considered as an opportunity, because they can be utilized to secure funding for other purposes.		

Major opportunity: Increase in infrastructure construction and waste disposal due to more frequent and severe weather-related disasters			
		Financial impact	Assumed time
Impact	As sudden heavy rains are expected to occur more frequently, demand for infrastructure-related construction related to stream and flood control, including the replacement and maintenance of aging existing infrastructure, will increase. In addition, demand for proper waste disposal following damage caused by greater than expected rainfall will increase.	Low	Long-term
Response	To meet increased demand for infrastructure development related to disaster countermeasures, we will build up expertise in extending service life through preventive and protective infrastructure renewal and allocate personnel as needed in preparation for receiving orders. We will invest in technological development and the introduction of new technologies to increase competitiveness and differentiation by such means as offering waste disposal with high recycling rates for buildings, household goods and other waste materials arising from wind and water damage.		

▶ Confirmation of the resilience of the Sekisui House Group's existing strategies

The review found that 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.

3. 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 the 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.

→P.121 Our risk management system

4. Metrics and Targets

In 2008, the Sekisui House Group declared its Vision 2050, which aims to achieve zero CO_2 emissions from housing by 2050. The Group 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, by 2030, compared with FY2013 levels, we aim to reduce our own CO_2 emissions in Scope 1[1] (direct emissions: fuels consumed for factories, offices, vehicles, etc.) and Scope 2[1] (indirect emissions: energy consumed by the Company, such as electricity) by 75%, and those in Scope 3, Category 11[1] (use of sold products) by 55%. These targets have been approved by the Science Based Targets initiative as in line with a 1.5°C trajectory. We have revised the targets for Scope 1 and Scope 2 reductions upward to a more ambitious goal for FY2030 after meeting the 50% reduction target in FY2022.

In addition, as an RE100 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 the 2040 target 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.

SBT

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 contribute to the transition to a sustainable society by further quantifying and improving the accuracy of risks related to newly consolidated Group companies.

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. The Sekisui House Group's Scope 1 and 2 CO_2 Emissions Reduction

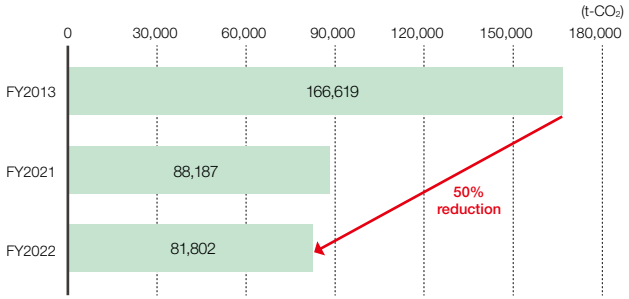
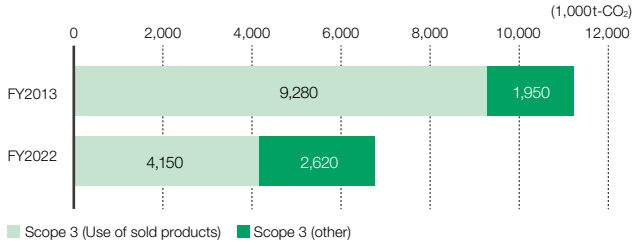
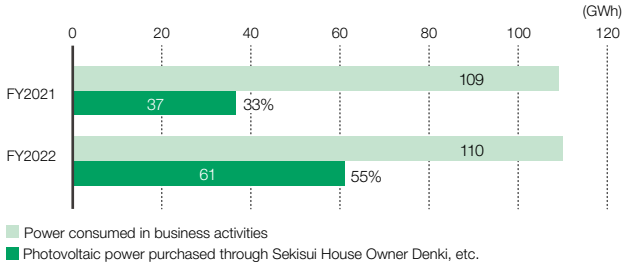


Figure 2. The Sekisui House Group's Scope 3 CO_2 Emissions Reduction



Note: Due to an expansion in the scope of data, the figures presented here differ from those disclosed in Value Report 2022.

Figure 3. RE100 Achievement Rate



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 in our business operations. We have also endorsed the goals of the Taskforce on Nature-related Financial Disclosures (TNFD), which was launched in June 2021. We then joined the TNFD Forum in February 2022. In addition, we are part of the 30by30 Alliance, which was launched with the aim of achieving the global 30by30 target[3] adopted at the 15th Conference of the Parties to the Convention on Biological Diversity (COP15), and we are proactively cooperating with efforts to register OECM[4] sites.

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.[5] We also ensure that all employees understand and are familiar with these initiatives through progress reports, feedback on issues and proposals for improvement.

1 Business and Biodiversity Initiative: Leadership Declaration

2 → P.134 2. Strategy

3 30by30 is an international initiative to effectively conserve at least 30% of the Earth's land and ocean area as sound ecosystems by 2030 with the nature-positive goal of halting and reversing biodiversity loss by 2030.

4 Other effective area-based conservation measures, an approach to designating areas that contribute to biodiversity conservation outside of protected areas

5 → P.97 Stance and Initiatives to Promote ESG Management (Sustainability)

Commitment to biodiversity and zero deforestation

In our Sustainability Vision 2050[6] 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 ecosystems) but also become nature positive (to enhance the value of ecosystems through our business operations). Based on 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.

In particular, the issue of wood procurement is recognized as a pressing global issue; the goal of zero deforestation by 2030 was adopted in the 2014 New York Declaration on Forests. At COP26 in 2021, 140 nations, including Japan, agreed to this goal. The Sekisui House Group supports zero deforestation, which aligns with its FairWood procurement approach, and has declared the goal of zero deforestation Group-wide in Sustainability Vision 2050. In the future, we also aim to achieve zero deforestation throughout our primary and secondary suppliers.

6 Sustainability Vision 2050

CSR procurement

Sekisui House is committed to CSR procurement,[7] based on a policy of ensuring the best quality, robust delivery and reasonable price while also incorporating ESG. In particular, as we use approximately 250,000 m^3 of wood annually, we have positioned the impact on biodiversity in logging areas as an important risk to business continuity. Accordingly, we have established our own Wood Procurement Guidelines, which include provisions on biodiversity, and work to promote awareness throughout the supply chain. Every year, we implement a wood procurement risk survey of major suppliers that includes data for secondary suppliers and beyond.

7 CSR Procurement Guidelines

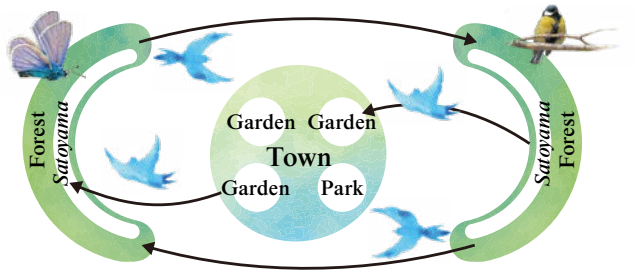
The *Gohon no Ki* Project, an eco-friendly landscaping and greening project[8]

Sekisui House is Japan's largest landscaping company, planting one million trees nationwide annually. To fulfill our responsibility as a large-scale house builder, since 2001 we have been implementing the *Gohon no Ki* ("five trees") Project, an ecosystem-conscious landscaping and greening project, to conserve biodiversity through our housing business.

The *Gohon no Ki* 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 project proposes the use of native tree species that are beneficial to birds and butterflies in gardens. In addition to biodiversity conservation, we are making proposals that encompass the benefits to residents of garden visits by fauna and the other effects of garden trees. We seek to maintain and revive the ecosystem network (nature positive) by increasing the amount of richly green space in urban areas and by leveraging residential gardens, created under the *Gohon no Ki* Project, to support the habitat and activities of the fauna. Ecosystem networks enrich biodiversity at the regional and national levels, creating places where both wildlife and residents can simultaneously enjoy the richness of nature.

8 *Gohon no Ki* Project (Japanese only)

Thanks to the cooperation of the many customers who have endorsed the philosophy of the *Gohon no Ki* Project, there were 886,000 plantings (includes those outside the *Gohon no Ki* Project) in FY2022, with the cumulative number of plantings since the 2001 start of the project rising to 19.0 million.



***Satoyama* network**

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.

One 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 also aligns with our biodiversity conservation challenge goal of "maximizing ecosystem networks through our business."

Commitment to biodiversity in wood procurement

The ten Wood Procurement Guidelines are shown below and shared with our suppliers and secondary suppliers. Guidelines 2, 3, 4, 8 and 9, in particular, represent our commitment to biodiversity.

10 Wood Procurement Guidelines (2017 edition)

1. Source wood products from areas with relatively low risk of illegal logging.
2. Source wood products from areas without sensitive ecosystems.
3. Do not source wood products from areas where local ecosystems are seriously damaged due to large-scale logging of natural forests.
4. Do not use endangered species for wood products.
5. Minimize CO_2 emissions when producing, processing, and transporting wood products.
6. When logging wood products, avoid conflict with local communities and refrain from unfair labor practices.
7. Source wood products from areas of controlled logging, so as not to exceed the rate of forest regeneration.
8. Source wood products from domestic forests where well-planned forest management is in place to conserve ecosystems.
9. Source wood products from plantation forests that are managed so as to promote conservation and ecosystem development.
10. Use recyclable wood building materials.

Updating the Wood Procurement Guidelines

Since establishing the Wood Procurement Guidelines in 2007, Sekisui House has promoted FairWood procurement. In light of changes in social conditions related to wood procurement, we now plan to update the Wood Procurement Guidelines to better clarify our stance.

3. Risk Management

Practicing due diligence in procurement

To us, due diligence[1] 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.

Many companies conduct due diligence only for low-risk timber from primary suppliers. In contrast, we also target suppliers at the secondary level and further upstream and visit logging areas to investigate and confirm the status of any timber deemed high risk.

This is because we believe it is important to share the tracking process with suppliers and strive for ongoing improvement in order meet growing international calls for zero deforestation.

1 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 enacted in response to the tightening of regulations on the handling of illegally harvested timber in Western countries. This is represented by a process of identifying risks of illegality by 1. collecting information, 2. assessing risk, and 3. practicing risk mitigation. A growing number of companies are currently practicing due diligence in wood procurement while also addressing ESG-related risks.

Due Diligence Practices

Information gathering

↓

Risk assessment

↓

Risk mitigation measures

1. Initial risk assessment

Tree species at risk	• Washington Convention • IUCN Red List, etc.
Logging country/ region risk	• Extent of illegal logging • Corruption index, etc.

2. Detailed risk assessment

If the probability of risk in the initial evaluation is high, we contact upstream suppliers and collect information on local forest management and logging to determine the risk of operational illegality.

• NGO information, document confirmation, site visits, etc.

Wood Procurement Risk Survey

Sekisui House implements a wood procurement survey of its major wood suppliers (63 companies in FY2022) according to the following process.

Annual Wood Procurement Risk Survey Process

1. Collect detailed data from suppliers on the sources of wood, including species and producing areas
2. Quantitatively assess the data collected using the Wood Procurement Guidelines and assign ranks (four-grade scale: S, A, B or C)
3. Provide feedback to suppliers
4. Encourage improvement for wood ranked B or C

The ratio of Rank S and Rank A wood has been gradually increasing from 47% before the guidelines were implemented in FY2006, reaching 97.1% in FY2022.

In order to achieve zero deforestation, a goal adopted by international consensus, we have decided to manage the rate of zero-deforestation lumber procurement as a new KPI. To use this KPI in next year's reporting, we have begun efforts to confirm detailed data through individual engagement with high-risk suppliers.

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 related divisions to determine the proper remedial action and take measures that could include cutting back on transactions with the supplier, depending on the score in the supplier assessment.

4. Metrics and Targets

Volume of Wood Procured (FY)

	2020	2021	2022	2023 Targets
Volume of wood procured (KPI: % that is ranked S or A)	250,529 m^3 (97.0% S or A rank)	285,722 m^3 (97.2% S or A rank)	247,895 m^3 (97.1% S or A rank)	(97.4% S or A rank)

Total score (maximum 43 points)	Wood product procurement ranking[1]
34 and above	S
26 or more	A
17 or more	B
Below 17	C

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. Minimal acceptable score thresholds are set for Wood Procurement Guidelines 1. and 4., which are especially high priority (see page 147). We aggregate and disclose these scores as part of efforts to achieve net positive impact and no net loss.

Percentage of Wood Products by Region (FY)

	2020	2021	2022
Domestic wood	18.80%	24.72%	25.52%
East Asia[2]	7.20%	5.08%	8.79%
Europe	33.20%	37.48%	31.95%
South Pacific[3]	12.70%	11.78%	11.81%
North America	16.50%	10.41%	12.94%
Recycled wood[4]	7.90%	7.52%	7.84%
Other[5]	3.70%	3.01%	1.15%

2 Excluding Japan
3 Indonesia, Malaysia, etc.
4 Particle board and other building materials recycled from construction waste, etc.
5 Africa, etc.

Biodiversity Conservation (FY)

KPI	Unit	2020	2021	2022	2023 Targets
Biodiversity-friendly tree planting[6]	Thousand trees	17,106	18,116	19,003	20,000

6 Cumulative number of trees planted under the *Gohon no Ki* Project

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 will be increasingly important going forward as part of nature positive initiatives. In urban areas, where green space is limited, it is important to create richly green spaces. 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 using big data on biodiversity

In 2019, to comprehensively evaluate small green spaces scattered across Japan that could not previously be assessed, we worked with the Kubota Laboratory in the Faculty of Science of the University of the Ryukyus to start a joint verification analyzing the effectiveness of quantitative assessments of biodiversity conservation from a macro perspective. Using the big data on biodiversity from the University of the Ryukyus in addition to cumulative data on the number, species and location of trees planted by the Company, in 2021, this analysis made it possible to quantitatively express the effect of the *Gohon no Ki* Project on biodiversity in terms of the number of bird and butterfly species being attracted to residential areas. We also quantitatively evaluated the effectiveness of restoring biodiversity in Japan's three largest metropolitan areas (Tokyo, Osaka and Nagoya) using an integrated diversity index and conducted simulations to assess the effect of continuing the *Gohon no Ki* Project through 2070.[1] The results showed that the *Gohon no Ki* Project contributes to the restoration of biodiversity, and that the potential benefits can be amplified by expanding 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 nature positive initiatives.

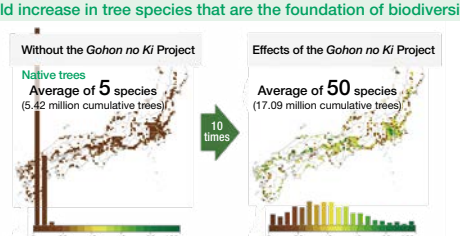
One initiative in expanding these efforts outside the Company through wide disclosure is an assessment by the Organization for Landscape and Urban Green Infrastructure undertaken in November 2022. The organization used Sekisui House's Nature Positive Methodology,[2] developed in collaboration with the Kubota Laboratory in the Faculty of Science of the University of the Ryukyus, to evaluate 87 green spaces across Japan that were certified by the Social and Environmental Green Evaluation System (SEGES) in an effort to better understand the degree of contribution to biodiversity and the potential for biodiversity conservation at each site.[3] SEGES is operated by the Organization for Landscape and Urban Green Infrastructure with the aim of promoting biodiversity conservation and restoration in urban green spaces.

In 2022, the quantitative assessments of biodiversity based on long-term biodiversity conservation initiatives through the *Gohon no Ki* Project and big data were recognized with the Grand Prize in the 30th Global Environment Awards[4] in March and the Minister of the Environment Award in the fifth EcoPro Awards[5] in September.

1 News release: 20 Years of Urban Biodiversity Conservation with Customers through the *Gohon no Ki* Project (Japanese only)
2 Nature Positive Methodology (Japanese only)
3 News release: Reinforcing the Perspective of Urban Corporate Green Space Biodiversity Assessment (Japanese only)
4 30th Global Environment Awards (Japanese only)
5 5th EcoPro Awards (Japanese only)

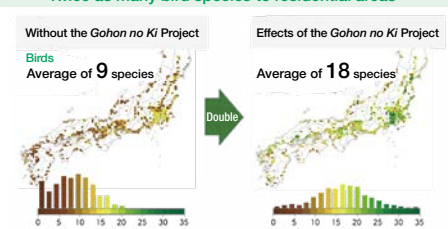
Effects of the *Gohon no Ki* Project

***Gohon no Ki* Project has achieved a tenfold increase in tree species that are the foundation of biodiversity**



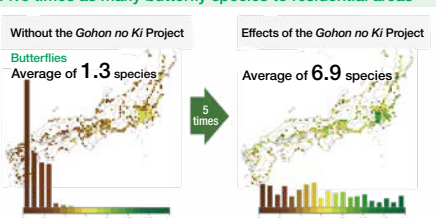
Results of big data analysis: Effect on birds

***Gohon no Ki* has the effect of attracting about Twice as many bird species to residential areas**



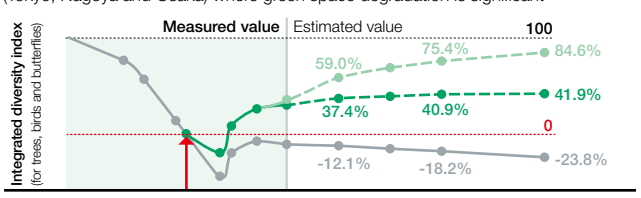
Results of big data analysis: Effect on butterflies

***Gohon no Ki* has the effect of attracting nearly Five times as many butterfly species to residential areas**



Quantitative Evaluation of Nature Positive Effects

Simulation of changes through 2070 in three metropolitan areas (Tokyo, Nagoya and Osaka) where green space degradation is significant



Note: With values for 2000, just before the *Gohon no Ki* Project, set as the zero level, and with 1977, the first year for which national land use data is 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: New developments in 2022 (Japanese only)

The promise of 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 created the Shin-Satoyama Garden covering 8,000 m^2. 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 types of spaces 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—including more than 40 species of wild birds and more than 20 species of butterflies—visit, live and grow in the garden. The arrival of birds of prey, which are rarely seen in the city, has also been confirmed. Instead of employing the conventional consumption-oriented management approach of removing weeds and fallen leaves immediately, natural low-load circulatory management has been adopted for the satoyama to enrich the soil organisms and broaden the food chain. In this way, we have created a green space where many creatures can now thrive.

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 installed at the initiative of the renowned architect Tadao Ando. In order to function as a model for the kind of vertical spatial greening that is expanding in cities, we covered the green wall with more than 20,000 plants of about 100 diverse species, focusing mainly on the tree species selected for the *Gohon no Ki* Project. The strategic arrangement of plants that flower or change colors at different time allows visitors to enjoy the varied appearance of the garden as it changes with the seasons. The Shin-Satoyama project has become familiar to nearby residents and office workers as a place where one can experience the true value of the ecosystem.


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

30by30 was adopted by the 15th Conference of the Parties to the Convention on Biological Diversity (COP15) as a major objective of the post-2020 global biodiversity framework. In the area of other effective area-based conservation measures (OECM), a key measure to achieve this objective, Shin-Satoyama—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 property exteriors. In our GRANDE MAISON[1] condominium brand, we maintain a constant awareness of greening, with a target green coverage ratio (the percentage of the property's site area that is planted) of around 20% or more. The average green coverage of the 13 condominiums completed in FY2022 was 24.7%, representing green coverage of 7,114 m^2.

The outdoor areas surrounding multi-unit buildings such as condominiums also function as a place for re-establishing community among residents, which has increasingly been lost as condominium security has tightened in recent years. The abundance of greenery soothes the spirits of residents and enhances the value of the condominium.

1 GRANDE MAISON (Japanese only)




Urban development under the concept of *keinen bika*—creating a landscape that grows more beautiful 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, the shared spaces boast lushly green plazas and streets as symbols offering a richer life, with a townscape that will grow more attractive over the years under the concept of *keinen bika*. This approach 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,[2] which outlines our diverse expertise cultivated through urban development, such as that acquired through the *Gohon no Ki* Project, with adherence to the concept of sustainability.

Skyrail Town Midorizaka (Hiroshima City)



Photo from 1997



Photo from 2009

2 Urban Development Charter

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 advancing branding to create added value. Therefore, we are shifting to the use of domestic timber, mainly for the structural materials in our SHAWOOD wooden-frame houses.

We do not simply use domestic timber, but also develop it as regional brands. By adopting materials from the regions where our customers live, we are contributing to local production for local consumption and the revitalization of regional economies.

Currently, we are developing cedar, cypress and larch products under 18 brands in 17 regions nationwide. Over 7,000 buildings have now been built with these materials. These products have grown to the point where they are an essential element of SHAWOOD.

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 materials to fulfill our supply responsibilities and to put a system in place that prevents delays when executing our business operations. As an added benefit, by viewing the wood shock not only as a supply problem for the Company, but as an opportunity to create demand for domestic timber, we were able to demonstrate our approach to providing solutions to social problems.



SHAWOOD posts bearing the brand of the producing area

Acquiring forest certification (CoC certification)

Currently, 58% of the Sekisui House’s wooden building materials, including interior fixtures, and 94% of its structural materials alone are certified under such schemes as FSC/PEFC (including materials sourced from certified forests). For the purposes of evaluating procurement risks, we continue to calculate these figures, but we do not see them as absolute. We believe it is necessary to consider the small-scale, thin-margin producers who cannot obtain certification for economic reasons.

At the same time, in such areas as zero deforestation and zero land conversion, society now demands more from companies on wood procurement. To meet these expectations, Sekisui House positions forest certification systems as a form of third-party due diligence. Accordingly, we acquired SGEC/PEFC-CoC certification in May 2022 to promote the adoption of the FairWood procurement policy throughout the supply chain. Certification serves as an effective tool for supplying certified wood to the market.

In the process of acquiring forest certification, we supported the certification of several primary suppliers, working to spread the use of certified products by acquiring certification simultaneously.

PEFC™
PEFC/31-32-1473

SGEC
SGEC/31-32-1473

Disclosure in Line with the Taskforce on Nature-related Financial Disclosures (TNFD) Draft Recommended Disclosures

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. Along with climate change, addressing biodiversity and natural capital is one of the key issues discussed by the committee. The committee evaluates the appropriateness of action policies and progress, and reports important matters to the Board of Directors.

→ P.142 Disclosure in Line with TCFD Recommendations

Strategy

Evaluating potential impacts and dependencies on nature

As with climate change, regarding biodiversity, the Sekisui House Group works to clarify the appropriateness of its strategy and issues therein by anticipating various situations that may occur in order to make steady progress toward a world where people live in harmony with nature. In FY2022, we worked with outside experts to use ENCORE[1] and other tools for analyzing the nature-related risks of the housing business (detached houses and rental housing). Specifically, we conducted an analysis aimed at providing an overall picture of our impacts and dependencies on nature.

This analysis divided housing business processes into the four phases of material procurement, manufacturing and processing, construction, and demolition. For each phase, we analyzed impacts on nature, including the conversion of land, freshwater and ocean areas as well as atmospheric, water, soil and waste pollution. We also analyzed dependencies on ecosystem services, such as water supply, natural capital, soil quality regulation, flood mitigation and global climate regulation. In particular, for material procurement, by including producing country-level data in assessments, we were able to understand the potential risks presented by the types of impact and dependency that our business activities may have on nature. Going forward, we plan to implement assessments that factor in the Company's concrete risk reduction measures and nature-positive initiatives to identify and disclose the Company's specific nature-related risks and opportunities.

1 Natural Capital Finance Alliance (Global Canopy, UNEP FI, and UNEP-WCMC) ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. [On-line], [1/2023 of the version downloaded] Cambridge, UK: the Natural Capital Finance Alliance. Available at: https://encore.naturalcapital.finance DOI: https://doi.org/10.34892/dz3x-y059
ENCORE is an analytical tool recommended by TNFD. By helping users better visualize and understand the impact of environmental change on the economy, ENCORE can be used to understand how common business processes impact and depend on nature.

Risk Impact Management

As part of its Group-wide risk management processes, the Sekisui House Group assesses nature-related risks and opportunities, as well as impacts and dependencies, based on the TNFD framework (the TNFD's final recommendations are scheduled to be released in September 2023; the Group's assessments to date are based on beta versions).

Furthermore, we will continue to strengthen engagement with the stakeholders of our business activities.

→ P.182 Commitment to human rights

Metrics and Targets

In its Sustainability Vision 2050 plan, the Sekisui House Group has 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 to 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.

Going forward, in step with updates to the TNFD Framework, we will work to expand the scope of businesses covered by assessments and enhance

L Locate the interface with nature

Understanding the value chain

We located business operations in the value chain of the Sekisui House Group's housing business (identified processes to be assessed, key raw materials and their countries of origin).

Identifying key raw materials and analyzing countries of origin

We assessed four phases of the value chain (material procurement, manufacturing and processing, construction, and demolition). In material procurement, specifically, we performed country-level assessments for 10 key raw materials.

For wood, which we regard as an especially important raw material, we identified key countries of origin and their wood procurement ranks based on actual procurement data.

E Evaluate priority dependencies and impacts

Assessing impacts and dependencies

We identified the impacts and dependencies on nature in the Group's housing business value chain from the perspectives of key impact drivers and ecosystem services.

We analyzed these using the nature-related risk analysis tool ENCORE and, based on the results, determined the importance of specific impacts and dependencies, factoring in such data as the ecological importance to countries where we procure products and operate.

Quantitative impact assessment (wood procurement)

For wood, which we regard as an especially important raw material, we assessed impacts on biodiversity on a forest land area basis by country of origin.

A Assess material risks and opportunities

Identifying nature-related risks and opportunities

We organized the nature-related risks to the Company, based on impacts and dependencies on nature throughout the value chain, into the categories of physical risks and transition risks.

In terms of opportunities, we examined opportunities that contribute to risk avoidance and mitigation as well as opportunities based on future market information.[2]

Analysis of current conditions

We also mapped the identified nature-related risks and opportunities onto the Company's current initiatives.

Going forward, we will consider deeper analyses of risks and opportunities and how to respond as we prepare to make disclosures.

P Prepare to respond and report

Preparing for disclosure

Going forward, based on the results of the assessment in accordance with the LEAP approach, we plan to conduct a deeper analysis of risks and opportunities for the housing business, incorporate them into specific policies and strategies, implement disclosures in accordance with TNFD v1.0, and conduct natural capital assessments for a broader scope of our business.

Engagement with impacted stakeholders

Chart depicts the process of assessment and preparation for disclosure in line with the LEAP Approach (v.04 of TNFD beta framework)

2 Information on business areas highly relevant to the Sekisui House Group in "The Future Of Nature And Business" report issued by the World Economic Forum

the precision of analyses. While advancing sustainable procurement initiatives to decarbonize the supply chain and use resources more efficiently, we will evaluate impacts and dependencies on nature, assess risks and opportunities, and consider metrics and targets for managing related efforts.

Assessment of Potential Impacts and Dependencies on Nature

The Sekisui House Group used FY2021 procurement data[1] to assess potential impacts and dependencies on nature in the housing business based on ENCORE, creating a heat map (Figure 1). The analysis found possible dependencies on numerous ecosystem services (water supply, natural capital, soil quality regulation, flood mitigation, global climate regulation, etc.) in raw material procurement processes. We also found potential impacts on nature from lumber harvested and mineral resource mining, including the conversion of land, fresh water and ocean areas as well as atmospheric, water, soil and waste pollution.

For wood, which we have long regarded as an especially important raw material, we worked with suppliers to assess impacts on biodiversity on a forest land area basis by country of origin using score data based on the Wood Procurement Guidelines and other procurement data.[2] As a result, we reconfirmed that, while our procurement volume of hardwoods from Southeast Asia, including Malaysia and Indonesia, is much smaller than our large procurement volumes from Japan or Northern Europe, the impact in Southeast Asia is relatively great. In addition to further reinforcing the due diligence we are already implementing for wood,[3] we will further refine our impact assessments to strengthen sustainable wood procurement going forward.

Going Forward

In FY2022, we conducted assessments aimed at understanding the overall picture, mainly in the housing business. Going forward, however, we will further refine the initial assessments made based on the LEAP approach, conduct analyses accordingly, and improve data collection and analysis systems to provide a better understanding of actual conditions. At the same time, we will expand the scope of assessments to other businesses, striving to grasp the impacts and dependencies on nature as well as risks and opportunities for all our businesses.

With regard to nature-related risks and opportunities, in preparation for disclosure in line with the forthcoming final recommendations of the TNFD Framework, we will analyze and discuss the direction of our response to said risks and opportunities, taking into account the identification of priority risks and opportunities reflecting nature-related scenarios and their financial impact.

In addition to existing initiatives, such as quantitative assessments of the effects of the *Gohon no Ki* Project and efforts toward sustainable wood procurement, going forward, we will proactively advance initiatives in new areas. For example, we plan to assess the social effects of our nature-related initiatives, including the effects of the *Gohon no Ki* Project on the attitudes toward nature, behavior and health of residents.

1 Key countries of origin are determined using procurement volume data for wood suppliers (primary, secondary and beyond), and using procurement volume and procurement spending data with general statistical data for non-wood materials.

2 → P.148 4. Metrics and Targets

3 → P.147 3. Risk Management

		Impacts											Dependencies						
Business	Phase	Land conversion			Direct intakes		Climate change	Pollution				Foreign species, other	Supply services		Procurement services				
		Land	Fresh water	Ocean	Water	Non-water	GHG	Air	Water	Soil	Waste	Other	Water supply	Other natural resources	Water regulation	Soil conditioning	Pollination/ disease suppression	Flood mitigation	Climate regulation
Housing business	Material procurement	■	■	■	■		■	■	■	■	■	■	■	■	■	■	■	■	■
	Manufacturing and processing	■	■		■		■	■	■		■	■	■		■			■	■
	Construction	■	■		■		■	■	■	■	■	■	■		■	■		■	■
	Demolition	■	■		■		■	■	■	■	■	■	■		■	■		■	■

Figure 1. Potential impacts and dependencies on natural capital in the housing business (prepared based on results of analyses using ENCORE and other tools; darker orange indicates a greater degree of potential impact/dependency). Since material procurement in each phase involves multiple raw materials and procurement processes, care was taken to avoid underestimating impact and dependency by skewing toward more positively evaluated data.

Nature-Related Measures that Mitigate Risk and Create Opportunities

Opportunity creation: Verifying the biodiversity effects of the *Gohon no Ki* Project

In 2019, working with the Kubota Laboratory in the Faculty of Science of University of the Ryukyus, we started joint verification to analyze the effectiveness of quantitative assessments of biodiversity conservation from a macro perspective. The results showed that the *Gohon no Ki* Project can contribute to the restoration of biodiversity in urban environments facing severe ecosystem degradation, and that the effect can be further amplified by expanding the project in the future. The project contributes to both local ecosystems and comfortable living. As such, we believe it can exert positive effects not just on urban ecosystems, but also in terms of creating brand value.

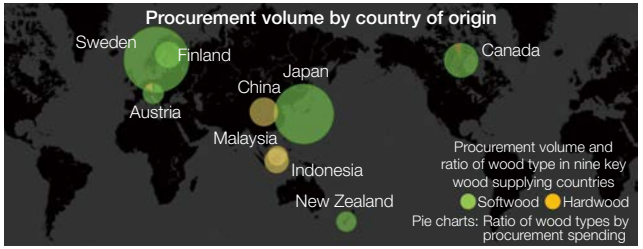


→ P.149 5. Initiatives and Other Related Information

Risk mitigation: Sustainable wood procurement

Our FairWood procurement of wood and wood products gives due consideration to the forest environment and local communities in producing regions. Sekisui House has also established the 10 Wood Procurement Guidelines, which encompass not only legality, but also ecosystems in producing regions. We believe that sustainable procurement helps enhance the Company's resilience by promoting the efficient use of resources.

→ P.147 2. Strategy; P.148 4. Metrics and Targets



E Initiatives to Realize a Circular Economy

1. Governance

Under the ESG Promotion Committee, the Sekisui House Group has 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. In this way, we centrally manage 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.

At the same time, to prevent contamination, the Environmental Subcommittee checks the usefulness and risks of chemical substances used throughout the Company and provides instructions for improvement as necessary, thereby providing appropriate monitoring and oversight of chemical substance usage.

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

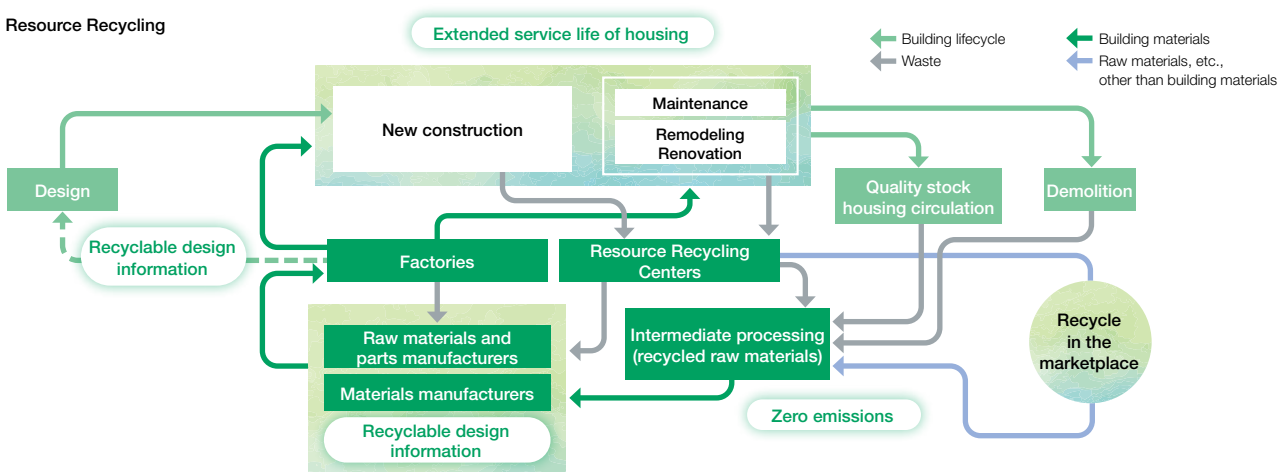
1. This system is designed to control waste generation throughout the entire supply of pre-engineered housing by analyzing the state and nature of waste generation and continually providing information useful for reducing waste during design, production and construction.
2. This system not only establishes standards for treatment consigned to others and ensures effective treatment contracting based on those standards, but 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. Operations follow the Wide Area Certification System, in principle, as a basis for fulfilling the above norms.

Measures and commitments to reduce resource use

The Sekisui House Group works to reduce resource use based on three approaches.

1. Through zero emission initiatives, we working to recycle and make effective use of waste from construction sites, with a focus on material recycling.
2. We strive to improve durability and provide after-sales services and remodeling in step with the lifecycle stages of housing. These efforts help to extend the service life of housing and reduce resource use.
3. We aim to realize a circular economy through research and development of new building materials using recycled resources.

Resource Recycling



Measures and commitments for resource use at factories

To effectively utilize byproducts resulting from the production of factory-manufactured components, we recycle such byproducts by processing and converting them into raw materials.

For example, we have adopted equipment for recycling scraps generated during exterior wall panel manufacturing and the cutting of holes for pipes to pass through, turning them back into raw materials for exterior walls.

Measures and commitments for handling waste

Controlling waste generation

We have focused efforts on the development of systems intended to control waste generation. We analyze the amount of resource inputs that go into product supply as well as the status and nature of waste generated during the manufacturing and construction processes. We also continuously improve systems for providing information useful in reducing waste in the processes of design, production and construction.

Utilizing waste

We 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, factory production companies, partner building constructors, intermediate processing companies and demolition companies.

Product Requirements in Green Procurement Policy

We are committed to green procurement, seeking to fulfill our social responsibility under our basic purchasing policy of providing the best quality, robust delivery and reasonable prices while also incorporating ESG considerations. Through such efforts as working with suppliers to develop and procure products that are easy to separate and sort for recycling, Sekisui House strives to procure environmentally friendly products that contribute to sustainability.

For example, to facilitate the sorting of hot water pipe scraps, we do not use adhesives to bond double-layered hot water pipes when the layers are made from different types of plastic.

Prevention of contamination by hazardous chemicals

Sekisui House aims to implement prevention that exceeds legal and regulatory requirements and minimize the risk of using hazardous chemicals through economically viable application of the best available technology (EVABAT) throughout the lifecycle of housing. In 2007, we created our own Chemical Substance Guidelines, which employ a risk management perspective. We review and revise 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 other organizations.

Chemical Substance Guidelines (Amended Second Edition)

Hazardous waste policy

We comply with all laws and regulations on hazardous waste and handle hazardous waste appropriately based on guidelines from by the national government, local governments, industry associations and other organizations. We will also indefinitely maintain zero discharge of hazardous waste into the natural environment.

3. Risk Management

Addressing 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 fraudulently passing off non-recyclable waste as recyclables and illegal dumping. In addition to selecting recycling companies based on the guidelines from our selection criteria, we periodically inspect treatment centers, perform operational audits and, on an ongoing basis, manage consignment contracts and waste management manifests through a centralized in-house management system. Through these efforts, we work 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.

Addressing risks of contamination by hazardous chemicals

In addressing risks of contamination by hazardous chemicals, it is essential to always strive to balance corporate activities with preventive measures by such means as setting management levels according to the risks of using the chemical substances used in products. We set a variety of standards and procedures for handling our products at each phase in their lifecycles.

Responsible Divisions, Preventive Procedures and Risks Addressed at Each Lifecycle Phase

Lifecycle phase		Division	Design and Development Divisions	Production Divisions	Construction Divisions	Design and Development Divisions	
		Risks addressed \ Preventive procedures	Environmental design	ISO-based standards/ procedures for environmental management, etc.	Construction management standards/ procedures	Environmental design that has minimal impact on residents	Providing information on the use of hazardous substances in products
1	Product design and development	Impact across product lifecycles	○				
2	Production at suppliers	Risk of supplier employees being exposed to substances during production Risk of environmental contamination during production	○				
3	Production at Company factories	Risk of supplier employees being exposed to substances during production Risk of environmental contamination during production[1]	○	○			
4	Construction	Risk of employees being exposed to substances when handling components Risk of environmental contamination due to improper disposal of construction waste	○		○		
5	Residence	Risks to residents from insufficient environmental design	○			○	
6	Product disposal	Risk of employees being exposed to substances during demolition Risk of environmental contamination due to improper disposal of waste	○				○

1 Risk of environmental contamination during production
To address the risk of contamination by hazardous waste, during normal operations we thoroughly enforce proper disposal as part of factory zero emissions schemes. We also strive to ensure appropriate response in the event of an emergency, such as an accident or earthquake, by determining emergency contamination prevention and mitigation procedures ahead of time and testing such procedures on an ongoing basis.

Addressing risks related to soil and groundwater pollution

We work to minimize risks, including the prevention of secondary pollution, by conducting surveys and implementing countermeasures not only for the land of Company facilities, but also for land for which we are engaged in transactions.

Prior to engaging in land purchase or sales contracts, we identify risks related to soil and groundwater contamination by means of a pre-screening system using our own soil contamination checklist (including a survey on history of land use; surveys of topography, geology and groundwater; a data survey on surrounding environmental measurements by local governments; a site inspection survey; and legal compliance check).

In the case of land that may contain contaminated soil, such as former factory sites, sellers are increasingly conducting their own voluntary surveys. When purchasing land, a specialized department of the Company scrutinizes all such survey reports. If a problem is identified 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 appropriateness of the transaction. 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 where complete remediation can be guaranteed) undergoes remediation by soil replacement before the sale. In such cases, we explain the measures that have been taken as a material matter. Land with more serious contamination is not purchased.

At domestic factories on our own sites where contamination could be a risk if no action is taken, we have set up measures and procedures for investigation, prevention, ongoing management and emergency response (prevention and mitigation of contamination), and are implementing contamination risk management.

4. Metrics and Targets

Zero emissions in production and construction divisions

▶ Expanding measures under the Wide Area Certification System

Housing construction requires a significant input of resources. We are involved in the entire lifecycle of housing from producing materials in our factories to demolition work, and we succeeded in reaching zero emissions[1] in four of our divisions (material production, new construction sites, after-sales maintenance, and construction sites for remodeling our own properties) between 2002 and 2007. 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 in so many areas of our business 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.

As one part of zero emissions efforts centered on the lifecycles of our products, we are also working toward zero emissions in the real estate leasing business, with Sekisui House Real Estate Holdings, Ltd. playing a

1 Zero simple incineration of industrial waste and zero landfill disposal

central role. Specifically, we are implementing initiatives aimed at achieving zero emissions of waste (interior materials such as wallpaper and cushion flooring) generated during repair work when residents vacate Sha Maison rental housing delivered by the Company and managed by Sekisui House Real Estate companies.

Looking ahead, a large amount of aging photovoltaic panels are expected to be scrapped in coming years. We are considering installing recycling facilities for these panels within our in-house waste processing system run primarily though the Resource Recycling Centers.

Resource Recycling Centers: The heart of our zero emissions initiative at new construction sites

One unique characteristic of the Sekisui House Zero Emissions System's waste collection system, under the Wide Area Certification System, is our use of in-house 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. The centers manage processes from allocating waste collection vehicles to supervising outsourced recycling companies.

All our waste generated during new construction is first sorted into 27 categories on site, then re-sorted into 60 to 80 categories at our 23 Resource Recycling Centers nationwide. All this waste is eventually recycled under the Group's management. By disassembling items into components of a single material and reducing their volume through compression and heating, we prepare these materials to enter recycling streams handled partly by external contractors.

Plastic, which has become a particular problem in recent years, has been collected and recycled at a 100% rate since the introduction of zero emissions at our new construction sites in 2005. In addition to sorting plastics by type, we subdivide sorting categories, such as the degree of soiling, according to the requirements of recycling facilities in an effort to maintain a high standard of recycling.

Sekisui House New Construction Waste Recycling Rate (FY)

2020	2021	2022
100%	Same as left	Same as left

Our waste measurement system

Securing traceability in the proper disposal of construction waste is of the utmost importance not only to ensure 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 2D barcodes. This innovative system accurately monitors conditions 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.

The detailed data analyzed in this way is then fed back to inform product development, material design, production processes and construction processes, enabling the more effective use of resources.

Waste Measurement System Utilization Rate at Sekisui House Business Sites (FY)

2020	2021	2022
100%	Same as left	Same as left

Raw Material Use Avoidance and Reduction Targets (FY)

KPI	Unit	2020	2021	2022	2023 target
Waste rate (new construction)[1]	%	5.8	5.4	5.6	5.0
Raw material and resource input	1,000 t	843	942	887	—
Waste from new construction (factory production/construction)	1,000 t	49.3	49.8	50.0	—
Waste recycling rate (new construction)[2]	%	100	100	100	100
Waste recycling rate (maintenance and remodeling)[3]	%	92.8	95.6	94.6	—

1 Ratio of waste (from factories and construction) to raw material production and resource inputs for new pre-engineered housing
2 Waste recycling rate for new pre-engineered housing
3 Waste recycling rate for maintenance and remodeling work

Basic program for increasing the resource usage rate

We are working to maintain resource efficiency-conscious product design that minimizes the generation of unused materials (waste), regardless of changes in material inputs required to enhance housing functionality (such as improving durability, thermal insulation and the flexibility of living spaces).

Notable initiatives

Recycling packaging and paper at construction sites

Sekisui House has launched a project to replace the plastic bags it provides with recyclable paper bags. We considered a variety of materials for the new bags, ultimately selecting sanitary packaging paper used to package sanitary equipment, such as hot water heaters. This paper can be mixed with general recycled paper, without the use of virgin pulp, to be recycled into environmentally friendly paper bags.

We expect this project to help alleviate environmental burden, reducing plastic use by 10,723 kg per year through the phasing out of plastic bags, and reducing virgin pulp use by 13,232 kg per year through the use of waste materials and recycled paper.


Materials samples


Sample bag

Dyne Concrete recycling

The Kanto Factory and Hyogo Factory recycle concrete waste that arises in the Dyne Concrete manufacturing process as raw materials. Scrap material bored out of exterior wall panels and concrete residue that adheres to equipment were previously disposed of as waste. Some of this material is now recycled by pulverizing it to specific grain sizes for reuse as raw materials, reducing resource costs.

Bellburn recycling

Bellburn scraps are pulverized and used as filler in Sekisui House's Shellshut Slab sound- and vibration-absorbent floor system. By replacing the inorganic sands previously used for this filler with Bellburn pulverized to specific grain sizes, we are able to reduce material input.

Reducing the volume of waste and improving the quality of recycling

We continue working to reduce the amount of waste generated at our production and construction sites. In FY2022, we reduced the total amount of waste generated from factory production by 2.2% from the previous fiscal year.

Although the amount of waste generated per newly built house has decreased by nearly 60% compared with FY1999 levels as a result of our zero emissions initiative, in recent years this amount has been increasing slightly as the proportion of houses with high environmental performance and high input of materials increases.

However, with the recent global emphasis on achieving a circular economy, greater importance is being placed not only on reducing the amounts of waste generated, but also on improving the quality of recycling through the redesign of entire businesses. In light of this trend, we have been improving our construction methods by revising our structural building and construction techniques, utilizing the strengths of our in-house production and direct construction, handled exclusively by Group companies and partner building constructors.

Moreover, by thoroughly sorting, categorizing and processing waste to meet the exact needs of recyclers, we are contributing to a higher quality of recycling.

At the same time, while maintaining zero emissions during the production, construction and maintenance phases, we are conducting research aimed at increasing our material recycling rate, which stood at 80.5% in FY2022, to 90%.

Recycling initiatives

We reuse waste generated in-house as a raw materials in buildings we construct. For example, we manufacture house construction materials from plastics recovered from packaging materials and an acoustic insulation material for floors from crushed scrap roof tiles.

Reusing Solid Waste

At manufacturing and processing facilities located at two of our Resource Recycling Centers, scrap plasterboard collected from new housing construction sites and eggshells from third-party food processing factories are mixed together and crushed. 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, which were previously thrown away as food waste.

We also reuse sorted solid waste by selling it in such forms as resin materials, woodchips, power line materials and Styrofoam materials (ingots).



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



Eco Mark

(FY)

	Unit	2019	2020	2021	2022	2025 target
Platama Powder production	t	1,795	1,932	1,979	1,668	Up 5% from 2019

Green procurement

We proactively engage in 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 in accordance with our Green Procurement Guidelines. In FY2022, our green procurement rate was 92.5%, and our recycled copy paper rate was 99.9%.

By gathering, compiling and visualizing data on the amount of paper used in offices, 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 supply domestically produced, bright white 100% recycled paper that is high quality and environmentally friendly (the standard under the Green Purchasing Law is 70% recycled paper content). This recycled paper, produced by the Group, is supplied to offices, including Group companies, throughout Japan.

In FY2022, the Company's total paper consumption was 617 tonnes, down 7.6% year on year, and annual paper consumption per employee totaled 41.3 kilograms, down 7.1%, reflecting the continued progress of paperless initiatives.

Green Procurement Rate, etc. (FY)

	Unit	2020	2021	2022
Green procurement rate	%	89.5	91.2	92.5
Recycled copy paper usage rate		99.7	99.9	99.9

Note: Non-consolidated basis

Annual Paper Consumption Per Employee (FY)

	Unit	2020	2021	2022
Total paper usage	t	692	668	617
Annual paper consumption per employee	kg	46.1	44.5	41.3

Note: Non-consolidated basis

Atmospheric and other external emissions of chemical substances from factory production

Substances Subject to the PRTR Law[1] (FY)

Targets	2020	2021	2022
• Continue appropriate protective measures • Maintain zero accidents caused by chemical substances	No accidents caused by chemicals used in factory production 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	75% decrease	71% decrease	78% decrease

Emissions of Volatile Organic Compounds (VOCs)[2] (FY)

	Unit	2019	2020	2021[3]
VOCs subject to PRTR	t	30.5	24.4	68.5
VOCs not subject to PRTR		110.5	82.2	39.5

1 Pollutant Release and Transfer Register Law: Law requiring the monitoring of environmental emissions of specified chemical substances and promotion of improved management. Businesses meeting certain conditions specified by Cabinet Order are required to report the amount of specified chemical substances released and disposed of annually.
2 The Sekisui House Group confirms and monitors emissions of the 80 VOCs for which atmospheric emissions require monitoring designated under the Japan Prefabricated Construction Suppliers and Manufacturers Association's Eco Action 2020 management survey.
3 Because they are taken from a government report, the figures here are for the period from April 2021 to March 2022, which differs from the period covered by this report.

Initiatives for proper 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 remainder is mainly residual substances left over from the use of chemical raw materials handled in domestic production facilities.

For specially controlled industrial waste generated at domestic factories, we comply with the Wastes Disposal and Public Cleansing Act, 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, and to conduct mitigation to minimize the escalation of impact. At the same time, the effectiveness of emergency preparedness and response procedures is maintained through annual testing and internal audits.

Initiatives to reduce hazardous waste

We are constantly considering how to use the best economically feasible technologies. One example of reducing hazardous waste is electrodeposition coating materials used for antirust treatment on steel frames. In the past, these contained a very small amount of lead, which could become hazardous waste, but since January 2003, we have switched to lead-free coatings.

Initiatives for processing hazardous waste and preventing contamination by chemical substances

During Factory Production (FY)

Targets	2020	2021	2022
Maintain zero release of hazardous waste into the natural environment	No improper processing or scattering accidents.	Same as left	Same as left

During Construction (FY)

Targets	2020	2021	2022
• Continue appropriate protective measures • Maintain zero accidents caused by chemical substances	No accidents caused by use of chemical substances occurred.	Same as left	Same as left

Natural Environment (Soil) (FY)

Targets	2020	2021	2022
Maintain zero serious risk when purchasing land[4]	No purchases (sales) occurred involving contaminated land exceeding legal standards or unremediated land.	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

Adoption Rate of Next-generation Indoor Environment Control System SMART-ECS[5] (FY)

Targets	Unit	2021	2022
Minimum 70% adoption rate	%	79	80

5 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 100% of waste.

(FY)

Targets	2020	2021	2022
Maintain zero release of hazardous waste into the environment during new construction	No release accidents occurred.	Same as left	Same as left

During Demolition and Disposal (FY)

Targets	2020	2021	2022
Maintain zero emissions of hazardous waste into the environment during demolition work	No environmental release accidents occurred.	Same as left	Same as left

5. Activities and Other Related Information

Pollution, Waste and Resource Use Costs and Investment in R&D on Reducing or Avoiding Their Impacts

The Resource Recycling Centers at our factories handle waste from construction sites, sorting plastic products for recycling and collecting metals and other valuables. In FY2022, the operating expenses associated with the facilities, from the operation of collection points to disposal (costs imposed by waste issues), totaled ¥517 million. In addition, Group company Konoike Construction invested ¥1,980,000 for experimental research aimed at developing technologies for processing soil containing radioactive substances.

Emissions and Transfer of PRTR-Listed Substances (FY)

	Unit	2019	2020	2021[1]
Emission and transfer	t	63.9	54.8	63.9

1 Because they are taken from a government report, the figures here are for the period from April 2021 to March 2022, which differs from the period covered by this report.

Materials Used in Production (FY)

	Unit	2020	2021	2022
Metal	1,000 t	239	264	261
Concrete		213	235	230
Glass and ceramics		198	215	202
Lumber		124	135	121
Other		69	76	73
Total		843	924	887

Emissions and Transfer of PRTR-Listed Substances (FY2021) (kg)

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	4,858
	405	—	Boron and its compounds	0	7,169	0	0	0	8,624	17,572
	411	50-00-0	Formaldehyde	0	0	0	0	0	0	1,214
	412	—	Manganese and its compounds	17	0	0	0	0	141	1,338
			(Total amount of substances not subject to administrative reporting)	35	612	0	0	0	36	683
			Subtotal	52	7,781	0	0	0	8,801	25,665
Kanto Factory	232	68-12-2	N,N-dimethylformamide	3,260	0	0	0	0	0	3,260
	240	100-42-5	Styrene	0	0	0	0	0	0	2,203
	300	108-88-3	Toluene	4,761	0	0	0	0	0	4,761
	412	—	Manganese and its compounds	168	0	0	0	0	1,105	5,203
			(Total amount of substances not subject to administrative reporting)	2,986	0	0	0	0	121	3,077
			Subtotal	11,174	0	0	0	0	1,226	18,503
Shizuoka Factory	1	—	Water-soluble zinc compounds	0	0	0	0	0	82	2,074
	53	100-41-4	Ethylbenzene	10,276	0	0	0	0	537	10,813
	80	1330-20-7	Xylene	14,761	0	0	0	0	786	15,547
	296	95-63-6	1,2,4-Trimethylbenzene	3,541	0	0	0	0	174	3,715
	297	108-67-8	1,3,5-Trimethylbenzene	967	0	0	0	0	47	1,014
	300	108-88-3	Toluene	24,913	0	0	0	0	939	25,863
	349	108-95-2	Phenol	0	0	0	0	0	0	5,828
	405	—	Boron and its compounds	0	1,509	0	0	0	2,768	19,670
	412	—	Manganese and its compounds	117	0	0	0	0	875	5,146
			(Total amount of substances not subject to administrative reporting)	234	96	0	0	0	85	1,426
			Subtotal	54,808	1,605	0	0	0	6,293	91,095
Hyogo Factory			(Total amount of substances not subject to administrative reporting)	1,018	0	0	0	0	0	1,018
			Subtotal	1,018	0	0	0	0	0	1,018
Yamaguchi Factory	1	—	Water-soluble zinc compounds	0	31	0	0	0	404	1,285
	53	100-41-4	Ethylbenzene	1,482	0	0	0	0	0	1,482
	80	1330-20-7	Xylene	4,137	0	0	0	0	0	4,137
	296	95-63-6	1,2,4-Trimethylbenzene	2,673	0	0	0	0	0	2,673
	300	108-88-3	Toluene	1,550	0	0	0	0	0	1,550
	412	—	Manganese and its compounds	74	59	0	0	0	561	2,389
			(Total amount of substances not subject to administrative reporting)	1,631	31	0	0	0	0	1,394
			Subtotal	10,065	90	0	0	0	965	14,910
			Total	77,116	9,476	0	0	0	17,285	151,190

Note: Because they are taken from a government report, the figures here are for the period from April 2021 to March 2022, which differs from the period covered by this report.

Waste Generated (Sekisui House Group, Including Konoike Construction) (FY)

		Unit	2020	2021	2022
Waste generated[1]		1,000 t	1,107.4	1,021.4	1,069.7
Breakdown	Non-recyclable waste[2]		33.4	24.2[4]	21.2
	Recyclable waste[3]		1,074.0	997.2	1,048.5
			97%	98%	98%

1 Total waste from offices, factories and construction/demolition sites
2 Waste generated that is disposed of in landfills or by incineration and not recycled
3 Waste generated that is recycled (material recycling or thermal recycling)
4 FY2021 figures for non-recyclable waste and recyclable waste have been retroactively revised to improve accuracy.

Hazardous Waste Generated (Sekisui House Group, Including Konoike Construction) (FY)

	Unit	2020	2021	2022
Hazardous waste generated	1,000 t	0.962	0.612	0.904

Note: The Sekisui House Group defines hazardous waste as specially controlled industrial waste stipulated in the Wastes Disposal and Public Cleansing Act (flammable waste oil, scatterable asbestos, etc.), including waste regulated by the Basel Convention, such as waste PCBs.

SOx and NOx emissions (factories in Japan) (FY)

	Unit	2020	2021	2022
Sulfur oxides (SOx)	t	0.055	0.057	0.052
Nitrogen oxides (NOx)		3.44	5.67	3.37

E Water Security

1. Governance

Sekisui House implements initiatives to address issues related to climate change, including water-issues, through the ESG Promotion Committee. Furthermore, at our factories, we have established a management system under ISO 14001, the international standard for environmental management systems, through which we are promoting water-related initiatives.

2. Strategy

Sekisui House's business activities, in such areas as housing, construction and remodeling, use only small amounts of water. However, as the impacts of climate change on human society and ecosystems intensify year by year, water resources are becoming a significant global concern. In particular, over the long term, water shortages are seen as a global water risk, and the conservation of water resources, using water stress as a metric, is a challenge going forward. To secure the sustainability of water resources, we not only avoid water risk in our own businesses, but work to promote efficient water use and prevent water pollution based on the understanding that these issues have a tremendous impact on our supply chains. To this end, we assess water risks, set water use reduction targets, and implement measures to promote the effective use of water resources and manage wastewater quality.

3. Risk Management

Initiatives at factories in Japan

Our five domestic production factories (the Tohoku Factory, Kanto Factory, Shizuoka Factory, Hyogo Factory and Yamaguchi Factory) use groundwater in addition to the municipal water supply and industrial-use water in the coating of steel frame members and the manufacturing and painting of exterior walls used in residential construction. All five factories have formulated water management plans. We are making ongoing efforts to ensure appropriate wastewater quality management and the efficient use of water resources in these processes. Specifically, we implement wastewater quality analyses at least once a month and work to reduce water consumption through such efforts as reusing treated water for cleaning. Wastewater from all five factories in Japan is discharged into public sewers and rivers after being purified in the factory's effluent treatment plant. We manage wastewater quality according to voluntary standards set as annual targets that are stricter than the Water Pollution Control Law and ordinances. In 2022, the measured water quality of discharge was better than these voluntary standards. In this way, we strive to prevent water pollution and protect the water quality environment in the areas surrounding our factories. 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 the actualized water pollution risk at a managers' meeting to prevent recurrences.

Evaluating Water Stress Levels at Production Sites

We have confirmed that none of the Company's production sites are located in regions designated as having high or extremely high (>40%) water stress levels as identified using the WRI Aqueduct tools developed by the World Resources Institute (WRI).

However, the Shizuoka Factory is located in a region predicted to have an extremely high (>80%) level of water stress in 2030.[1] Taking a medium- to long-term perspective, the Company considers the Shizuoka Factory as equivalent to a production site in a water-stressed region. Accordingly, we have confirmed the need to strive for the efficient use of water resources and usage reduction and are promoting better use.

1 The Ingleburn Manufacturing and Quality Control Centre in Australia is located in a region predicted to have an extremely high (>80%) level of water stress in 2030, but the facility is not included as it does not carry out manufacturing processes that use water.

Cooperation with diverse stakeholders

Cooperation with customers

In our newly built houses, we have installed the latest water-saving fixtures (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 helping to reduce water consumption in houses. Furthermore, for existing homes, we are promoting the use of water-saving fixtures, including by replacing existing fixtures, through the remodeling business.

Cooperation at business sites in water-stressed areas

The Shizuoka Factory uses municipal water drawn from the Oi River system. Based on requests from the Toen Industrial Water Business Association, the Shizuoka Factory proactively uses industrial-use water, helping to reduce municipal water consumption.

Cooperation with public entities

Sekisui House participates in the Ministry of the Environment's Water Project. This project carries out activities related to offering initiatives, products, technologies and services that promote the effective use of water resources and water-saving sewerage in business activities in Japan.

Ministry of the Environment's Water Project (Japanese only)

Group company Konoike Construction is actively involved in renewable energy projects aimed at contributing to decarbonization. One such project it has started is a small-scale hydroelectric power generation project at the Higashinada No. 1 low-rise water distribution plant of the Kobe City Waterworks Bureau. The project, installed on a site leased from Kobe City, commenced power generation in June 2020. It comprises a small-scale hydroelectric power generation system through which passes a stable water flow from the distribution plant's water purification tanks to a distribution reservoir.

Cooperation with other regional companies

When shipping and transporting products to construction sites—whether from our own factories or those of our partner manufacturers—we use the Company's transport cases. After use, these cases are collected from

construction sites, returned to factories, washed and reused. The water used in this washing is recirculated within the cleaning facilities, helping reduce water consumption. In addition, the employee cafeterias at some factories are operated by external food service contractors. As one part of water conservation efforts in these operations, we proactively use no-wash rice, which can be cooked without additional washing.

Cooperation with investors

The management of office buildings owned by the Company and its overall real estate portfolio is entrusted to Sekisui House Asset Management, Ltd., which implements appropriate water management, including monitoring and setting numerical targets for the volume of water use.

Initiatives in Overseas Businesses

Sekisui House's West Village Project has been certified as a leader in environmental friendliness and social sustainability within the Australian market. It gained World Leadership status from the Green Building Council of Australia (GBCA) in November 2017 when the project received 6 Star Green Star Communities Certification. This is the highest sustainability ranking for master-planned communities in Australia.

West Village comprises eight condominium buildings and nearly one hectare of green, open space, including four leafy laneways and two parks. In particular, Morrison Park incorporates sustainability and heritage management initiatives. Gray water from laundries and showers in two of the neighboring residential buildings is treated onsite and stored in a 250 kL tank. This, together with a 50 kL rainwater tank, is used to water the gardens in the park.



4. Metrics and Targets

The Sekisui House Group's Water Use (FY)

		Unit	2020	2021	2022
Municipal water		1,000 m³	597	598	566
	At production facilities		130	134	134
Groundwater			462	457	471
	At production facilities		462	457	471
Industrial-use water (reclaimed water)			24	22	21
	At production facilities		24	22	21
Total			1,083	1,076	1,058
	At production facilities		616	612	626

Wastewater Volume by Discharge Destination (FY)

		Unit	2020	2021	2022
Sewers		1,000 m³	443	472	441
	At production facilities		8	8	9
Rivers			345	302	345
	At production facilities		345	302	345
Total			788	774	786
	At production facilities		353	310	354

Company Facilities in Water-stressed Regions

Shizuoka Factory: 1 location

Number and Proportion of Assets, Production, and Revenue in Water-stressed Regions

	Shizuoka Factory	All factories	Percent of total
Maximum production capacity	800 houses/month	2,420 houses/month	33%

Water Withdrawal/Consumption in Water-stressed Regions

Shizuoka Factory

(FY)

	Unit	2020	2021	2022
Water withdrawal	1,000 m³	58.6	57.5	55.4
Water consumption		9.7	7.8	4.4

Targets for Reducing Water Consumption and Withdrawal in Water-stressed Areas

Looking ahead at future water stress risk, the Shizuoka Factory is actively working to utilize industrial-use water in processes that previously used municipal water to demonstrate its proactive stance on conserving the water environment. Furthermore, the factory has set the target of reducing the consumption of industrial-use water by 80% in its internal wastewater treatment facilities from FY2021 levels by 2030. As part of these reduction efforts, we will promote the internal circulation of water by reusing some effluent and by expanding the use of rainwater. We view water consumption at the Shizuoka Factory as one of our most important indicators for water conservation, and are working to reduce water withdrawal and consumption.

Industrial-use Water Reduction Rate at Wastewater Treatment Facilities in the Shizuoka Plant (FY)

Unit	2021	2022	2030 target
%	0 (baseline year)	25	80

Targets and Progress toward Reducing the Use of Water as a Raw Material

The Company does not use water as a raw material.

Water Use Per Unit of Net Sales (FY)

Unit	2020	2021	2022
(m^3/million yen)	0.443	0.416	0.361

Water Pollutant Discharge

Biochemical Oxygen Demand (BOD) (FY)

	Unit	2020	2021	2022
Tohoku Factory	t	0.053	0.061	0.051
Kanto Factory		0.755	0.771	0.734
Shizuoka Factory		0.088	0.094	0.106
Hyogo Factory		0.043	0.056	0.054
Yamaguchi Factory		0.238	0.279	0.378
Total		1.178	1.261	1.323

Chemical Oxygen Demand (COD), Phosphorus, Nitrogen

Sites covered: Yamaguchi Factory (FY)

	Unit	2020	2021	2022
COD	t	0.753	0.835	1.079
Phosphorus		0.024	0.071	0.097
Nitrogen		0.401	0.378	0.482

Calculation standards
Wastewater measurements taken throughout the fiscal year are used to calculate average COD and average concentrations of phosphorous and nitrogen. Average daily COD and concentrations of phosphorous and nitrogen are multiplied by average daily wastewater volume (m^3/day), which is then multiplied by the number of days the factory operated to calculate annual emissions volume.
Note: Data is disclosed for sites subject to Japan's Water Quality Standards.

Number of Violations of Permits, Standards and Regulations Related to Water Quality and Quantity (FY)

2020	2021	2022
0 Note: There were no violations of permits, standards or regulations related to water quality or quantity	0 Same as left	0 Same as left

The Sekisui House Group's Costs Associated with Water-related Risks (FY)

	Unit	2020	2021	2022
Municipal water and sewerage costs	Million yen	104	108	114
Other operating costs		107	109	124
Total		212	217	238

Investment in R&D to Mitigate Water-related Risks

Group company Konoike Construction boasts a long track record and advanced technologies in the cleanup of soil contaminated by a variety of pollutants and, in addition to soil, is working in a wide range of areas including water pollution countermeasures and disaster-related waste disposal. In FY2022, the company implemented research and development as follows.

Topic	Unit	Cost
Developing water purification technologies that use ultrafine bubbles	Million yen	6
Developing treatment technologies for organic fluorides (PFAS)		25
Enhancing existing environmental technologies (solidification and insolubilization, bio-treatment, etc.)		17

Domestic Factory Water Quality Analysis Results

Emissions	Unit	Tohoku Factory				Kanto Factory: Factory 1				Kanto Factory: DYNE Panel Factory				Shizuoka Factory				Hyogo Factory				Yamaguchi Factory			
		Regulatory value under Water Pollution Control Law	Regulatory value under ordinances and agreements	Voluntary standard value	Measured value	Regulatory value under Water Pollution Control Law	Regulatory value under ordinances and agreements	Voluntary standard value	Measured value	Regulatory value under Water Pollution Control Law	Regulatory value under ordinances and agreements	Voluntary standard value	Measured value	Regulatory value under Water Pollution Control Law	Regulatory value under ordinances and agreements	Voluntary standard value	Measured value	Regulatory value under Water Pollution Control Law	Regulatory value under ordinances and agreements	Voluntary standard value	Measured value	Regulatory value under Water Pollution Control Law	Regulatory value under ordinances and agreements	Voluntary standard value	Measured value
Hydrogen ion concentration (hydrogen index; pH)	—	5.8 or higher 8.6 or lower	5.8 or higher 8.6 or lower	5.9 or higher 8.5 or lower	7.5	5.8 or higher 8.6 or lower	5.8 or higher 8.6 or lower	6.0 or higher 8.4 or lower	8.1	5.8 or higher 8.6 or lower	5.8 or higher 8.6 or lower	6.0 or higher 8.4 or lower	7.7	5.8 or higher 8.6 or lower	5.8 or higher 8.6 or lower	6.0 or higher 8.0 or lower	7.7	—	—	6.2 or higher 8.2 or lower	7.6	5.8 or higher 8.6 or lower	—	6.0 or higher 8.0 or lower	7.0
Chromium	mg/L	2	—	1	Below 0.1	2	1	0.5	0.1	2	1	0.5	0.01	2	2	—	0.1	—	—	—	—	2	—	0[1]	0
Copper	mg/L	3	—	1.5	Below 0.1	3	—	1.5	0.1	3	—	1.5	0.01	3	1	—	0.05	—	—	—	—	3	—	0.1	0
Phenol	mg/L	5	—	2.5	Below 0.1	5	1	0.5	0.1	5	1	0.5	0.05	5	5	—	0.05	—	—	—	—	5	—	2.5	0
Normal-hexane extracts (mineral oil)	mg/L	5	5	3	Below 0.5	5	—	2.5	0.5	5	—	2.5	1.0	5	3	2	0.5	—	—	2	1 or lower	5	—	2.5	0
Soluble manganese	mg/L	10	—	5	Below 0.1	10	1	—	0.1	10	1	—	0.1	10	10	—	0.1	—	—	—	—	10	—	5	1.5
Soluble iron	mg/L	10	—	5	Below 0.1	10	—	5	0.1	10	—	5	0.26	10	10	3	0.1	—	—	—	—	10	—	5	0
Phosphorus	mg/L	—	—	—	—	—	—	8	0.3	—	—	8	0.3	—	—	—	—	—	—	—	—	1.56 (kg/day)	—	1.50 (kg/day)	0.4 (kg/day)
Nitrogen	mg/L	—	—	—	—	—	—	90	5.9	—	—	90	1.2	—	—	—	—	—	—	—	—	11.88 (kg/day)	—	6 (kg/day)	2.0 (kg/day)
Chemical oxygen demand (COD)	mg/L	—	—	—	—	—	25	—	4.7	—	25	—	8.2	—	—	—	—	—	—	70	13.5	10.4 (kg/day)	—	10 (kg/day)	4.5 (kg/day)
Biochemical oxygen demand (BOD)	mg/L	160	20	—	3.1	160	25	15	1.9	160	25	15	4.3	160	20	10	2.2	—	—	70	7.25	160	—	60	8.4
Suspended solids (SS)	mg/L	200	150	60	7.2	200	40	20	1.1	200	40	20	3.8	200	30	10	3.1	—	—	25	5.15	200	—	75	3.9
Coliform bacteria count	Bacteria/cm^3	3,000 (daily average)	3,000 (daily average)	1,500	159	3,000 (daily average)	—	1,000	0	3,000 (daily average)	—	1,000	7.2	3,000 (daily average)	3,000 (daily average)	100	0	—	—	1,500	19.25	3,000 (daily average)	—	1,500	7.7
Zinc	mg/L	2	—	1	0.2	2	—	1.5	0.1	2	—	—	0.01	2	1	0.5	0.06	—	—	2	0.02	2	—	1.8	1

1 Not detected (below the detection limit)

E Environmental Data

Commitment in the Event of Inconsistencies between Trade Association Positions and Company Policy on Climate Change

As an industry leader, Sekisui House is positioned to play a leading role in decarbonization efforts. Industry trade associations have developed a good understanding of the Paris Agreement and the Japanese government's policy on climate change, and there is no inconsistency among industry activities in this area. In the event of inconsistencies between Sekisui House's policies and the climate change position of trade associations due to future changes in social conditions or other factors, or the event that the Company deems trade associations' stance on climate change insufficient, the Company we will take the lead in engaging with industry actors to promote consistency with national policy.

Greenhouse Gas Emissions from Specific Activities

(FY)

	Unit	2020	2021	2022
Flaring emissions	t	0	0	0
Methane (CH_4) emissions		0	0	0
Cement production GHG emissions		0	0	0

Carbon Intensity

Scope 1 and Scope 2 Emissions per Unit of Net Sales (FY)

	Unit	2019	2020	2021
Yen	t/billion yen	50.10	55.17	33.98
USD	t/million USD	5.46	5.76	3.92

Power Generation by Energy Type

Sekisui House's factories and other facilities have installed photovoltaic and other alternative systems to generate power for use in-house.

(FY)

	Unit	2020	2021	2022
Photovoltaic power generation	MWh	30	30	79

Short Term (up to 5 Years) GHG Emissions Reduction Targets

Sekisui House is working to decarbonize its businesses in line with the long-term target for 2030 of reducing the Scope 1 and 2 emissions from its business operations by 75% compared with the FY2013 levels. To achieve this target, we aim to reduce emissions by 4.4% each year, to this end advancing such initiatives as switching to renewable energy, moving to office buildings that meet ZEB specifications and replacing our fleet of Company vehicles with electric vehicles.

Harmony with the Environment

Environmentally Symbiotic Housing is an initiative aimed at creating better housing through compliance with certification standards based on CASBEE for New Detached Houses, part of the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) promoted by the Ministry of Land, Infrastructure, Transport and Tourism. 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.

In addition to adopting the concept of Environmentally Symbiotic Housing in product development, Sekisui House reflects this concept in its development of custom detached houses, condominiums and gardens, striving to provide good housing and attractive cityscapes through the "Common's" cityscape evaluation system. In particular, we strive to reduce environmental impact through ZEH and promote harmony with the environment through the biodiversity-friendly *Gohon no ki* project while creating comfortable living spaces. Through such tangible efforts to realize harmony with the environment, we aim to contribute to the emergence of a society committed to sustainability in housing and community development.

CASBEE has been adopted by numerous cities in Japan, particularly ordinance-designated large cities. Our CASBEE Accredited Professionals 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 aluminum sashes and double-glazed windows in 2000, adopting next-generation energy-efficiency standards as standard specification in all detached houses in 2003 followed by high-efficiency water heaters in 2005, and by launching ZEH products in 2013. We are now taking the same approach in our rental housing, too. As a result, 98% of our detached houses and 99% of our rental housing meet the government's certification standards for low-carbon buildings (standards related to the external skin and primary energy consumption) as of FY2022. Sales of this energy-efficient housing account for 99% of the Group's total sales in the custom detached houses and rental housing businesses.

Office LED initiatives

The Sekisui House Group has been working to convert office lighting to LEDs since FY2018. In FY2022, at least 419 fluorescent lamps were replaced with LEDs, bringing the cumulative total to approximately 22,500.

As a result of this year's change, annual CO_2 emissions were reduced approximately 15 tonnes. The amount invested was ¥2.41 million, while costs were reduced by ¥970,000, for an expected recovery of costs in 2.5 years.

Use of lifecycle analysis during product and system design

For some time, we have calculated CO_2 emissions at every product lifecycle stage, from production to demolition, using the Life Cycle Assessment (LCA)[1] method. These calculations have shown 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. To contribute to the realization of a decarbonized society, we recognize that the most important factor is reducing environmental impact at the residential stage and therefore continue striving to evolve our products.

In addition, Group companies specializing in remodeling existing products are working to reduce CO_2 emissions from the existing housing stock, making steady progress toward a decarbonized society by 2050.

Furthermore, by calculating CO_2 emissions for Scope 1, 2 and 3, we are monitoring CO_2 emissions not only during product manufacturing, but also at upstream, including material procurement, and downstream, including during occupancy. We use this information to devise ways to reduce CO_2 emissions over the entire product lifecycle.

1 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.

Annual GHG data, energy use data and water use data Totals for the real estate portfolio

Sekisui House is working to decarbonize its real estate portfolio. The figures below are for the portion of real estate that the Company owns, or for which it owns the real estate trust beneficiary rights, that is office and commercial buildings in the leasing business for which energy use and other such data is available.

(FY)

	Unit	2020	2021	2022
Electricity consumption	MWh	30,399	28,698	36,491
Gas consumption	1,000 m^3	3,648	3,339	3,608
Water consumption	1,000 m^3	197	172	261
GHG emissions	t-CO_2	18,727	13,840	19,599
Floor area	m^2	244,616	231,402	293,133

Evidence and ratio of buildings with green certification in the real estate portfolio

Grand Front Osaka, in which Sekisui House owns a partial stake, has earned a five-star certification under the CASBEE for Real Estate system. The green certification ratio of Sekisui House's real estate portfolio stands at 7%.

Evaluation of Grand Front Osaka under CASBEE for Real Estate (Japanese only)

Green leases with tenants

Sekisui House has entered into green lease agreements with certain tenants of properties it owns, including those at Grand Front Osaka. From the perspectives of energy saving and environmental consideration, and sharing the principles of maintaining and improving property comfort and productivity, we and our tenants mutually cooperate in one another's environmental initiatives.

Building management systems that measure energy efficiency

Umeda Sky Building, which Sekisui House jointly owns, uses a building energy management system (BEMS). Managing the indoor temperature and humidity as well as the operation of heat source facilities, the system is used to, for example, optimize the operating hours of building equipment. The system is also able to measure electricity consumed by lighting separately from the rest of the building's power.

Evidence of urban brownfield redevelopment

Sekisui House is developing Miramachi, 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.

In the Company's approval screening standards for purchasing real estate, the standards for purchasing brownfield properties specify that the cause, responsibility, burden, cost, schedule and procedures (including site de-designation) for the remediation of any soil contamination or suspected soil contamination must be made clear before purchasing.

In addition, for the redevelopment of former factory sites and similar sites, Group company Konoike Construction draws on its wealth of experience and technologies to plan and implement optimal measures, based on surveying results, for dealing with soil contamination, including that caused by leaks of hazardous substances, heavy metals and volatile organic compounds.

Commitment regarding greenfield development

In the Company's approval screening standards for purchasing real estate, the standards for purchasing greenfield properties specify that, for any farmland being considered for purchase, the appropriate farmland conversion procedures must be observed. We purchase only land that has received government permission for conversion from farmland to land for other purposes.

The Tama New Town Higashiyama subdivision is an example of greenfield development. For this project, we are advancing development with due consideration to the local ecosystem in line with the commitments of the Company's Urban Development Charter, which states that "We will preserve existing woodlands and transplant trees that cannot be kept in place. Even small saplings will be saved and planted in various locations around town."

Urban renewal evidence

At the West Village redevelopment project in Brisbane, Australia, we have left intact the Peters Ice Cream Factory, established in 1928, at a central location within the site to preserve the historic view while creating an office space with a sense of history for lease by small and medium-sized enterprises.

The Ice Cream Factory

Material balance (monitoring of environmental impact of business activities in FY2022)[1]

To make its environmental conservation activities as effective as possible, the Sekisui House Group monitors and reports on environmental impacts[2] at all business sites, including offices, factories, and construction and demolition sites both in Japan and overseas.

INPUT

Offices

Energy	175,064 MWh
Electricity	48,563 MWh
Gasoline	11,351 kL
Light oil	301 kL
Natural gas	571,000 m^3
Propane gas	48,000 m^3
Kerosene	21 kL
Cold water / hot water / steam	19,531 GJ

Water	205,000 m^3
Municipal water	205,000 m^3

Factories

Energy	134,379 MWh
Electricity	42,308 MWh
Natural gas	3,659,000 m^3
LPG	1,671 t
LNG	1,338 t
Kerosene	172 kL
Light oil	53 kL
Gasoline	17 kL

Water	626,000 m^3
Municipal water	134,000 m^3
Industrial-use water	21,000 m^3
Groundwater	471,000 m^3

Construction and demolition sites[3]

Energy	56,888 MWh
Electricity	19,343 MWh
Light oil	3,329 kL
Gasoline	215 kL
Kerosene	60 kL

Water	227,000 m^3
Municipal water	227,000 m^3

Business sites

OUTPUT

Offices

CO_2 emissions	43,160 t-CO_2

Waste[4]	85 t (Recycling rate: 73.6%)
Paper	56 t
Other	30 t

Factories

CO_2 emissions	21,637 t-CO_2

Waste	12,432 t (Recycling rate: 100%)
Glass/ceramics	4,040 t
Metal	4,874 t
Sludge	1,851 t
Wood	946 t
Other	722 t

Construction and demolition sites[3]

CO_2 emissions	16,997 t-CO_2

Waste	1,057,199 t (Recycling rate: 98.0%)
Concrete	447,668 t
Sludge	232,255 t
Debris, etc.	70,366 t
Asphalt concrete	55,211 t
Other	251,699 t

1 Scope: Sekisui House (non-consolidated basis) and its major consolidated subsidiaries in Japan and overseas (51 companies)
Period: FY2022 (February 2022 to January 2023), in principle. The figures include estimates in cases where final data was unavailable at the time of calculation. From FY2022, data categorization by business activity was changed to categorization by business site. As such, figures for energy use and CO_2 emissions that were previously recorded for the categories of development and design, factory production, construction and demolition are now recorded for the categories of offices, factories, and construction and demolition sites.
2 All figures for waste from business activities include valuables.
3 Because demolition orders received by Sekisui House are carried out by partner companies with which the Company has no capital relationships, the CO_2 emissions related to the energy use in such demolition have been reclassified as Scope 3 Category 1.
4 Emissions from the head office building

Data calculation standards

Sites	Environmental metrics	Calculation method
Offices	Energy and CO_2	• Energy consumption and CO_2 emissions at Sekisui House (non-consolidated basis), 51 major domestic and overseas consolidated subsidiaries • 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 fuel refer to those specified in the Act on Promotion of Global Warming Countermeasures.[1] • CO_2 emissions (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 Act on Promotion of Global Warming Countermeasures[1] while overseas electricity CO_2 emission factors are based on the "Emissions Factors 2022" (IEA). • Due to data input limitations, energy consumption and CO_2 emissions from light oil for construction vehicles used at construction and demolition sites by the former Sekiwa Construction[2] are included in the "Offices" category.
	Waste	• Amount of waste generated from the Sekisui House (non-consolidated basis) head office, including consolidated subsidiary offices in the same building
Factories	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) • 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 Act on Promotion of Global Warming Countermeasures.[1] • CO_2 emissions (t-CO_2) = [(Purchased electricity) × (CO_2 emission factor) + ∑ [(Fuel consumption) × (Fuel CO_2 emission factor)]]. CO_2 emission factors for electricity and fuel at sites in Japan refer to those specified in the Act on Promotion of Global Warming Countermeasures,[1] while electricity CO_2 emission factors at the Ingleburn Manufacturing and Quality Control Centre (Australia) refer to those specified in the "Emissions Factors 2022" (IEA).
	Waste	• Amount of waste generated from Sekisui House's (non-consolidated basis) five domestic factories
Construction and demolition sites	Energy and CO_2	• Electricity, fuel and other energy consumption and CO_2 emissions from the domestic construction and civil engineering work of Sekisui House (non-consolidated basis), the former Sekiwa Construction[2] and Konoike Construction. Data for Konoike Construction includes demolition work associated with construction and civil engineering work and discrete demolition projects. • 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 Act on Promotion of Global Warming Countermeasures.[1] • Energy consumption and CO_2 emissions resulting from construction by Konoike Construction refer to those resulting from domestic construction and civil engineering work it supervises (excluding discrete 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 estimated for small-scale construction work at contracted amounts of less than ¥100 million are estimated. • CO_2 emissions (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 Act on Promotion of Global Warming Countermeasures.[1] • From FY2022, the calculation method of CO_2 emissions from electricity used by Konoike Construction at construction and demolition sites has been changed from location-based to market-based.
	Waste	• Amount of waste generated from new construction, maintenance and remodeling sites as well as housing and building demolition sites by Sekisui House (non-consolidated basis), the former Sekiwa Construction[2] and Sekisui House Remodeling. • Amount of waste generated from Konoike Construction's domestic construction and civil engineering work. Data for Konoike Construction include demolition work associated with construction and civil engineering work and discrete demolition projects.

1 Calorific value per unit of energy and CO_2 emission factors are based on the Act on Promotion of Global Warming Countermeasures. Electricity emission factors are based on the factors by electric utility in "Emission Factors by Electric Utility (for Calculation of Greenhouse Gas Emissions by Specific Emitters) FY2021 Results" (Ministry of the Environment and Ministry of Economy, Trade and Industry; January 24, 2023).

2 The names of the Sekiwa Constriction companies changed to the Sekisui House Construction companies as of February 1, 2023.

Value chain greenhouse gas (GHG) emissions (FY2022)

Scope 1 and 2 GHG Emissions

(t-CO_2e)

Scope	Description	CO_2	HFC[1]	Other[2]	Total emissions	Targets
Scope 1	CO_2 emissions from use of primary fuels	55,475	8	0	55,483	Sekisui House (non-consolidated basis) and major consolidated subsidiaries in Japan and overseas (51 companies)
Scope 2[3]	CO_2 emissions associated with purchased electricity and heat	26,319	—	0	26,319	Sekisui House (non-consolidated basis) and major consolidated subsidiaries in Japan and overseas (51 companies)
	Total of Scope 1, 2	81,794	8	0	81,802	

1 Hydrofluorocarbon released by Sekisui House (non-consolidated basis)
2 CH_4 (methane), N_2O (nitrous oxide), PFC (perfluorocarbon), SF_6 (sulfur hexafluoride), etc.
3 Market-based calculation

Scope 1 and 2 GHG emissions by country

(t-CO_2e)

Japan	United States	Australia	China	Total
79,512	1,382	370	538	81,802

Scope 3 GHG emissions

(t-CO_2)

Scope		Category	Emissions	Targets
Upstream	Category 1	Purchased goods and services	2,072,896	Sekisui House (non-consolidated basis), Konoike Construction
	Category 2	Capital goods	190,694	Sekisui House (non-consolidated basis)
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	19,855	Sekisui House (non-consolidated basis), 51 major consolidated subsidiaries
	Category 4	Upstream transportation and distribution	28,663	Sekisui House (non-consolidated basis)[4]
	Category 5	Waste generated in operations	130,226	Sekisui House (non-consolidated basis), Konoike Construction, the former Sekiwa Construction, Sekisui House Remodeling
	Category 6	Business travel	6,913	Sekisui House (non-consolidated basis)
	Category 7	Employee commuting	19,672	Sekisui House (non-consolidated basis)
	Category 8	Upstream leased assets	—	(CO_2 emissions from leased 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[5]	4,149,225[6]	Sekisui House (non-consolidated basis), Konoike Construction, Sekisui House noie, the former Sekiwa Construction, Sekisui House Real Estate
	Category 12	End-of-life treatment of sold products	127,381	Sekisui House (non-consolidated basis), Konoike Construction
	Category 13	Downstream leased assets	23,906	Sekisui House (non-consolidated basis)
	Category 14	Franchises	—	(Not applicable)
	Category 15	Investments	312	1 major equity-method affiliate

4 From FY2022, the targets have been changed to specified consigners as stipulated in the Act on the Rational Use of Energy. Accordingly, Konoike Construction, which was included in the scope of the data until FY2021, has been excluded.
5 The scope of calculation was changed from FY2022.
6 Scope 3 Category 11 emissions under the previous scope of calculation (detached houses and low-rise rental housing) were 2,638,031 t-CO_2

Scope 3 greenhouse gas emissions calculation standards

Category		Calculation method
Category 1	Purchased goods and services	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 by raw material type (million yen), or quantity purchased by raw material type for major materials purchased) × (CO_2 emission factor by raw material type (t-CO_2/million yen)), 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. 2.4, March 2022; Ministry of the Environment and Ministry of Economy, Trade and Industry) and the accompanying Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.2, March 2022). Electricity used at new construction sites, excluding those of Konoike Construction = [(Electricity consumption resulting from onsite temporary construction, estimated based on Sekisui House's past performance (kWh/day) × (Average construction period of a detached house (days/house) × (Number of houses built per year (shipment basis; houses)] − [(Electricity used by Sekisui house (non-consolidated basis) and the former 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 past performance)] × [Number of houses built per year (shipment basis; houses)]. 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 calorific value per unit and CO_2 emission factor for each energy type, the values of the Act on Promotion of Global Warming Countermeasures are adopted.[1]
Category 2	Capital goods	Calculated based on Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.2; Ministry of the Environment and Ministry of Economy, Trade and Industry) for buildings and accompanying facilities, structures, mechanical equipment, tools, furniture and fixtures, vehicles and transport equipment.
Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	Calculated based on Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.2; Ministry of the Environment and Ministry of Economy, Trade and Industry) and the IDEA LCI Database (Ver. 2.3) for Scope 1, 2 (excluding cold water, hot water and groundwater).
Category 4	Upstream transportation and distribution	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). For other parts of the Group, calculated according to the Act on Promotion of Global Warming Countermeasures and according to the fuel economy method (with adoption of prescribed fuel economy when 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 factors refer to those specified in the Act on the Rational Use of Energy and the GHG Emissions Accounting and Reporting Manual (Ver.4.8, January 2022; Ministry of the Environment and Ministry of Economy, Trade and Industry).
Category 5	Waste generated in operations	Calculated as [Waste (t) from offices, factories, and construction and demolition sites] × [Waste CO_2 emission factor (t-CO_2/t) by waste type]. Waste CO_2 emission factor (t-CO_2/t) by waste type refers to those specified in Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (Ver. 2.4, March 2022; Ministry of the Environment and Ministry of Economy, Trade and Industry) and the accompanying Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.2, March 2022).
Category 6	Business travel	Calculated based on Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.2; Ministry of the Environment and Ministry of Economy, Trade and Industry) for employee business trip expenses (travel expenses).
Category 7	Employee commuting	Calculated based on Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.2; Ministry of the Environment and Ministry of Economy, Trade and Industry) for employee commuting expenses.
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	CO_2 emissions are calculated based on energy consumed during the use of all housing and non-housing buildings supplied annually by Sekisui House (non-consolidated basis) and Konoike Construction (only housing handled from design to construction) as well as Sekisui House Noie, the former Sekiwa Construction and Sekisui House Real Estate. For housing, primary energy consumption is calculated using an energy consumption performance calculation program used for ZEH[2] calculations that complies with the Act on the Improvement of Energy Consumption Performance of Buildings, and then converted into CO_2 (power generated by photovoltaic cells installed on housing is deducted in full from primary energy consumption and CO_2 emissions). CO_2 emission factors refer to those specified in the Act on Promotion of Global Warming Countermeasures.[3] For non-housing buildings, primary energy consumption is calculated by multiplying floor area by energy consumption per unit floor area for each building use, or by a process analogous to that for housing using the abovementioned program, and then converted to CO_2. Energy consumption per unit floor area by building type and CO_2 emission factors refer to those specified in the Building Energy Consumption Survey Report (Building-Energy Manager's Association of Japan). Service life is assumed to be 45 years for low-rise rental housing and non-housing buildings and 60 years for detached houses, condominiums and high-rise rental housing.
Category 12	End-of-life treatment of sold products	Waste originating from materials shipped from Sekisui House's factories (non-consolidated basis) (weight-based), materials procured on site (weight-based) and the demolition of domestic structures built by Konoike Construction is sorted by waste type. CO_2 emissions are then calculated as [Waste by type of waste (weight-based)] × [CO_2 emission factor by type of waste (t-CO_2/t)]. Waste CO_2 emission factor (t-CO_2/t) by waste type refers to those specified in Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (Ver. 2.4, March 2022; Ministry of the Environment and Ministry of Economy, Trade and Industry) and the accompanying Emission Intensity Database for Corporate Value Chain Accounting of Greenhouse Gas Emissions (Ver. 3.2, March 2022).
Category 13	Downstream leased assets	For tenants, etc., of buildings owned by Sekisui House (non-consolidated basis), including residential buildings, emissions are calculated by multiplying floor area by occupancy rate and either actual usage of electricity, etc., or by the figures specified in [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. 3.2, March 2022).
Category 15	Investments	Calculated as [Greenhouse gas emissions for major Sekisui House Group equity-method affiliates (1 company) in the previous fiscal year] × [The ratio of voting rights in said affiliates held by Sekisui House (%)].

1 Calorific value per unit of energy and CO_2 emission factors are based on the Act on Promotion of Global Warming Countermeasures. Electricity emission factors are based on the factors by electric utility in "Emission Factors by Electric Utility (for Calculation of Greenhouse Gas Emissions by Specific Emitters) FY2021 Results" (Ministry of the Environment and Ministry of Economy, Trade and Industry; January 24, 2023).

2 Housing designed with the aim of achieving net zero annual primary energy consumption by significantly improving the insulation performance of the external skin and using high-efficiency systems to greatly reduce energy use while maintaining the quality of the indoor environment, as well as utilizing renewable energy, etc.

3 Calorific value per unit of energy and CO_2 emission factors are based on the Act on Promotion of Global Warming Countermeasures. Electricity emission factors are based on the national averages of the factors by electric utility in "Emission Factors by Electric Utility (for Calculation of Greenhouse Gas Emissions by Specific Emitters) FY2021 Results" (Ministry of the Environment and Ministry of Economy, Trade and Industry; January 24, 2023).

Environmental Data

Energy consumption in the Sekisui House Group[2]

(FY)

	Unit	2020	2021	2022
Offices	MWh	185,884	176,401	175,064
Factories		128,198	138,269	134,379
Construction and demolition sites		178,596	40,247[1]	56,888
Total	MWh	492,678	354,917	366,331

1 The method for recognizing CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group was changed to Scope 3 Category 1 from FY2021. Therefore, energy used by partner companies during construction is not included in the energy data above. When calculated using the previous method, energy consumption for FY2021 was 160,399 MWh.
2 From FY2022, data categorization by business activity was changed to categorization by business site. As such, figures for energy use and CO_2 emissions that were previously recorded for the categories of development and design, factory production, construction and demolition are now recorded for the categories of offices, factories, and construction and demolition sites.

Purchased renewable energy (electricity) (MWh)

(FY)

	Unit	2020	2021	2022
Purchased electricity (total)[1]	MWh	115,039	109,068	110,134
Of which, renewable energy	MWh	6,609	29,946	37,847

1 For FY2022, Scope 2 emissions divided by purchased electricity come to 0.239 tonne-CO_2/MWh.

GHG emissions (Scope 1, 2)[2]

(FY)

	Unit	2020	2021	2022
Offices	1,000t-CO_2	51	46	43
Factories		34	29	22
Construction and demolition sites		50	13[1]	17
Total	1,000t-CO_2	135	88	82

1 The method for recognizing CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group was changed to Scope 3 Category 1 from FY2021. When calculated using the previous method, Scope 1 and 2 emissions from construction and demolition sites were 45,000 t-CO_2, and total Scope 1 and 2 emissions were 120,000 t-CO_2.
2 From FY2022, data categorization by business activity was changed to categorization by business site. As such, figures for energy use and CO_2 emissions that were previously recorded for the categories of development and design, factory production, construction and demolition are now recorded for the categories of offices, factories, and construction and demolition sites.

GHG emissions (Scope 1, 2, 3)

Scope			Unit	2020[4]	2021[1]	2022
Scope 1, 2	Scope 1	CO_2 emissions from use of primary fuels	1,000 t-CO_2	86	53	55
	Scope 2	CO_2 emissions associated with purchased electricity and heat		49	35	26
		Total of Scope 1, 2	1,000 t-CO_2	135	88	82
Scope 3	Category 1	Purchased goods and services	1,000 t-CO_2	2,040	1,834	2,073
	Category 2	Capital goods		75	135	191
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2		18	16	20
	Category 4	Upstream transportation and distribution		30	31	29
	Category 5	Waste generated in operations		131	128	130
	Category 6	Business travel		6	6	7
	Category 7	Employee commuting		19	22	20
	Category 8	Upstream leased assets[2]		—	—	—
	Category 9	Downstream transportation and distribution		—	—	—
	Category 10	Processing of sold products		—	—	—
	Category 11	Use of sold products		3,010[3]	3,085[3]	4,149[5]
	Category 12	End-of-life treatment of sold products		155	157	127
	Category 13	Downstream leased assets		6	5	24[6]
	Category 14	Franchises		—	—	—
	Category 15	Investments		0	0	0
		Total of Scope 3	1,000 t-CO_2	5,490	5,419	6,770
		Total of Scope 1, 2, 3	1,000 t-CO_2	5,625	5,507	6,851

1 The method for recognizing CO_2 emissions from energy used during construction by partner companies that have no capital relationship with the Group was changed to Scope 3 Category 1 from FY2021.
When calculated using the previous method, Scope 1 emissions for FY2021 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.
2 CO_2 emissions from leased vehicles (Company vehicles) are included in Scope 1.
3 Figures have been revised due to more accurate calculations of photovoltaic power generated.
4 Greenhouse gas emissions figures for 1 major equity-method affiliate have been retroactively recorded for FY2020 onward.
5 From FY2022, the scope of Category 11 emissions calculation has been expanded to Sekisui House (non-consolidated basis), Konoike Construction, Sekisui House Noie, the former Sekiwa Construction and Sekisui House Real Estate.
6 The scope of calculation has been expanded from FY2022 to improve accuracy.

E Factory Site Report

The Sekisui House Group's five domestic factories (Tohoku, Kanto, Shizuoka, Hyogo and Yamaguchi) have compiled data and reported on their environmental activities at the production stage, including energy consumption and emissions, for FY2022.

All factories have in place exacting production quality management systems and operate with consideration for their impact on the local environment. In 2000, we built a unified environmental management system for all production factories and received JIS-Q-14001 certification. Under this system, we set voluntary standards for air and water emissions that are stricter than legal or regulatory standards and periodically measure emissions as part of management efforts. No serious accidental releases of chemical substances, oil or fuels were reported in FY2022.

Working toward the realization of a decarbonized society, in FY2013 we installed photovoltaic (mega solar) power generation systems at all factories as part of efforts to spread the use of renewable energy. Furthermore, we are switching over power used at factories to power purchased through Sekisui House Owner Denki. As a result of such efforts, in FY2022, 78.7% of electricity used at factories was renewable energy.

Tohoku Factory mega solar



Kanto Factory mega solar



Shizuoka Factory mega solar



Hyogo Factory mega solar



Yamaguchi Factory mega solar



To reduce energy use in production, we are systematically replacing existing machinery with high-efficiency models. Approximately 70% of factory lighting is now LED, and we plan to increase this to 100% by the end of FY2025. Furthermore, we have set the target of 100% electrified forklifts by the end of FY2025. We are also systematically replacing Company vehicles with hybrid electric and battery electric vehicles.

As for production facilities, we are working to improve productivity by reducing production issues and updating production methods while saving energy through such initiatives as optimizing production conditions. For drying equipment and other facilities that use heat, we are improving insulation performance to cut energy use and switching fuels to LNG, which emits less CO_2, while examining ways to eliminate the use of fossil fuels in the future.

Through efficient selection and use of resources at every step from raw materials to final products, we are optimizing material yields to save resources and reduce waste. At the same time, we are advancing circular economy activities, such as recycling waste into raw materials and reusing it in products for other purposes.

The Factory Site Report compiles data from the production stage at the domestic factories. The Recycling Centers, which handle waste from construction sites, are excluded from the scope of reporting.

Tohoku Factory



Location:	8 Ohara, Shikama-cho, Kami-gun, Miyagi
Establishment:	August 1997
Total factory area:	121,458 m^2
Factory floor area:	60,420 m^2
Max. production	300 houses/month
Main products	Steel frame members, processed wood parts, Bellburn earthenware exterior wall panels

Major energy and resource consumption

Energy/Resource	Unit	Consumption
Electricity	MWh	4,698
Kerosene	kL	0.1
Light oil	kL	5.2
LPG	t	896
Municipal water	1,000 m^3	15.9

Amount of waste generated and recycling rates

Type	Amount (t)	Recycling rate	Material recycling rate
Glass/ceramics	1,242.7	100%	100%
Metal	269.7	100%	100%
Sludge	102.7	100%	100%
Wood	11.3	100%	37.2%
Other	57.4	100%	50.2%
Total	1,683.8	100%	97.9%

Air analysis results

Emissions	Unit	Measured value	Statutory standard	Voluntary standard
NOx	ppm	Less than 36	180	60
SOx	Nm^3/h	Less than 0.024	17.5	0.175
Soot and dust	g/Nm^3	0.005	0.25	0.025

The Tohoku Factory manufactures Bellburn earthenware exterior wall panels exclusively for SHAWOOD homes. The firing furnace in this process uses a great deal of energy. To reduce energy use, exhaust heat from the firing furnace is captured and used in the drying furnace, thereby increasing energy efficiency. In the Bellburn forming process, after extrusion molding, the product's appearance is checked by AI. Panels that do not meet the required standards are sent back for reuse as raw materials via a return conveyor, helping use raw materials efficiently and reduce waste.

After the Great East Japan Earthquake, Sekisui House formed a disaster prevention agreement with Shikama-Cho, Miyagi (where the Tohoku Factory is located), to set up emergency shelters and provide supplies in the event of a disaster. Environmentally friendly in ordinary times and providing safety and peace of mind to customers and the local community in times of disaster, the site serves as a disaster risk reduction factory of the future. Aiming to speed up initial response and enable energy self-sufficiency when disaster strikes, the factory has built a smart energy system comprising the existing photovoltaic power generation system as well as new large storage cells, gas engine generators, plug-in hybrid vehicles (PHEVs) and a factory energy management system (FEMS). Using the large (2 MW-class) storage cells, the factory seeks to lower its peak electricity draw. The use of FEMS improves the visibility of energy use by the factory's main facilities, raising employee awareness of energy saving and thereby helping reduce energy use.

The main environmental initiatives at the Tohoku Factory in FY2022 were as follows.

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 to improve production efficiency by lowering the product defect rate and to save energy by replacing air conditioners and other equipment with energy efficient models. Furthermore, we used a thermal camera to identify areas where heat was escaping from the existing drying furnace. By cladding these areas with exterior insulation, we improved the furnace's heat retention, reducing LPG use. In terms of shipping and transportation, we used trucks with larger loading capacities in the transport of materials for new detached houses, improving loading efficiency. For large multi-building housing developments, we transported materials for multiple buildings together, thereby reducing the number of trucks required and CO_2 emissions.



Exterior-clad insulation on the drying furnace door

2. Resource recycling initiatives

In the Bellburn manufacturing process, we are working to reduce waste by using 3D scanners to create digital 3D models of components that greatly affect the material yield rate and implement multifaceted analyses to reduce the defect rate and thereby reduce waste. At the Resource Recycling Center, we survey and analyze waste sent back from new construction sites in an ongoing effort to reduce surplus material. The survey results are shared with the branch and sales offices to develop countermeasures, improve systems and reduce waste.



3D scanning



Model on screen

3. Rehabilitation of ecosystem networks and contribution to society

To contribute to the local community, we held a second annual "clean walk" to tidy up the community while promoting employee health. To prevent the spread of COVID-19 in FY2022, this event was split into two groups at two Miyagi Prefecture locations: Shikama-cho in Kami-gun and Akaishidai in Tomiya City. We will continue contributing to local communities based on social conditions.



Clean walk (Shikama-cho)



Clean walk (Akaishidai)

Kanto Factory



Location:	2 Kitatone, Koga, Ibaraki
Establishment:	August 1970
Total factory area:	309,547 m^2
Factory floor area:	114,243 m^2
Max. production	870 houses/month
Main products	Steel frame members, panel components, processed wood parts, Dyne Concrete exterior wall panels

Major energy and resource consumption

Energy/resource	Unit	Consumption
Electricity	MWh	14,897
Kerosene	kL	11.2
Light oil	kL	21.8
LPG	t	110
Natural gas	1,000 m^3	2,680
Municipal water	1,000 m^3	15.2
Groundwater	1,000 m^3	454

Amount of waste generated and recycling rates

Type	Amount (t)	Recycling rate	Material recycling rate
Glass/ceramics	932.1	100%	100%
Metal	2,071.7	100%	100%
Sludge	939.1	100%	100%
Wood	387.1	100%	42.9%
Other	169.7	100%	76.8%
Total	4,499.7	100%	94.2%

Air analysis results

Emissions	Unit	Measured value	Statutory standard	Voluntary standard
NOx	ppm	32	230	150
SOx	Nm^3/h	Less than 0.11	14.5	7.0
Soot and dust	g/Nm^3	Less than 0.001	0.20	0.10

The Kanto Factory manufactures high-performance Dyne Concrete exterior wall panels. This process uses a great deal of energy. We are implementing a variety of measures to save energy in the manufacturing process, such as using exhaust heat from steam boiler drains and changing the heat source for drying furnaces from steam to burners. Furthermore, in the manufacture of steel frame members, panel components and processed wood parts, we are advancing such measures as replacing existing equipment with high-efficiency models, including updating cubicles and installing amorphous transformers, as well as switching to localized air blowers to reduce air compressor power consumption.

In 2022, we rebuilt the factory's office, creating a net zero energy building (ZEB) of the type that Sekisui House is promoting using the expertise cultivated in the housing business. Aiming to ensure peace of mind for everyone working there and create a comfortable space to be in, the building's basic specifications include disaster resilience, efficient ventilation systems (in light of the COVID-19 pandemic) and thermal insulation. In addition, we adopted a free address system, did away with land lines and designed the layout to facilitate interaction between departments to make the office environment more pleasant. Rebuilt as a Green First office, the new building also uses less energy.

The main environmental initiatives at the Kanto Factory in FY2022 were as follows.

1. Initiatives to reduce CO_2 emissions from production (production at factories plus shipping and transportation)

In FY2022, we advanced efforts to reduce CO_2 emissions mainly in the areas of energy-saving equipment and controls. We installed inverter compressors, LED interior lighting and other energy-saving equipment. We also adopted energy-saving controls for heating and cooling in electrodeposition coating processes to reduce electricity use. On the steel frame member welding line, we used AI to establish an optimized production method. This greatly improved productivity and reduced the line's electricity use.



Interior LED lighting

To minimize CO_2 emissions during shipping and transportation, we improved our truck loading methods to reduce the number of trucks required. For example, we made adjustments to packing at the production stage based on the way that materials are loaded onto trucks, eliminating the need for a loading trestle and thus expanding the effective truck bed space. Through such efforts, we successfully improved loading efficiency.



Improved loading efficiency through adjustments at the production stage

2. Resource recycling initiatives

As in the previous year, waste reduction activities focused mainly on improving yields and reducing sludge. In the Ironwork Group, cleaning sludge periodically arises in electrodeposition coating processes. To minimize this, we now utilize temperature controls that allow us to turn off circulation pumps in order to curb the formation of chemical sludge. The Dyne Wall Panel Group made improvements to vibrators to increase the uniformity of concrete placing, working to increase yields and reduce waste.

3. Rehabilitation of ecosystem networks and contribution to society

This year, new initiatives included donating Bellmark charity points to the local social welfare council and participating in cleanup activities near Koga Station organized by local soccer club FC Koga. To support Burano and Mirai no Kodomo Network, both of which are organizations that receive funds through the Sekisui House Matching Program, we provided support for field trip events for children and donated school swimming supplies and food products.



Cleanup activities near Koga Station

Shizuoka Factory



Location:	1100 Naka, Kakegawa, Shizuoka
Establishment:	August 1980
Total factory area:	246,098 m^2
Factory floor area:	124,347 m^2
Max. production	800 houses/month
Main products	Steel frame members, panel components, processed wood parts, Bellburn earthenware exterior wall panels

Major energy and resource consumption

Energy/resource	Unit	Consumption
Electricity	MWh	13,036
Kerosene	kL	0.7
Light oil	kL	0.3
LPG	t	108
LNG	1,000 m^3	1,338
Municipal water	1,000 m^3	34.3
Industrial-use water	1,000 m^3	21.2

Amount of waste generated and recycling rates

Type	Amount (t)	Recycling rate	Material recycling rate
Glass/ceramics	1,020.7	100%	100%
Metal	1,708.7	100%	100%
Sludge	584.2	100%	82.9%
Wood	235.8	100%	99.9%
Other	309.0	100%	58.1%
Total	3,858.4	100%	94.0%

Air analysis results

Emissions	Unit	Measured value	Statutory standard	Voluntary standard
NOx	ppm	39	230	42
SOx	Nm^3/h	0.17	1.77	0.62
Soot and dust	g/Nm^3	Less than 0.030	0.2	0.1

The Shizuoka Factory manufactures Bellburn earthenware exterior wall panels exclusively for SHAWOOD homes. This process uses a great deal of energy, but to save energy, the factory changed fuels from liquid propane gas (LPG) to liquid natural gas (LNG) in 2011. We have installed an LNG storage tank within the factory to provide a stable supply of fuel. LNG is evaporated in an air heat vaporizer, which uses the natural energy of the heat in the atmosphere. We are also implementing ongoing initiatives to save energy by improving LNG consumption efficiency, including directing exhaust heat from firing furnaces to warming and drying facilities. Furthermore, we have been proactively transitioning to electric forklifts ahead of the other factories, and approximately 90% of forklifts are now electrified.

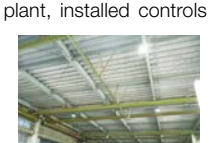
As the only one of the Group's five domestic factories located in a water-stressed area, the Shizuoka Factory is actively working to reduce water use. To this end, we store rainwater and use it to clean the dehydrators in the factory's wastewater treatment facilities.

In terms of resource recycling, we have installed equipment to recycle defective Bellburn panels. We use AI in quality inspections, and panels that do not meet our strict quality standards are disposed of. Such tiles are crushed and recycled as filler in sound-absorbent flooring, thereby making effective use of materials and reducing waste.

The main environmental initiatives at the Shizuoka Factory in FY2022 were as follows.

1. Initiatives to reduce CO_2 emissions from production (production at factories plus shipping and transportation)

In addition to the activities continued from FY2021, we upgraded a compressor at the ironworking plant, installed controls to turn off the panel coating booth exhaust fans when not needed, and changed to LED lighting in Yard 2, Yard 3 and the first floor of the office building, among other new initiatives. In terms of shipping and transportation, we changed production bases for metal interior fixtures and fittings to reduce transport distance and improved loading efficiency to reduce the number of trucks used in an effort to reduce CO_2 emissions.



LED lighting in Yard 2



New compressor in the ironworking plant

2. Resource recycling initiatives

To minimize factory waste, we worked to improve the yield of wooden pillars and coatings and reduce the mass of sludge from internal processes through dehydration. Initiatives started in December 2020 to recycle rejected Bellburn ceramic exterior wall panels for use in filler for sound-absorbent flooring once again produced significant results in FY2022.

3. Rehabilitation of ecosystem networks and contribution to society

The Shizuoka Factory focused on maintaining and improving the greening of the site based on a greening plan. On May 26, 2022, a ceremony to grant a subsidy to certified NPO Tokinosu Forest Club under the Sekisui House Matching Program was held at the Shizuoka Factory. The factory has been involved with Tokinosu Forest Club since 2010 through annual tree planting volunteer activities, and the subsidies granted through the Matching Program help provide a sense of fulfillment to employees. In terms of social contribution, we carried out three volunteer activities: clearing underbrush on September 11 (28 participants, Tokinosu Forest, Kurami, Kakegawa City); clearing underbrush on October 22 (14 participants, coastal disaster prevention forest, Obuchi, Kakegawa City); and maintenance of a forest road on November 13 (34 participants, Tokinosu Forest, Kurami, Kakegawa City).



Subsidy grant ceremony



Clearing underbrush (group photo)



Clearing underbrush



Forest road maintenance

Hyogo Factory



Location:	786-36 Ishitani, Yokodani, Kato, Hyogo
Establishment:	July 1985
Total factory area:	59,970 m^2
Factory floor area:	20,651 m^2
Max. production	380 houses/month
Main products	Dyne Concrete exterior wall panels

Major energy and resource consumption

Energy/resource	Unit	Consumption
Electricity	MWh	2,405
Light oil	kL	4.6
LPG	t	42.6
Natural gas	1,000 m^3	979
Municipal water	1,000 m^3	28.4
Groundwater	1,000 m^3	3.7

Amount of waste generated and recycling rates

Type	Amount (t)	Recycling rate	Material recycling rate
Glass/ceramics	766.1	100%	100%
Metal	34.0	100%	100%
Sludge	34.0	100%	100%
Wood	2.4	100%	100%
Other	103.8	100%	100%
Total	940.4	100%	100%

Air analysis results

Emissions	Unit	Measured value	Statutory standard	Voluntary standard
NOx	ppm	28	150	75
SOx	Nm^3/h	0.0042	1.5	0.01
Soot and dust	g/Nm^3	0.0017	0.1	0.01

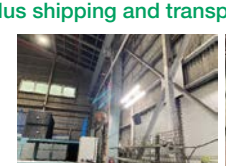
The Hyogo Factory manufactures high-performance Dyne Concrete exterior wall panels. The production of concrete uses a large amount of steam. We have installed automatic steam valves in the pipes that supply steam to each process so that steam supply to processes not in use can be shut off, saving energy. In 2020, we replaced one of the boilers that supplies steam with a cutting-edge high-efficiency model. Through system control that prioritizes the use of the new boiler, we have promoted further energy saving. In addition, we have applied a thermal barrier coating to the roof of the office building, reducing summer air conditioning power consumption. Responding to calls for energy saving in light of power shortages, we have installed three 35 kW in-house stations to power the factory in the event of electrical grid instability.

We are also working to reduce concrete waste in concrete manufacturing. We are implementing a variety of initiatives to this end, including installing automatic scrapers to prevent material from sticking to the sides of concrete hoppers and switching to butterfly valves on the intake ports of pumps for pouring liquid concrete into molds to prevent liquid concrete spatter. By collecting dust from Dyne Concrete panel processing to recycle as raw material, we are further reducing concrete waste. We have also installed equipment to automatically inspect panel thickness during concrete placement, improving the precision of product thickness and thereby helping reduce raw material use.

The main environmental initiatives at the Hyogo Factory in FY2022 were as follows.

1. Initiatives to reduce CO_2 emissions from production (production at factories plus shipping and transportation)

In FY2022, we reduced CO_2 emissions from factory production by switching to LEDs for focal lighting in production processes, adjusting the pressure of compressors that provide power to production lines and changing the boiler control program. We also worked to curb CO_2 emissions in transportation by increasing the operating rates of 25-tonne and 21-tonne trailers, thereby reducing the number of 10-tonne trucks in use.





LED focal lighting

2. Resource recycling initiatives

In addition to recycling dust collected from manufacturing and processing as a raw material in-house, we have installed new crushing equipment to turn concrete waste generated in the factory into raw materials, increasing the internal recycling rate of concrete waste.



Crushing equipment



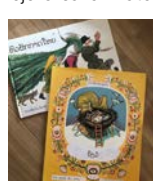
Before crushing



After crushing

3. Rehabilitation of ecosystem networks and contribution to society

We clean up the area surrounding the factory every month. In addition, a total of 180 employees participated in cleaning up the Tojo area of Kato City in March, June, September and December to beautify the neighborhood. In local social contribution activities, we participated twice in food drives sponsored by the Kato City Social Welfare Council and four times in blood donation drives. We also held a charity drive for Children's Day and took part in a campaign to support the recovery of disaster-affected areas. In addition, employees volunteered by participating in the Lao Picture Book Project by pasting Lao translations into Japanese picture books, creating and donating Lao versions of *The Gigantic Turnip* and *The Mitten*.





Making Lao picture books

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
Main products	Steel frame members, panel components, processed wood parts

Major energy and resource consumption

Energy/resource	Unit	Consumption
Electricity	MWh	6,259
Kerosene	kL	154
Light oil	kL	0.2
LPG	t	513
Municipal water	1,000 m³	34.5
Groundwater	1,000 m³	14.0

Amount of waste generated and recycling rates

Type	Amount (t)	Recycling rate	Material recycling rate
Glass/ceramics	11.3	100%	100%
Metal	637.5	100%	100%
Sludge	167.7	100%	100%
Wood	299.0	100%	44.6%
Other	81.8	100%	36.0%
Total	1,197.3	100%	81.8%

Air analysis results

Emissions	Unit	Measured value	Statutory standard	Voluntary standard
NOx	ppm	35	250	125
SOx	Nm³/h	Less than 0.001	3.43	1.72
Soot and dust	g/Nm³	0.015	0.3	0.25

The Yamaguchi Factory manufactures steel frame members and panel components and processes lumber. We are implementing innovative measures to save energy, such as using IoT technology to control compressor operations and improve efficiency since FY2019. Specifically, a remote control system developed in-house predicts compressed air usage based on the operational status of manufacturing processes to provide an optimized energy supply by controlling electric valves and multiple compressors. Other energy-saving measures include replacing existing equipment with high-efficiency models, improving productivity and efforts to use energy efficiently.

We have internally developed and launched a smart manufacturing system using IoT, big data and AI for the line that manufactures beams for the Flexible ß System, Sekisui House's construction method for 3- and 4-story steel-frame housing. In this system, AI trained on automatically collected past manufacturing data (big data) makes judgments based on manufacturing conditions. Using this technology, we have automated adjustments to production volumes and employee allocation, which previously relied on the expertise of managers. As a result, AI-powered improvements to efficiency in manufacturing line operations and power-saving operations have increased material yield, reduced working hours and cut electricity use.

The main environmental initiatives at the Yamaguchi Factory in FY2022 were as follows.

1. Initiatives to reduce CO_2 emissions from production (production at factories plus shipping and transportation)

To use energy more efficiently, we are replacing equipment with high-efficiency models and working to improve productivity on an ongoing basis. In FY2022, we replaced the chiller used to cool electrodeposition coating materials for iron components with a model that can both cool and warm. This has enabled efficient temperature control of these materials, cutting CO_2 emissions by 12 tonnes annually. In addition, we replaced about 310 ceiling lamps with LEDs, saving approximately 35 MWh per year.

We also replaced office air conditioners and the cafeteria noodle cooker, improved the power control of factory night-lights and implemented intermittent operation of conveyors, fans and pumps. Through these and other energy-saving initiatives, we have reduced annual CO_2 emissions by approximately 50 tonnes.



The new chiller

2. Resource recycling initiatives

We are working to reduce paint, wood and steel raw material loss and promoting waste reduction programs. On the beam processing line for SHAWOOD wooden-frame housing, we have reduced waste by optimizing product combinations according to the length of the raw materials. We also optimized the amount of activated charcoal used to treat factory effluent to reduce the volume of sludge disposed of as waste.

3. Rehabilitation of ecosystem networks and contribution to society

We continued our regular cleanups of roads around our factories, with 227 employees participating in FY2022. Contributing to ecosystem preservation, we also launched a variety of new activities in FY2022 in cooperation with the NPO Yacho Yamaguchi, which manages the Kirarahama Nature Observation Park (located in Yamaguchi City), where we took part in tree planting, volunteered to implement controlled burns of park reed grass, and helped jointly maintain a scenic road. We held and participated in 14 events, with a total of 321 participants, including employees, their families and the employees of partner companies. In addition, we once again provided food products to Food Bank Yamaguchi, a nonprofit organization that works to reduce food waste. We also registered as a food loss reduction partner with the Yamaguchi Prefecture Food Loss Promotion Council and will continue to collect and donate food from employees' households that would otherwise have been thrown out.



Scenic road maintenance



Planting trees in Kirarahama Nature Observation Park

S

Social

Respect for Human Rights 182
Developing Human Resources 187
Diversity and Inclusion 192
Happiness Health Management 199
Occupational Health and Safety 201
Customer Initiatives 207
Coexisting with Local Communities 210
Supply Chain Management 216

Scope of Calculation

Scope		Details
◇1	Sekisui House	Sekisui House, Ltd.
◇2	Sekisui House and Major Domestic Group Companies (excluding Konoike Construction)	Sekisui House, Ltd. Sekisui House Real Estate Group Sekisui House Construction Group Sekisui House Remodeling, Ltd. Sekisui House noie Limited
◇3	Sekisui House and Major Domestic Group Companies	Sekisui House, Ltd. Sekisui House Real Estate Group Sekisui House Construction Group Sekisui House Remodeling, Ltd. Sekisui House noie Limited Konoike Construction Co., Ltd. and Domestic Subsidiaries
◇4	Sekisui House and Domestic Group Companies	Excludes Overseas Group Companies
◇5	Sekisui House Group	Sekisui House, Ltd. and Consolidated Subsidiaries

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," and the principle of valuing human beings is the foundation of the Group's corporate management.

Based on that principle, we have developed a system to promote human rights due diligence. 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 meeting under the Social Improvement Subcommittee and are promoting information sharing and collaboration among several related departments.

Human relations promotion framework[1]

To strengthen our corporate culture that strictly prevents the infringement of human rights, discrimination and harassment, we have organized the Human Relations Promotion Committee chaired by the President, with committees of the same name established in our departments, offices and Group companies.

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. Under the Social Improvement Subcommittee, this office is also 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 onsite, and handling human rights issues when they arise.

1 The Group's human rights promotion structure. In addition to human rights issues that we have long been working on, such as *Buraku* (marginalized communities) issues, 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.

The Human Rights 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.

In order to fulfill our social responsibilities, 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.

This Human Rights Policy, based on the Group's Corporate Philosophy and Code of Conduct, supplements and clarifies respect of human rights, one of the principles stated in the Corporate Code of Conduct.

All Sekisui House Group officers and employees (including temporary, part-time and fixed-term employees) must comply with this policy, and we promote awareness of the policy through training and other measures. We also publish the policy on our website, and we expect all stakeholders inside and outside the Group to understand and support the Group's policies and initiatives for respecting human rights.

In addition, to disclose information as stated in the Human Rights Policy, we publish a human rights report.

Sekisui House Group Human Rights Policy
Sekisui House Group Corporate Code of Conduct (Japanese only)
Human Rights Report 2023

Policy on discrimination

The Sekisui House Group Corporate Ethics Guidelines define the standards of corporate ethics that the Company, its officers and employees must comply with in pursuing the corporate activities of each Group company. We have also established the following policy on the respect of human rights and prohibition of discrimination.

5–1 Respect of Human Rights and Prohibition of Discrimination
Consistently strive to maintain a healthy workplace environment, respect the human rights of each person and do not act in any way that could lead to discrimination. Do not discriminate in hiring and treatment of employees. Furthermore, ensure that other persons are prevented from discriminatory behavior.

1. Do not engage in any form of unreasonable discrimination based on birth, nationality, race, ethnicity, beliefs, religion, gender, sexual orientation, gender identity, age, disabilities, preference, educational background, family and others.
2. Do not engage in acts which violate human rights through violence, derision, slander, libel, forced labor through threats, bullying, or spread of rumors.

Sekisui House Group Corporate Ethics Guidelines

Policy on prevention of child labor and forced labor

As stipulated in the Sekisui House Group Human Rights Policy, the Sekisui House Group does not tolerate any form of forced or compulsory labor or child labor. We do not tolerate any involvement in human trafficking nor any involvement with companies or production regions where such involvement has been identified through transactions.

We observe the legal minimum working ages of the countries where we operate and verify the ages of applicants when hiring. Our CSR Procurement Guidelines, which are applied primarily to our main suppliers, prohibit discrimination based on nationality or race, inhumane treatment, forced or compulsory labor and child labor, and require the appropriate management of employee health and safety.

Policy on children's rights

The Sekisui House Group Human Rights Policy expressly and strictly prohibits any form of child labor. We support the Children's Rights and Business Principles published by UNICEF in 2012. In addition to working to prevent and eliminate child labor, we implement initiatives to ensure respect for children's rights based on an awareness that corporate activities may impact children in diverse ways.

→ P.213 Education for a sustainable future starting with housebuilding

Approach to suppliers

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 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 are distributing 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 understand and have agreed to 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 onsite interviews to confirm their current status.

→ P.216-218 Supply Chain Management

Relationships with employees

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 selected representatives.

Policy for reducing excessive working hours

The Sekisui House Group recognizes workstyle reforms for employees as an important issue. In particular, we believe that reducing total working hours is crucial to enabling employees to sustainably do their best work. Average monthly employee work hours are used as an ESG management indicator to calculate Performance Share Units (PSU), a form of remuneration for directors of the Board (excluding outside directors). By setting a KPI based on this metric, we are uniting the entire Company in striving toward reductions. To this end, in FY2022, in addition to maintaining legal compliance, individual divisions set their own targets for average total work hours to achieve the targeted KPI.

Furthermore, aiming to enable employees to work with autonomy, we are advancing efforts to ensure that employees in all divisions take their annual paid leave through systematic planning.

→ P.114 Performance-related stock remuneration (Performance Share Unit)

3. Risk Management

Promoting human rights due diligence

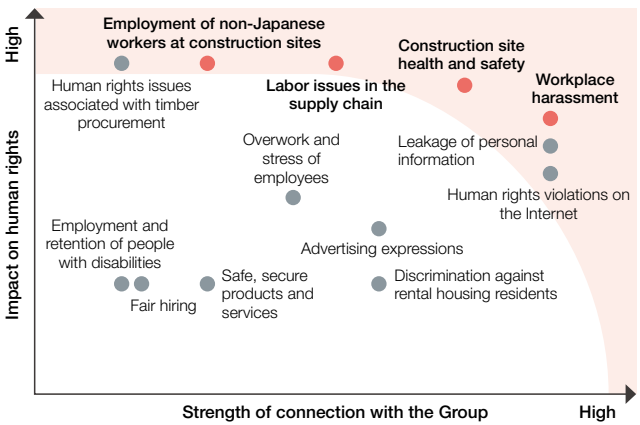
Based on our Human Rights Policy, we have incorporated the process of human rights due diligence into our business activities and employ a PDCA cycle in initiatives. Relevant departments, offices, Group companies, and other organizations ("related departments, etc.") are responsible for due diligence for human rights issues. In addition, we obtain information through dialogue with stakeholders and from the advice and input provided by 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 human rights due diligence meetings verify its content to identify Company-wide issues, provide education and make improvements.

Identifying important human rights issues in our business

The assessment of human rights risks associated with our business is reviewed at the human rights due diligence meeting.

The red points in the following map indicate priority issues.

Map of Human Rights Risks Related to Group Businesses



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

Process for identifying human rights issues in overseas operations

Because human rights issues in operations overseas vary by country and region, we created and conducted the Self-Assessment Questionnaire (SAQ) on international human rights issues.

Objective: Understanding, prevention and countermeasures for possible negative impacts on the human rights of stakeholders in construction and development

Target: Seven major overseas Group companies and five overseas offices

Period: Distributed and collected in October 2022

In 2023, based on the assessment and analysis of the SAQ results, we plan to expand dialogue with overseas Group companies and bases, and continuously work to identify, prevent and mitigate human rights issues. Should surveys, consultations or reports reveal that we have caused or contributed to negative impacts on human rights, we strive to appropriately remediate such impacts.

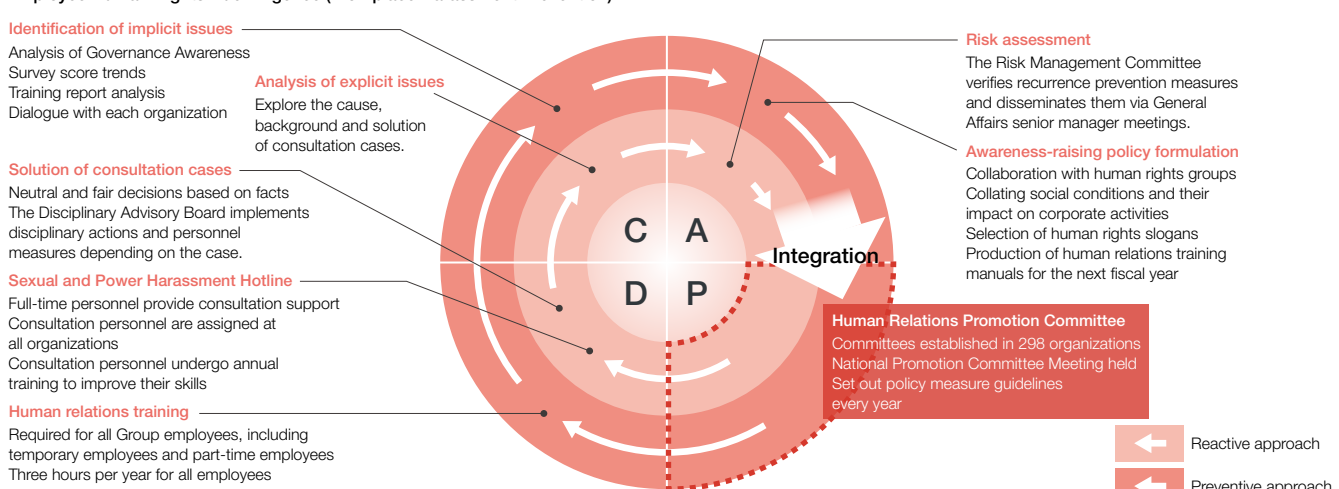
Implementation and measures for impact assessment regarding human rights in our business activities

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

The Human Relations Promotion Committee plays a central role in preventing workplace harassment based on a dual approach: a preventive approach and a reactive approach. The annual PDCA cycle is shown below.

Employee Human Rights Due Diligence (Workplace Harassment Prevention)



Construction site workers

Construction site work environments are hazardous and missteps can readily lead to life-threatening accidents. Accordingly, occupational health and safety is the highest priority of the Sekisui House Group, underlying all business activities. We take a wide range of measures to ensure healthy and safe work environments for all workers.

→ P.201 Occupational Health and Safety

Construction sites employ construction technicians of all nationalities and genders, but we place particular emphasis on the work environment for foreign workers (including technical trainees) with different backgrounds in terms of culture, language, etc.

We conducted a survey of technical trainees at Group companies and their partner building constructors, and received responses from 153 people, most of whom responded in their native language. With the aim of assessing work, lifestyle environment, Japanese language and culture, and hopes for the future, the survey questions included prompts such as “What tasks are difficult at work?” and “What difficulties do you face living in Japan?” In response to being asked how much longer they would like to work in Japan, 76% of the technical trainees responded that they would like to continue their work even after their three-year training period ended. In addition, 70% of those surveyed said that they would like to remain in Japan as specialized skill trainees, exhibiting overall satisfaction with their current work environment. We will continue to provide many opportunities for dialogue with our technical trainees and utilize their opinions to further improve the work environment.

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.”

As part of our efforts to respect the human rights of foreign workers employed by contractors in factories, we review signs to secure safety in the plant and confirm the status of the work environment, including work hours, with the cooperation of the factory contractors.

Sekisui House Real Estate Group and its member stores aim to be LGBTQ-friendly when finding tenants for rental housing properties. Specifically, we are revising the gender section on tenant application documents, digital application forms and lease agreements, and providing training to help eliminate the particular stresses LGBTQ individuals face when looking for and moving into homes. More than 3,000 employees of the Sekisui House Group and member stores took part in training on these issues conducted in May 2022.

→ P.217 Enhancing sustainable procurement

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* (marginalized communities) issue, and continuously collect information to utilize 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
- Association for Fair Employment and Human Rights Education
- Osaka City Corporate Human Rights Promotion Council
- NPO Multi-Ethnic ’Human Rights’ Education Center for Pro-existence
- Normalization Society
- Cuore C Cube Co., Ltd.
- NPO Nijiiro Diversity

Proper operation of our human rights reporting system

As stated in the Human Rights Policy, the Group has put in place several reporting systems, including the Sekisui House Group Compliance Support System, to understand concerns and potential negative impacts on human rights resulting from our business activities. By appropriately operating these system, we are working to enhance our consultation desk network.

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 employee each to serve as consultation personnel (754 people total, as of February 2023) across 100% of our business sites in Japan, including at domestic Group companies.

We hold training sessions every year for these consultation personnel to improve their skills and strengthen cooperation with the Human Relations Office. All employees are made aware of that consultation personnel are stationed at all business sites through the Company intranet, human relations training manuals and posters. We promptly respond to consultations and reports, conducting investigations and taking corrective and remedial measures as necessary. We strictly protect confidentiality and ensure that the users of these services will suffer no disadvantage due to their consultations and reports.

At our overseas Group companies, 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. Metrics and Targets

Sexual and Power Harassment Hotline

(FY)

	2020	2021	2022
Cases	167	169	213
Of which, harassment cases	92	97	66
Of which, cases involving corrective action	79	79	87

Every case we received was addressed. After receiving the report and understanding the intentions of the consultee, we determine whether the issue involves the organization. If so, we confirm the facts and then ensure corrective action is taken once deemed necessary, and fully carried out. In addition, we may also offer the consultee further advice and support that is tailored to the situation. Of the total number of cases received, most of the non-harassment consultations are related to management and human relationships in the workplace.

Public Website Human Rights Cases / Response to Human Rights Inquiries

(FY)

	2020	2021	2022
Inquiries	7	32	21

Established when the Sekisui House Group Human Rights Policy was formulated in April 2020, we accept both internal and external inquiries related to human rights via our public website. In FY2022, the greatest portion of these inquires (seven) were complaints about the manners of rental housing tenants. We have looked into and responded as needed to all inquiries received, except two cases that were impossible to investigate because there were no leads, and we did not identify any serious human rights violations inflicted by our business.

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[1] every year. This training is designed to improve employees' awareness around human rights and provides an opportunity for them to think about human rights as their own issues in their everyday work. Work leaders at each business site serve as facilitators.

1 Participation is voluntary for temporary, part-time and fixed-term employees, but training manuals are distributed to employees. In addition, some Group companies, including those overseas, conduct their own equivalent training.

FY2022 Training for promotion leaders (for managers; 2 hours a year)
- Majority privilege
- Considering the abuse of authority through the news

FY2022 Training for all employees (including managers; 3 hours a year)
- Business and human rights: Whose rights to what?
- Companies and the human rights of children
- Resilience in the workplace

In addition, the Human Relations Office conducts internal training by rank and specialty as necessary to prevent violations of human rights, including all forms of harassment.



2022 Human Relations Training manual

Employees Receiving Human Relations Training

(FY)

	Unit	2020	2021	2022
% of employees by organization	%	100	100	100

Number of participants and satisfaction of Human Relations Training in FY2022

Type	Participants	Post-training questions	Agree	Somewhat agree	Somewhat disagree	Disagree
Training for all employees	25,035	Gained useful knowledge for the future	75.5%	22.8%	1.4%	0.3%
		Gained awareness through group dialogue	70.7%	25.9%	2.6%	0.8%
		Awareness around human rights and the work environment increased	70.7%	26.5%	2.4%	0.4%
Training for promotion leaders	7,478	Gained useful knowledge for the future	86.7%	12.6%	0.5%	0.2%
		Gained awareness through group dialogue	80.7%	17.5%	1.3%	0.5%
		Awareness around human rights and the work environment increased	80.4%	18.1%	1.2%	0.3%

Soliciting Human Rights Slogans

Each year, we solicit human rights slogans from all Group employees and their families for Human Rights Week, from December 4th to 10th. In 2022, we held our 39th slogan contest, and a total of 27,073 entries were submitted, from which we selected one outstanding work and five excellent works. We are displaying posters containing these six works to various organizations and Group companies.



Sekisui House Group Human Rights Slogan 2022

S Developing Human Resources

1. Governance

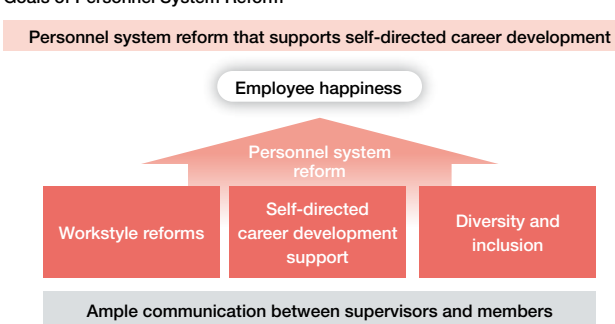
Personnel system and human resource management structure

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 its ideal vision for 2050. To make Sekisui House the happiest company in the world, we have been working on diversity and inclusion and workstyle reforms. Moreover, to support self-directed career development, we have positioned 2021 as the kickoff year for our personnel system reforms and revised our grading system, the rating system and the compensation system in 2022. In addition, the same approach is being applied to our subsidiaries and affiliates, which are carrying out personnel system reforms.

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 choose their own future career course and grow in their chosen direction.

Effective communication between supervisors and their team members is essential to understanding one's own strengths and individuality. To support this, we have established a system of career interviews, in which supervisors and members discuss careers on a regular basis. These interviews are 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 key aspects of their development. We have started career interview training for supervisors to systematically learn coaching skills, listening skills and more as we also focus on cultivating leaders who support self-directed career development. In total, 2,733 employees participated in the training, and in a 2022 career interview survey, approximately 95% of respondents indicated that their supervisors listened to and approved their trajectories. We will continue to conduct career interviews in the future to support the self-directed career development of each employee.

Goals of Personnel System Reform



Employee ability development program

We have programs tailored to each employee's specialized abilities for each job type to help our employees increase their expertise and meet the diverse requirements of our customers. In the three-year training program for detached home sales, employees learn a customer-centric approach and a broad range of specialized knowledge and skills for housing sales. Since the program's launch in FY2018, a total of 1,886 employees have participated in the program.

Designers spend the first two years with Sekisui House in the entry-level program to acquire the shared specialized knowledge required. Then, in the intermediate program, which lasts until the fifth year, they take

Outline of Personnel System Reform

Key points of personnel system reform
Self-directed career development • Career course selection • Early creation of management opportunities • Fair and transparent appraisal • Career interviews with supervisors

Specialists / Managers → Regular employees

Main features of the revised personnel system	
Courses and grades	**Double track course (managers)** • Introduction of role classes for managerial positions • Managerial (M) positions that contribute to the organization through management • Specialist (SP) positions that contribute to the organization through high-level expertise
Promotions	**Promotion according to merit (regular employees)** • Promotion decisions based on merit, not on age or years of employment • Early promotion of highly evaluated employees (promotion to manager possible in as few as five years)
Evaluations	**Fundamental revision of personnel evaluations and enhancement of job interviews** • Ability/behavior review and performance review are separated. • Ability/behavior review is reflected in class changes and salary changes, while performance review is reflected in performance bonuses. • Process for self-evaluation, approval and evaluation finalized, and evaluation system developed • Interview training
Training and transfer	**Career emphasis and talent management** • Self-assessment of career plan and self-emphasis of one's ability/knowledge/experience • Periodic career interviews five times a year • Human resource matching utilizing the talent management system • Human resources recruitment system

systematic training courses to improve their expertise in their respective roles. Subsequently, employees are able to select and participate in training tailored to their expertise and acquire in-house certifications such as Chief Architect[1] to further enhance the value they provide to our customers. By FY2022, a total of 984 people have participated in the training.

1 For details, please see the section entitled "5. Activities and Other Related Information."

In addition, we have systematized the specialized knowledge and skills required on the ground for construction technicians, including those at partner building constructors, and are providing learning opportunities centered on the acquisition of specialized qualifications and skills. After opening the first Educational Training Center and Training School in 1982, we now hold training at three locations across Japan. A total of 734 trainees have participated in courses at these schools over the past 10 years. After creating a system welcoming to women, including women-only private rooms in the trainee dorms, ten women construction workers have completed the training in the past two years. Trainees continue to improve their skills and techniques even after completing training school by participating in training programs at education and training centers according to their work experience and level.

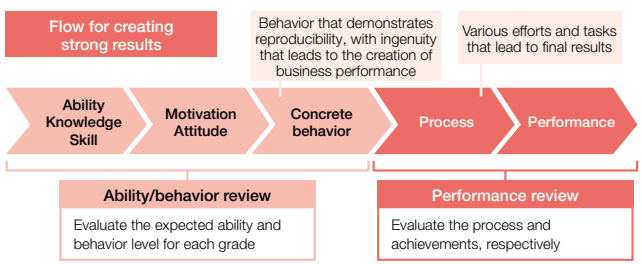
Evaluation of individual performance

The Company's grading system consists of evaluations 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 (MBO), 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, the sales divisions provide monthly performance allowances based on individual performance.

In FY2022, we conducted an e-learning session on goal setting, evaluation and feedback for all evaluators and evaluatees. The session aimed to help participants achieve personal growth and improve organizational results. They learned how to set goals, communicate with supervisors and team members, and leverage and apply their evaluation results going forward.

Grading System Overview

We conduct two types of personnel reviews: an ability/behavior review and a performance review.



2. Strategy

Fundamental policy for human resource development

To achieve the Sekisui House Group's global vision to make home the happiest place in the world, its human resources philosophy is to make Sekisui House the world's happiest company. To realize this, we have newly formulated the Group's fundamental policy for human resource development as, "maximize the value of human capital and drive business growth through diversity & inclusion of knowledge and experience."

Since its founding, the Group has drawn on its DNA of creativity to take on challenges. Drawing on this strength, to provide happiness in the era of the 100-year lifespan, we aim to improve human capital value and social value and thereby further enhance corporate value.

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 accounting for data related to increases and decreases in personnel.

With regard to the human resources required for future business promotion (e.g., DX human resources), we aim to create a system that allows us to compile pipeline information inside and outside the Company and make business proposals. As for transfers and training, we have built a dashboard in the talent management system that allows organization leaders to check the status of their organizations at a glance, and established a data environment that is useful for making decisions about such matters as transfers and educational planning.

In FY2021, we introduced a talent management system that is common to our Group companies, and we are now able to centrally manage the personnel information of over 25,000 people throughout the Group. Using this system, we will transfer human resources across the Group (investing human resources in growing businesses) to make maximum use of talent.

Managerial promotion system based on the new personnel system

As part of the revision of our personnel system in April 2022, the ranks for general employees were reduced from nine levels to five, facilitating the early promotion of talented employees to manager. Starting in April 2023, we are further accelerating this process and have revised the rules to allow employees to be promoted to managerial positions after a minimum of five years of working for the Company. A merit system determines promotions and appointments, based on individual ability and behavior, regardless of age or history in the Company.

Use of people analytics

To support self-directed career development and ensure that the right person is in the right role, we manage human resource information through our centralized talent management system. In addition to personnel evaluations, career ambitions, multifaceted observations and the results of external assessments, we will gradually expand information managed in this system to include records on career interviews and skills for use in succession planning and human resources meetings for the appointment of directors and officers. We have created an environment in which upper and middle management can make data-based decisions.

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 Governance Awareness Survey to monitor current conditions within the Group 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 departments, and to reflect organization-wide issues in Company policies and training programs, working to retain human capital by improving employee engagement. Key initiatives in FY2022 were as follows.

(1) We established certification criteria and competency standards for specialists (SP positions) who contribute to the Company through their high degree of expertise and clarified our ideals and expected roles for such positions.
(2) We conducted MBO e-learning for evaluators and evaluatees. Participants learned how to set goals to achieve growth through their work, handle evaluation results and use those results in the future. Sharing growth challenges through mutual communication will lead to more understandable and transparent grading, which will lead to higher motivation and personal growth.

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. Metrics and Targets

Investment in Training and Ability Development (FY)

		Scope	2020	2021	2022
Training time (hours/person)		◇1	6.3 hours	7.6 hours	6.7 hours
Key training programs	Human relations training	◇1	3.0 hours	3.0 hours	3.0 hours
	Legal training	◇1	1.0 hours	1.0 hours	1.0 hours
Other training programs[1]		◇1	2.3 hours	3.6 hours	2.7 hours

→ For the scope of the data, click here (content from page 181 will open in a new window).

1 Other training programs include training for managers and other staff to prevent sexual harassment and abuse of authority, as well as career autonomy courses and training for new leaders.

(FY)

KPI	Unit	Scope	2020	2021	2022		2023
			Results	Results	Targets	Results	Targets
Cumulative number of workers who have acquired major qualifications[2] required for specific duties	Persons	◇1	22,534	22,940	22,900	23,608	24,100

→ For the scope of the data, click here (content from page 181 will open in a new window).

2 Major qualifications: eleven total qualifications (employees are counted for each qualification they hold; excluding retirees): first-class building operation and management engineer; first-class civil engineering works execution managing engineer; first-class landscape gardening work operation and management engineer; first-class plumbing work operation and management engineer; first-class electrical construction management engineer; registered real estate transaction agent; and first-, second-, and third-grade certified skilled professional of financial planning

Human Capital ROI (FY)

	Scope	2020	2021	2022
Human capital ROI[3]	◇5	174%	183%	189%
Employee-related expenses		251,470 million	277,403 million	293,334 million

→ For the scope of the data, click here (content from page 181 will open in a new window).

3 Formula for human capital ROI: (A-(B-C)) ÷ C
(A) Total revenue, (B) Total operating expenses, and (C) Total employee-related expenses

→ P.226 11-Year Highlights (Consolidated)

Employee Turnover Rate (FY)

	Scope	2020	2021	2022
Employee turnover rate	Note 4	3.14%	3.44%	4.07%
Voluntary turnover rate of full-time employees		2.93%	3.24%	3.98%

→ For the scope of the data, click here (content from page 181 will open in a new window).

4 ◇1 until FY2021, ◇2 in FY2022.

Ratio of Non-Regular Employees (Contract and temporary employees) (FY)

	Scope	2020	2021	2022
Ratio of contract employees	Note 5	8.0%	7.9%	5.7%
Ratio of temporary employees		2.1%	2.3%	2.8%
Total		10.1%	10.2%	8.6%

→ For the scope of the data, click here (content from page 181 will open in a new window).

5 ◇1 until FY2021, ◇2 in FY2022.

5. Activities and Other Related Information

Building our leadership pipeline

Keiei-juku

We have held the *Keiei-juku* management training program since 2018 as a program for future top management candidates to develop insight, character, management skills and leadership. A total of 119 employees participated in its fourth session in 2022.

SHINE! Challenge Program

The SHINE! Challenge Program (acronym for Sekisui House Innovators and Entrepreneurs Challenge Program) trains young leader candidates (under 35 years old). 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. Since the program began in October 2019, 43 participants have completed the course. In FY2022, 18 new participants completed the fourth term and fostered their leadership development, issue identification and project design skills.



The fourth term of the SHINE! Challenge Program

Succession plan

In 2021, we started succession plan meetings, in which executive officers, operating officers, and the general managers of the head office and technology and production division participate to share information on their successors and discussing training plans, we aim to enrich the pipeline of next generation management candidates. In FY2022, the meetings were expanded to include chief managers, technical senior managers and senior managers of the General Affairs Department. By holding these meetings twice a year, we will develop talent Group-wide to realize the sustainable growth of the Group.

Initiatives to strengthen management capabilities

Sekisui House conducts an array of training courses for management-level employees. Training for new managers is divided into sections: risk management, career interview training, evaluation training and problem-solving reinforcement. This encourages managers to acquire know-how and skills in each section. In addition, we are aiming to strengthen the management and human resource development capabilities of every branch and team, as well as revitalize the organization, by conducting training for newly appointed chief managers and integrity management training for general managers.

Support for employee's self-directed career development

Career interviews

We conduct career interviews in which supervisors and their team members converse on a regular basis for the purpose of realizing self-directed career development by our employees. According to the results of a survey we conducted in FY2022, 70% of participants felt that they took more self-directed action and that their awareness of self-directed career development changed as a result of career interviews. In the future, we will raise awareness regarding human resource development and support self-directed career development based on ample communication between supervisors and members.

Self-directed career development course

We provide training that allows each and every employee to formulate their own career vision and take concrete actions in order to realize that vision. The self-directed career development course and other rank-specific training courses that have been offered since 2003 were consolidated into the Self-Directed Career Development Course III, launched in 2022. The content was adjusted to cultivate flexible career awareness that can accommodate societal and environmental changes with a more future-oriented, strategic mindset. In addition, to effectively connect experiences from one's early career days to real growth, we have established the Self-Directed Career Development Course for new employees, and the Self-Directed Career Development Course II for second-year employees, to be offered starting in 2023. A total of 16,987 employees have completed these training courses as of January 31, 2023. We continuously support our employees in their self-directed career development while iterating improvements to the training content through questionnaires and follow-up surveys.

Since FY2022, to strengthen our human resources who continue to evolve in response to a changing environment, we are updating our career education system with more enriched content.

New personnel recruitment system

In September 2022, the personnel recruitment system was reformed, and we conducted four public recruitment sessions in FY2022. The new system will support self-directed career development by giving employees an opportunity to positively demonstrate their capabilities while responding flexibly to changes in the management environment, business strategy and organizational structure.

Career Challenge System

We have introduced the Career Challenge System to provide opportunities for employees with the spirit of embracing challenges 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 compensation. The program supports the conversion of employees in production and general clerical work as well as regional employees into sales engineering positions.

Applicants submit a career vision sheet with their application, and then take a two-day training course. During the training, they 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, re-submit their career vision sheets, and go through the interview process with the chief manager of the affiliated department. 97 employees applied for the program in FY2022.

Number of Applicants and Actual Converts[1] under the Career Challenge System

(FY)

	2020	2021	2022
Number of applicants	Not implemented	31	32
Actual converts		27	30

1 The scope of this data includes Sekisui House, Ltd., Sekisui House Real Estate Group and Sekisui House Remodeling, Ltd.

Qualification reward system

To motivate employees to continue their self-development, improve their awareness and strengthen their affinity for skill development, we have established a system to give cash rewards to employees who acquire qualifications through national or certification examinations. We also subsidize course fees and support qualification acquisition for employees who obtain major qualifications required for their work, such as registered real estate transaction agents and financial planners, first- and second-class architects, and first-class building operation and management engineers. We also subsidize course fees and otherwise support qualification acquisition to help raise employee awareness and motivation.

In-house certification programs

(Numbers of people certified as of April 1, 2023, Sekisui House, non-consolidated)

Design: Chief Architect

The Chief Architect program was established to develop 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 as of FY2023, a total of 319 Chief Architects are carrying out their vital role across the country.

On-site supervisor: Chief Constructor

This program assigns the role and qualifications of Chief Constructor to outstanding onsite supervisors, thereby encouraging them to pursue even higher goals. We have trained numerous excellent onsite supervisors who engaged in routine work aiming to acquire this certification, and this has improved our brand power and productivity. The certification period is two years, and there are currently 143 active Chief Constructors.

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 current number of active Structural Planning Specialists is 214.

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. The certification period is three years, and there are currently 45 active Platinum Specialists.

After-sales service: Customer Support Meister (CS Meister)

To increase the number of customers who choose 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. The certification period is one year, and there are currently 63 CS Meisters active across Japan.

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[2] eco-friendly homes constitute the backbone of our efforts to combat global warming and are 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, system content, 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.

Fourteen years have passed since the launch of Green First homes, and our offerings have evolved into ZEH for both detached houses and multi-unit housing complexes. Currently, the quality of our training has improved thanks to the use of tablets 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 FY2022, we have held training courses a total of 680 times, and a total of more than 38,000 employees have taken these courses. In FY2022, 24 courses were held, and more than 2,750 employees participated, due in part to the fact that videos of the courses were made available so that the courses could be repeated online.

2 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.

Labor practice initiatives

Sekisui House regularly participates in workshops to discuss employee benefits and labor practices with other companies. We use the insights into other companies' initiatives provided through these workshops to improve our labor practices.

S Diversity and Inclusion

1. Governance

Our Commitment to Human Resource Sustainability

In 2006, the Group announced its 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. 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 Declaration (Japanese only)

Results and expansion 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 the Advanced Companies where Women Shine Awards from the Gender Equality Bureau of the Cabinet Office. This award was granted as recognition of our efforts in the following areas: enhancing women's empowerment in the entire construction industry through human resource strategies to encourage female employees to pursue their careers and the development and commercialization of temporary toilets for women at construction sites; promoting female employees to managerial and 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 male employee childcare leave program, which the Group put into full-scale operation in September 2018, was evaluated favorably. We will continue to share the lessons learned and knowledge gained from the operation of this program with society at large, hoping to contribute to building momentum toward the societal normalization of 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 was launched at the World Economic Forum Annual Meeting held in Davos in 2019, based on the idea that inclusive business creates inclusive societies. 500 major companies around the world have joined in the initiative with the aim of sparking reforms by business leaders that enable persons with disabilities to unleash 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 foster an environment for employees with diverse backgrounds to reach their full potential.
3. Societal 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

The concept of diversity and inclusion is important in ensuring the sustainable growth of individuals and companies in an era of change. In every organization and workplace, we must respect and recognize differences in age, gender, nationality, values, sexuality, disabilities and other characteristics. We aim to build an 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 positioned diversity and inclusion as a material issue and set the goal of becoming a leading company in ESG management.

Policy on overhauling work environments

We work to overhaul various measures with the aim of becoming a company where anyone can work with a sense of fulfillment and happiness.

Action Plan for the Promotion of Active Participation by Women

In February 2021, we set new targets for 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. We set two major targets of "310 or more female managers" and "100%[1] take-up rate for eligible male employee childcare leave" (both by March 31, 2026 on a Group basis), and will continue making efforts to achieve the targets.

1 100% means that all eligible employees with a child or children under the age of three (the limit under the Company's rules and regulations) take childcare leave.

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 bias will emerge in values, policies, strategies and other aspects, especially in terms of management. This would likely hinder response to intensifying market competition and the globalization of business. Prejudice, discrimination, harassment and other issues may also arise from unconscious bias, ignorance or indifference unless we foster a corporate culture of mutual recognition and respect for diverse ideas, values and identities. This raises concerns about loss of psychological safety in the workplace, as well as the potential for increased mistakes and accidents resulting from weaker communication.

When it comes to diversification of workstyles, we must promote telework and other styles that are not bound to a single location or time. Otherwise, we will be unable to satisfactorily support the diverse values and lifestyles of our employees, customers and businesses, and it will become difficult to plan and implement BCPs, including measures against large-scale disasters and infectious diseases. Furthermore, if we are unable to conduct the diversity management needed for this era of diversifying human resources, it will be difficult to promote a balance between work and childcare, nursing care, and treatment of injuries and illnesses, which will lead to decreased employee motivation and the loss of talented human resources.

In our Human Relations Training, which we conduct every year, we hold discussions to address various changes in workplaces, such as self-directed career development and diverse workstyles. In addition, in the Governance Awareness Survey, we included items related to diversity and inclusion to assess the current state of self-directed career development and workplace culture and help us continue improving.

→ P.186 Human Relations Training

4. Metrics and Targets

(FY)

KPI	Scope	Unit	2020	2021	2022		2023
			Results	Results	Targets	Results	Targets
Number of female directors of the Board	◇1	Persons	1	3	3 or more	3	3 or more
Number of female managers	◇2	Persons	236 (3.79%)	273 (4.31%)	260 (—)	302 (4.6%)	300
Percentage of full-time female employees	◇2	%	27.3 (6,225 persons)	28.1 (6,454 persons)	28.0 (—)	28.9 (6,743 persons)	29.2
Percentage of female new graduates hired	Note 1	%	41.6 (305 persons)	41.2 (2,778 persons)	42.0 (—)	44.6 (350 persons)	40
Employment rate of persons with disabilities	◇1	%	2.76	2.90	2.61	2.97	2.97
Employment rate of persons with disabilities[3]	◇4	%	—	—	—	2.86[4]	2.86
Take-up rate for eligible male employee childcare leave (%)	Note 2	%	100	100	100	100	100

→ For the scope of the data, click here (content from page 181 will open in a new window).

1 ◇2 until FY2022, and ◇3 in FY2023
2 ◇1 in FY2020, and ◇2 from FY2021
3 Of domestic consolidated companies, 33 are subject to statutory requirements to hire persons with disabilities (including non-consolidated Sekisui House)
4 Against the target of reaching the statutory requirement for employing persons with disabilities on a consolidated basis, in FY2022, 32 of 33 companies were able to reach the required number of employees (one did not).

(FY)

Indicator		Scope	Unit	2020	2021	2022
Number of female directors/ Total number	Consolidated	Note 5	Persons	1/119 (0.84%)	4/90 (4.44%)	4/110 (3.64%)
				Of which, 1/4 are external	Of which, 3/4 are external	Of which, 3/5 are external
	Non-consolidated	◇1		1/12 (8.33%)	3/10 (30.00%)	3/10 (30.00%)
				Of which, 1/4 are external	Of which, 3/4 are external	Of which, 3/5 are external
Number of female Audit and Supervisory Board members/ Total number	Consolidated	Note 5	Persons	1/8 (12.50%)	2/8 (25.00%)	1/13 (7.69%)
				Of which, 1/6 are external	Of which, 1/6 are external	Of which, 0/2 are external
	Non-consolidated	◇1		1/6 (16.67%)	2/6 (33.33%)	1/5 (20.00%)
				Of which, 1/4 are external	Of which, 1/4 are external	Of which, 0/2 are external
Number of female executive officers/ Total number	Consolidated	Note 5	Persons	4/28 (14.29%)	3/40 (7.50%)	2/72 (2.78%)
	Non-consolidated	◇1		1/18 (5.56%)	2/28 (7.14%)	2/23 (8.70%)
Number of female managers by job type	Sales positions	Note 5	Persons	105 (5.49%)	113 (5.86%)	114 (5.42%)
	Technical positions			64 (2.41%)	79 (3.00%)	88 (2.06%)
	Administrative positions			65 (6.05%)	79 (7.10%)	99 (6.53%)
Female managers		Note 5	Persons	2 (0.34%)	2 (0.36%)	7 (0.79%)
Returning rate from childcare leave	Male	Note 6	%	100	99.9	100.0
	Female			97.3	97.1	95.8
Retention rate per year after returning from childcare leave	Male	Note 6	%	100	99.9	98.7
	Female			98.7	98.9	97.6
Number of employees who have taken childcare leave	Male	Note 5	Persons	642	549	517
	Female			334	270	313

→ For the scope of the data, click here (content from page 181 will open in a new window).

5 ◇2 until FY2021, ◇3 in FY2022.
6 ◇1 until FY2021, ◇3 in FY2022.
We disclose our diversity-related initiatives and results in the Ministry of Health, Labour and Welfare's Database on Promotion of Women's Participation and Advancement in the Workplace.

Database on Promotion of Women's Participation and Advancement in the Workplace (Japanese only)

(FY)

Indicator		Scope	Unit	2020	2021	2022
Number of employees	Male	◇1	Persons	11,354	11,222	11,315
	Female			3,717	3,795	3,617
	Male	Note 1		16,549	16,540	18,810
	Female			6,225	6,454	7,054
Number of employees by age group	Under 30	Note 2	Persons	2,844 (18.87%)	2,768 (18.43%)	4,976 (19.24%)
	30-50			8,111 (53.82%)	7,941 (52.88%)	13,347 (51.60%)
	51 and above			4,116 (27.31%)	4,308 (28.69%)	7,541 (29.16%)
Average years of service	Male	Note 2	Years	17.97	18.12	18.43
	Female			11.96	12.36	11.73
Average age	Male	Note 2	Age	45.00	45.28	44.36
	Female			36.80	37.28	38.15
Number of new graduates hired	Male	◇2	Persons	430	397	434
	Female			305	278	350
Number of mid-career hires	Male	◇2	Persons	—	—	417
	Female			—	—	186
Number of new hires	Male	◇2	Persons	—	—	851
	Female			—	—	536
Average monthly work hours per person		Note 3	Hours	176.71	177.64	170.73
Average monthly overtime work hours per person		Note 3	Hours	22.0	23.9	21.7
Annual paid leave take-up rate and number of days taken		Note 3	%	46.5	52.7	73.1
			Days	8.4	9.5	13.1
Average annual salary		◇1	Yen	7,927,285	7,995,230	8,342,460

→ For the scope of the data, click here (content from page 181 will open in a new window).

1 ◇2 until FY2021, and ◇3 in FY2022
2 ◇1 until FY2021, and ◇3 in FY2022
3 Sekisui House, Ltd.; Sekisui House Real Estate Group; Sekisui House Remodeling, Ltd.

Gender Wage Gap[4, 5, 6, 7]

Company name	Total workers	Regular workers	Non-regular workers[8]
Sekisui House, Ltd.	53.0%	58.1%	38.0%
Major Group companies	63.1%	63.3%	53.3%

4 Major Group companies include Sekisui House Remodeling, Ltd.; Sekisui House Real Estate Group; Sekisui House Construction Group; Sekisui House noie; and Konoike Construction.
5 The applicable period is the fiscal year under review (February 1, 2022–January 31, 2023).
6 Seconded employees are calculated as employees at the company they have been seconded to.
7 The figure is calculated as average female annual wages ÷ average male annual wages × 100%. In addition, the average annual wages are calculated as total wages (including bonuses and non-standard wages) ÷ number of personnel.
8 Non-regular workers are temporary employees (rehired employees, contracted employees and part-timers). Figures for part-timers are calculated based on the wages actually paid and not converted into the equivalent for full-time employees.

Supplemental Explanation of Gender Wage Gap

The gender wage gap for all of Sekisui House Ltd.'s workers is 53.0% and the gap for regular workers is 58.1%. The ratio of regular workers among total workers is around 90%. The ratio of main career track employees is over 70%, which has a large impact on the gender wage gap. As such the following details mainly concern main career track employees.

1. One factor behind the gap is the difference in the composition of personnel by occupation type and grade. The average years of service for main career track employees is 9.9 years for women and 19.9 years for men, a gap of 10 years. Therefore, the pool of candidates for managerial positions contains relatively few women.

   We have been committed to the advancement of women for 20 years and began actively hiring women in main career track positions from 2005. When hiring new graduates in 2023, around 30% of sales representatives and 40% of technical positions were women. In addition, to encourage the training and retention of female employees, we established a specialized department (currently the Diversity and Inclusion Promotion Department) and actively work to promote female employees to managerial positions, such as by training female candidates for managerial positions. By successfully undertaking these initiatives, from 2007 to 2022, the average years of service expanded to 2.2 times its previous level for women (4.6 years to 9.9 years) and 1.3 times the previous level for men (15.8 years to 19.9 years). This major increase shows that the factors behind the gap are being eliminated.
2. The gender ratio of sales representatives is another factor behind the gap. The ratio of non-standard wages (such as performance bonuses) to total wages is especially large for sales representatives. The ratio of women among sales representatives is low at 10%.
3. Wages for individuals in the same job grade are equal. The Company sets wage standards for each occupation and job grade. The gender gap in base monthly salary for main career track employees is as detailed below, but there is no gap within each job grade.

		Average female base salary/ Average male base salary
Managerial positions		96.8%
Regular employees[9]	P5	97.0%
	P4	100.4%
	P3	99.9%
	P2	99.8%
	P1	97.3%

9 There are five job grades for regular employees (P5–P1).

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 310 or more female managers by the year ending 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

Sekisui House Women's College, which opened in 2014, is held annually to train management candidates. Twenty women are selected from the Sekisui House Group nationwide as promising management candidates. We systematically and effectively develop suitable candidates using a two-year curriculum. This program nurtures female employees who have capabilities suited to management and serves as a pipeline to properly promote them to managerial positions.

Promoting participation by women in sales positions

Since 2005, we have been actively hiring female sales representatives to provide customers with detailed proposals from a female perspective. As of January 31, 2023, 428 female sales representatives (non-consolidated basis) are working all over 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. We have faced this issue head-on and focused on the development and retention of female sales representatives. In addition to providing opportunities to build networks across office boundaries, the Diversity and Inclusion Promotion Department works to resolve the concerns and problems of female sales representatives by taking 10 positive action measures (five for retention and five for training).

1998	Hired first female new graduates for sales positions.
2005	Started proactive hiring efforts targeting 20% for new graduate female sales representatives.
2006	Diversity Development Team set up within the Corporate Management Planning Department.
2007	Launched the annual Nationwide Women's Sales Representative Conference. This nationwide conference of female sales representatives provides an excellent opportunity for improving skills, increasing motivation, and networking through the presentation of successful cases and group discussions.
	Built a promotion system led by the Women's Sales Support Committee. 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 for 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 chief manager appointed.
2014	Diversity and Inclusion Promotion Office established. (Diversity Development Team was formalized as a permanent office.)
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 to offer support on daily struggles, including those related to human relations and communication.
2020	Proactive hiring efforts targeting 30% for new graduate female sales representatives.
2021	15 female area sales leads and 34 female deputy area sales leads who are candidates for the next area sales lead position, including the sales leader of the Condominium Department (as of January 31, 2022). The percentage of female sales representatives reached 10% on a non-consolidated basis (August 2021: 10.2%)
2022	15 female area sales leads and 30 female deputy area sales leads who are candidates for the next area sales lead position as of January 31, 2023, including four leaders who serve as the area sales leads of the condominium and Sha Maison businesses. 54.6% of female area sales leads have elementary school-age or younger children. Held the 16th Nationwide Women's Sales Representative Conference in a hybrid manner, livestreaming the event at five locations across Japan. The percentage of female sales representatives remained strong at 11.3%. Of these, 30.4% are married and 19.4% have elementary school-age or younger children.



Top management and board members have participated in the Nationwide Women's Sales Representative Conference since the inaugural event.



The latest conference was held in a hybrid format, livestreaming the in-person event to various locations.

Expanding the advancement of women in remodeling sales

Sekisui House Remodeling, which is in charge of our proprietary remodeling solutions for homes built by the 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 customers, female sales representatives can provide a sense of security and ease, and these professionals 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, 642 female sales representatives (59% of remodeling sales representatives), one female office sales lead, one female deputy office sales lead and 88 female area sales leads as of January 31, 2023.

Promoting the participation of women in technical positions

We also have female employees who have excellent qualities, achievements and reliability in planning operations. These 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 onsite supervision. As of January 31, 2023, there are 11 Chief Constructors, 18 Chief Architects, four Structural Planning Specialists, and five Platinum Specialists working in the field. The key points of the measures are: 1. human resource development of top performers; 2. expansion of job scope; and 3. support of employees attempting to balance work and family life.

1. Human resource development of top performers

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 and are working to expand the pool of candidates for operational management positions. We are also working to appoint role models other female employees can look to in their future career plans.

2. Expansion of job scope, including design, onsite supervision, cost estimation and management

Under the Female Onsite Supervision Support Program, we operate a system to train female onsite supervisors through cooperation between nationwide sales administration headquarters and the head office by facilitating the interaction of female onsite supervisors across areas and

improving the working environment. As part of this effort, we continue to hold the Company-wide Women's Onsite Supervisor Meeting. Even during the COVID-19 pandemic, we continued to hold meetings online. In FY2022, the meeting was held in-person with infection prevention measures in place. Participants broke into smaller groups based on the themes that interested them and exchanged relevant information.

Under the program, the Kanagawa Sales Administration Headquarters has created a three-year roadmap for the systematic promotion of female onsite supervisors and the creation of a nationwide network by expanding the successful model of building horizontal ties through the assignment of one female onsite supervisor to every branch nationwide. In addition, we are improving the onsite environment and providing new services and value to our customers through new perspectives gained from the ideas of female onsite supervisors in planning temporary work sites and holding opinion exchange meetings.

Along with the active promotion of women, we have redesigned our uniforms for construction workers by incorporating the opinions of women and designed uniforms to maternity specifications. We have also utilized the opinions of women in the development of the *Orihime* toilet[1] and improvement of temporary toilets at construction sites, and are promoting the creation of a comfortable working environment for everyone who works onsite.

1 The city of Sendai (Miyagi Prefecture) and Sekisui House jointly developed a temporary portable toilet that is friendly to women and children based on the lessons learned from the Great East Japan Earthquake. The *Orihime* toilet was the winner of the Japan Toilet Award in 2015 and the Kids Design Award in 2014 and 2016. On the back of this success, we are working to make all temporary toilets more comfortable, including those for men.



Women's meeting to exchange opinions regarding construction uniforms



Maternity uniform



Orihime toilet





FY2022 Company-wide Women's Onsite Supervisor Meetings for the construction business team and the detached homes team

3. Support of employees attempting to balance work and family life

We set a target of 40% for new graduate female employees in technical positions and have steadily achieved this target since 2019, with 47% in FY2022. At the same time, there has been an increasing number of employees who are playing active roles at work while engaging in childcare or nursing care. Since 2012, the 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. The participants share familiar role models and expand their network to help build career visions and increase motivation.

Encouraging all eligible male employees to take childcare leave[2]

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 one or more months off work to focus on childcare. The leave is paid for the first month, and leave can be divided into as many as four increments as needed to accommodate 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 that anyone can use it, not just Group employees.

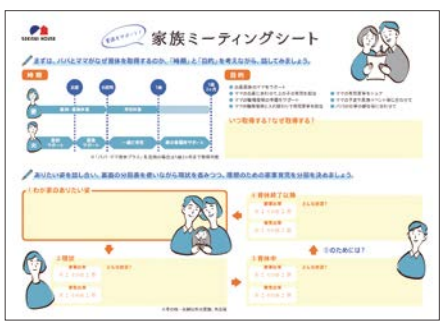
Since February 2019, when full-scale operation was implemented, all 1,571 male employees whose children reached their third birthday (the deadline for taking childcare leave) by January 2023 have taken at least one month of childcare leave, maintaining a 100% take-up rate.

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 expanded the system in April 2021 to make it easier for husbands to stay close to their wives, enabling them to more flexibly take leave and expanding their options, such as taking leave in one-day increments.

Since 2019, we have held the Paternity Leave Forum every year and published the White Paper on Paternity Leave as we continue disseminating such information externally. In 2022, as a first attempt, we expanded our project to encourage the taking of paternity leave alongside 81 supportive companies and organizations. The promotion of paternity leave throughout all of society is expected to help solve social issues, including the advancement of women in the workplace and counteracting the low birth rate. We also aim to ensure that men taking childcare leave becomes the standard in Japan, as it is in other parts of the world.

Normalizing childcare leave for men in Japan (IKUKYU.PJT) (Japanese only)

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, we allow employees to take childcare leave, which is paid for the first month, until their children turn three years old.



The Family Meeting Sheet can be downloaded from our website.

Promoting diversity management

Since FY2015, we have held forums on successfully balancing work and childrearing every year (theme: balancing work and childrearing; participants: childrearing parents and their supervisors). This forum is for managers responsible for fostering workplaces where anyone can work independently and grow sustainably in line with their family and individual situations, including child rearing, nursing care and medical treatment. This forum was renamed the Diversity Management Forum from FY2022. This forum helps foster mentally safe workplaces and nurture bosses considerate of childcare, namely supervisors in managerial positions who can enjoy work and their private lives while racking up results in terms of organizational performance, supporting subordinates' careers and lives, and remaining considerate of the work-life balance of the subordinates and staff they work with.

Expanding our support system for balancing work and life

We are expanding various systems to help employees balance work with childcare, nursing care and medical treatment with the aim of maximizing their happiness while also boosting talent retention.

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, until their children enter sixth grade, these employees are allowed to adopt a sliding work schedule, in which it is possible to start or end their work day earlier or later than normal between 7:00 a.m. and 8:00 p.m., 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, such as the child's birthday and their place of residence.

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%).

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.

Systems that support balancing cancer and infertility treatment and work

We support employees undergoing cancer or infertility treatment in balancing treatment and work by enabling the utilization of systems to shorten prescribed working hours and days, change working hours and make other accommodations. We provide consultations to employees undergoing treatment for illnesses other than cancer to flexibly offer support.

Promoting diverse workstyles

The Group will revitalize communication by reforming its work environment, upgrading the ICT environment, and optimizing systems and rules. In addition, we promote workstyles that are not bound to any single location, such as working from home, and diverse workstyles aimed at enhancing productivity and generating new ideas.

We formalized a system for telecommuting to support independent workstyles suited to the post-pandemic era. From March 2023, we set the number of initially provided annual paid leave days at 20. We are promoting flexible workstyles in addition to allowing individuals to move their start time forward or backward in 15-minute intervals between 7:00 a.m. and 11:00 a.m. Going forward, we will continue working to reduce total working hours for the entire Company with the aim of becoming the happiest company in the world where everyone feels a greater sense of fulfillment and happiness.

Creating an LGBTQ-friendly corporate culture

The Sekisui House Group strives to create a corporate culture that encourages all employees, with their many diverse characteristics, to accept one another no matter their differences 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 opposite-sex common law marriages and same-sex partnerships in order to be eligible for benefits and protected by internal rules in the same way that spouses in opposite-sex marriages are. We also set up 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 five consecutive years. The PRIDE Index is Japan's first index for evaluating corporate efforts concerning the LGBTQ community. It was formulated in 2016 by a private organization called work with Pride, with the objective of creating a workplace where sexual minorities such as LGBTQ people can work with pride. We were certified as Silver in 2016 and 2017, and Gold from 2018 through 2022.

In 2022, we were able to acquire Rainbow Certification, which was newly established in 2021 in addition to the existing PRIDE Index. The certification supports companies who make medium- to long-term commitments to build communities and workplaces where LGBTQ people can work openly.

Becoming an Industry Leader in LGBTQ Initiatives

Promoting the employment of persons with disabilities

As of January 31, 2023, the employment rate of persons with disabilities at Sekisui House, Ltd. was 2.97% on a non-consolidated basis, and the rate at the 33 domestic Group companies legally mandated to hire persons with disabilities (including the Company) was 2.86%, exceeding the legally mandated 2.3%. We will continue to actively promote the employment of persons with disabilities, aiming to employ and retain at least one or two at every worksite and achieve the legally mandated hiring figure at each Group company. Since 2015, we have held diversity meet-and-greet events with 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 May 2022, we held the second online meet-and-greet event for visually impaired employees. In the fall, the hearing-impaired business person Yukie Usuba (Mirairo Inc.) held a seminar entitled, “Facing Diversity: Not Initially Aiming for 100% Perfection.” Many Group employees participated by watching the video on-demand. In December, as an initial attempt, we held an online meet-and-greet event in which any Group employee could participate, regardless of whether or not they are disabled, and 174 people participated. The first step was for only employees to participate in exchanges according to their specific type of disability. The second step was to hold discussions in rooms for employees regardless of whether they are disabled or not according to their preferred theme. In addition to themes based on specific types of disabilities, there were also the themes of “having a dialogue with the hiring manager,” “people who are learning or want to learn sign language,” “let’s use universal talk (UD Talk),” and “a seminar by an outside speaker entitled, ‘characteristics of persons with mental disabilities and persons with developmental disabilities as well as workplace establishment and considerations.’” The third step was to share the content of dialogues. We will utilize the content discussed in future developments.

In March 2022, “Realization of Universal Talk” won the second-place prize in the performance category in the Sekisui House Innovation & Performance (SHIP) 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 UDTalk voice recognition application so that participants with hearing impairments could acquire accurate information, and also created a manual for sending communications that we distributed internally. 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 creating an employment model for persons with disabilities that contributes to corporate growth and providing society with the human resources companies need. As of September 2022, a total of 37 major companies have joined ACE. We are developing a variety of activities, including awards for exemplary activities, inter-company collaboration activities, as well as internships and career seminars for school officials and students with disabilities.

Encouraging the employment of senior citizens and promoting their advancement

Sekisui House used to have mandatory retirement age set at 60 years old 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

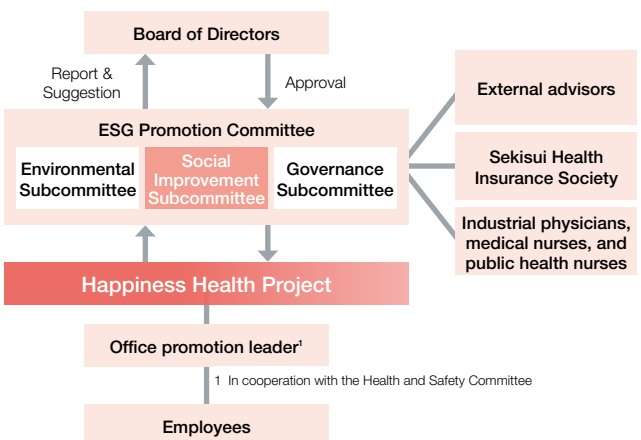
Organizational structure to promote “happiness health management”

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 who have specialized expertise) under the Board of Directors. We consider health enhancement to be a source of employee happiness, and have accordingly named this idea “happiness health management.” The Social Improvement Subcommittee was established within the ESG Promotion Committee and, in June 2021, launched the Happiness Health Project, which comprises employee volunteers, to promote initiatives related to improving sociability. The committee strives to enhance employee health in cooperation with promotion leaders at offices, the Health and Safety Committee, the health insurance union, external advisors and many others.

As a result of our efforts to achieve happiness health management based on the aforementioned policy, we were selected as a Health and Productivity Management Outstanding Organization (White 500) by METI for the fourth consecutive year as a corporation that makes strategic efforts to consider the health of its employees and others from a management perspective.

2023 健康経営優良法人 Health and productivity ホワイト500

Health management promotion structure diagram



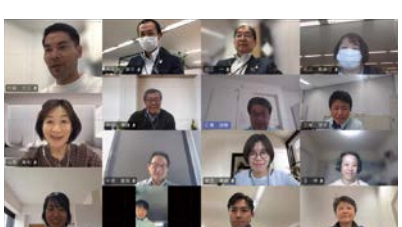
2. Strategy

Working to foster employee health and happiness by steadily implementing PDCA cycles based on the strategy maps

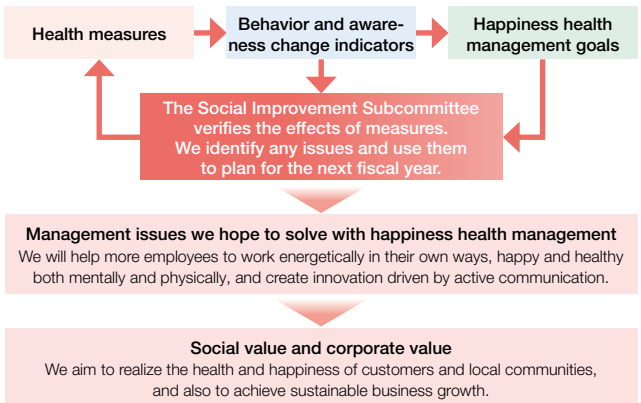
Ensuring every employee’s physical and mental health, happiness, and ability to thrive at work in their own way is indispensable to a company’s sustainable growth and innovation. The Group positions employee health enhancement initiatives as key management issues and promotes happiness health management by steadily implementing PDCA cycles based on the strategy map.

The Happiness Health Project takes the central role in developing specific measures and promoting them to all employees. The Social Improvement Subcommittee identifies issues and assess results based on indicators set for each measure and then utilizes this information when formulating plans for the following year.


Employees proactively walking outside to improve their health


The members of Happiness Health Project discussing measures

Strategy Map



Note: For details of the strategy map, please use the link below.

Sekisui House’s Happiness Health Management (Japanese only)

3. Risk Management

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 nearly 50%. These percentages are high compared to other companies in the same health insurance union, and we recognize that preventing lifestyle-related diseases (including metabolic syndrome) is an urgent health issue. To this end, it is important that employees make lifestyle adjustments while in their 20s or 30s. We are therefore promoting initiatives to improve lifestyle habits using indicators for exercise, diet, sleep, smoking rate and other factors.

Furthermore, in order to maintain mental health and improve happiness, we have established initiatives to improve mental health as an indicator, as well as measure 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 innovation, which contributes to the health and happiness of our customers, communities and society, and leads to sustainable business growth.

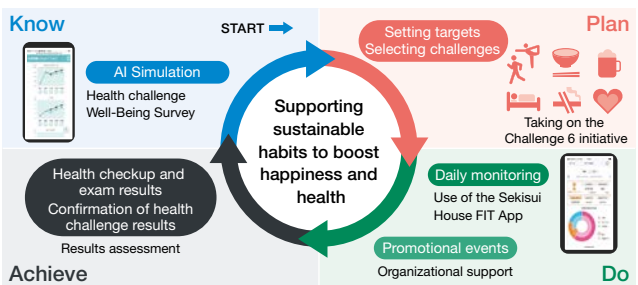
4. Metrics and Targets

Goals of happiness health management

We have set the following five goals and are working to achieve them based on analysis of the results of medical checkups.

1. Reducing the number of employees at risk of lifestyle-related diseases (including metabolic syndrome and pre-metabolic syndrome risk)
2. Reducing the percentage of smokers
3. Boosting the happiness of employees and workplaces
4. Improving productivity (reducing presenteeism)
5. Preventing mental disorders (decreasing long-term absenteeism and leave taking)

Systems Helping Boost Employee Health



The main indicators and results for the targets of happiness health management are as follows.

(FY)

Main KPIs in Happiness Health Management	Scope	Unit	2020 Results	2021 Results	2022 Results	2023 Targets
Rate of employees participating in the Happiness Health Challenge 6	Note 1	%	—	—	53	60
Rate of employees opting for the secondary medical checkup	Note 2	%	87.0	97.8	98.7	95
Walking Challenge participants	Note 3	Persons	19,138	19,691	20,816	—
Average step count		Steps	5,388	5,641	6,600	
Percentage of people with obesity risk[4]	◇1	%	38.9	38.1	37.9	35
Percentage of smokers[5]		%	25.4	24.0	23.9	20
Well-Being Circle total score		Points	65.51	65.75	65.86	—
Presenteeism (productivity)[6]		%	—	106	106	107
Rate of absence due to mental health issues		%	0.62	0.79	0.86	—
Monthly average working hours per person		Hours	176.71	177.64	170.73	175

For the scope of the data, click here (content from page 181 will open in a new window).

1 Sekisui House and domestic Group companies (excluding Konoike Construction)
2 Only the sales department of Sekisui House Ltd. until FY2022, and all of Sekisui House Ltd. from FY2023
3 Sekisui House and domestic Group companies (excluding Konoike Construction) until FY2021
Sekisui House and domestic Group companies from FY2022
4 Defined as a BMI of 25kg/m^2 or higher, or a waist circumference of 85cm or higher for men and 90cm or higher for women (all medical checkups)
5 Results of health checkup questionnaire
6 Using WHO-HPQ; Self-comparison over past one to two years

Note: Please see below for details regarding KPI performance, target values and more 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 that utilizes 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 February 2022, we formally launched various programs for the Happiness Health Project. We regularly provide information and hold seminars and promotional events that contribute to the promotion of happiness and health. We also offer support to individuals so they can achieve the challenges they set in their My Happiness Health Declarations. This project's seminars and events have reached 11,916 participants, including people who watched archived footage, as of January 31, 2023.

Who Chose What for the Challenge 6 Initiative



S Occupational Health and Safety

1. Governance

Health and safety management structure

Sekisui House has established the Health and Safety Management Regulations based on occupational health and safety laws and regulations and its Rules of Employment. These regulations set out the Company's fundamental tenets of health and safety management and are designed to help create a pleasant work environment and ensure health and safety at workplaces.

To prevent occupational accidents, we provide relevant instruction for employees. The Health and Safety Management Regulations lay out a health and safety management structure headed by the President (Yoshihiro Nakai, Representative Director of the Board, President, Executive Officer and CEO). For employees, the director of the Board responsible for the Division of Administration and Human Resources (Satoshi Tanaka, Representative Director of the Board, Executive Vice President and Executive Officer) is assigned to oversee the system, and the Human Resources and General Affairs Department administers system operations.

A health and safety committee meets monthly at each workplace, working to increase occupational health and safety awareness and improve related initiatives at workplaces. The committee members are diverse in terms of rank, position, age and gender. Matters discussed by committees are shared with employees through email and notices. Furthermore, every year, each division and worksite selects a non-managerial employee as a worker representative to engage in dialogue with management.

For partner building constructors and construction workers that Sekisui House engages as a specified principal employer, the officer in charge of the Division of Technology and Production (in FY2022, Toshiharu Miura, Director of the Board and Senior Managing Officer) is assigned to oversee the system, and the Construction Strategy Department administers system operations. We formulate Company-wide annual health and safety plans for partner building constructors and construction workers and draw up occupational accident prevention measures as needed. To improve the level of operational safety, we provide partner building constructors and construction workers with guidance and support regarding their health, safety and employment management training.

Occupational health and safety management system for construction departments and Sekisui House employees

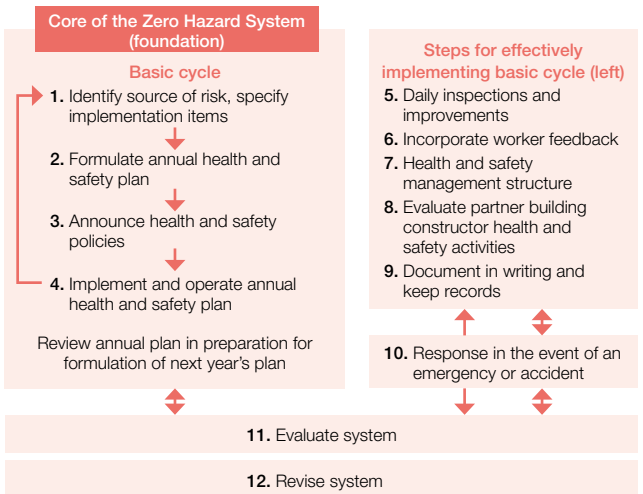
In our construction departments, in addition to the Occupational Health and Safety Management System recommended by the Ministry of Health, Labour and Welfare, we have incorporated the Sekisui House Zero Hazard System, which we developed ourselves to take into account the characteristics of construction sites. Using these systems together, we implement health and safety management activities. In order to reduce occupational accidents, it is important not only to take steps to prevent legal action and the recurrence of past accidents, but also to identify and evaluate sources of risk through risk assessment, as well as formulate and execute annual plans for implementation items. By building and improving our management tools while respecting and passing on the knowledge we have accumulated over many years, we are working to raise the overall standard, and intend to maximize the benefits of efforts to ensure health and safety at construction sites.

We are 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 accidents to enable prompt reporting, information sharing and more efficient information management. This enables us to digitize information and analyze accident trends more accurately and thoroughly.

In addition, in order to make the safety management system more efficient and reliable, we have developed and operate a Safety Promotion App that runs on smart devices. This app makes it possible to quickly confirm and report on findings and corrections issued to partner building constructors and construction workers, and keeps records of findings 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 informs the Construction Strategy Department, which shares the information with the entire Company.

Outline of Sekisui House Zero Hazard System



2. Strategy

Construction site priority accident prevention themes and plan outline

The Sekisui House Group is promoting initiatives to reduce accidents, including those at construction sites. Our priority themes for FY2023 are "elimination of fall accidents," "elimination of loss of balance accidents" and "prevention of accidents involving the general public." In particular, we are working hard to eliminate accidents caused by falling or loss of balance, which carry a high risk of serious injury and can impact the construction team. In addition, we continue working to prevent accidents involving the general public, as these can negatively impact residents neighboring our construction sites. In FY2023, we will continue to thoroughly practice basic safety activities and establish practical measures to realize safe and secure construction sites.

Outline of annual construction health and safety plan for FY2023

- Further intensify our focus on countermeasures against serious accidents (accidents that could potentially be fatal), such as falls.
- Work to eliminate loss of balance accidents by securing safe walkways and using the Safety Promotion App to promote worksite tidiness.
- Thoroughly implement Company-wide standard health and safety policies and safe construction standards to prevent recurrences of events that could lead to injury, such as falling objects and contact with heavy machinery.



Poster of slogan for FY2023

3. Risk Management

Construction-related health and safety training

Due to amendments to the law, on January 2, 2022 we completed our transition to the use of equipment compliant with new standards for fall prevention devices (safety belts), which are worn when working at high places. In accordance with this change, we implemented surveys to determine how many of the individuals engaged in such work had equipment that met the new standards and how many had completed special training for work with full harness safety belts. This training was held by the head office for 791 individuals who signed up for it from across the country, such as staff newly appointed to relevant positions.

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 offering online lectures and practical training in small groups.

Going forward, we will continue to provide necessary subsidies and support for attendance tailored to evolving circumstances in order to implement health and safety training at our construction sites.

4. Metrics and Targets

Occurrences of occupational accidents

Accidents and illnesses resulting in lost worktime in FY2022 were 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 and shares its findings, thereby raising awareness of health and safety, preventing unsafe behavior, and discouraging long working hours that lead to accidents and illnesses.

Frequency Rate of Accidents Resulting in Lost Worktime (Resulting in One or More Days of Lost Worktime) (FY)

Departments		2020	2021	2022
Administration (employees)		0.45	0.32	0.16
Production	Employees	0.00	1.30	0.44
	Contractors	1.59	0.61	0.31
Construction (Contractors only)		2.27	2.49	2.55
Reference: Total for employees		—	—	0.18

Frequency Rate of Occupational Illness (Resulting in One or More Days of Lost Worktime) (FY)

Departments		2020	2021	2022
Administration (employees)		0.32	0.00	0.03
Production	Employees	0.00	0.00	0.00
	Contractors	0.00	0.00	0.00
Construction (Contractors only)		0.37	0.20	0.35
Reference: Total for employees		—	—	0.03

Calculation standards
Frequency rate of accidents resulting in lost worktime: Number of fatalities and injuries due to lost worktime injuries per million working hours
Frequency rate of occupational illness: Number of occupational illnesses per million working hours
Scope: Frequency rate of accidents resulting in lost worktime:
Administration departments:
FY2020 and FY2021: Employees of Sekisui House (non-consolidated basis; excluding part-time workers)
FY2022: Employees of Sekisui House, the Sekisui House Real Estate Group (11 companies), Sekisui House Trust and Sha Maison SAST Insurance (excluding part-time workers)
Frequency rate of occupational illness: Sekisui House (non-consolidated basis)
Production departments: Employees and contractors of Sekisui House (non-consolidated basis)
Construction departments: Contractors of Sekisui House, Sekisui House noie, and Konoike Construction (including sole proprietors and employers)
Total working hours of administration and production department employees and contractors of Sekisui House are calculated based on actual working hours.
Total working hours of construction department contractors of Sekisui House and Sekisui House noie are calculated as eight hours per person per day.
Total working hours of construction department contractors of Konoike Construction are calculated as nine hours per person per day.

Comparison with Industry Averages[1] (FY)

Occupational accident rate		2019	2020	2021
General contractors		1.69	1.30	1.39
Contracted amount of business	¥1 billion or more	1.65	1.29	1.42
	¥500 million to less than ¥1 billion	1.61	1.70	1.59
	Less than ¥500 million	2.06	0.97	1.12

Source: Ministry of Health, Labour and Welfare, "Survey of Industrial Accidents"
1 Data is presented up to FY2021, as figures for FY2022 had not yet been published as of the publication of this report.

Number of Deaths (FY)

Departments	2020	2021	2022
Employees[2]	0	0	0
Construction department contractors[3]	0	1	1

2 Figures for Sekisui House and major domestic Group companies
3 Scope: Contractors of Sekisui House (including sole proprietors and employers)

The number of Sekisui House employee fatalities over the past three years was zero. The number of contractor fatalities due to occupational accidents in Sekisui House construction departments over the past three years was zero in FY2020, one in FY2021 and one in FY2022 (due to heat stroke).

Occupational accidents at construction sites

- The number of occupational accidents resulting in one or more days of lost worktime at construction sites was up slightly at 101% of that in the previous fiscal year.
- In FY2022, there was one fatal accident (heat stroke).
- The number of fall accidents (including those not resulting in lost worktime), which can lead to serious injury and were a FY2022 priority theme, decreased to 85% of that in the previous fiscal year.
- The number of incidents of heat stroke (including those not resulting in lost worktime) rose to 121% of that in the previous fiscal year. 94% of these incidents resulted in three days or less of lost worktime, but there were two incidents resulting in four days of lost worktime or more, one of which was fatal.
- There were also reports of accidents involving third parties, such as pedestrians tripping over equipment set up outside of construction sites, as well as vehicles moving when unmanned and components falling, although these did not result in human injury. We will therefore reinforce preventive measures by thoroughly investigating the causes of such accidents, conducting thoroughgoing risk management at the planning stage, and ensuring the implementation of measures to prevent recurrence.

Number of Cases (FY)

	2020	2021	2022
Construction site accidents (excluding heat stroke)	100	99	100
Heat stroke	15	8	17

Note: Numbers of accidents resulting in one or more days of lost worktime.
Scope: Contractors of Sekisui House (including sole proprietors and employers)

After surveying and analyzing the occupational accidents that occurred in FY2022, we found that, by job type, accidents were most common among carpenters and erectors. As such, to raise awareness among front-line workers, we coordinated with newly appointed safety representatives at each headquarters to implement training for job types with high accident rates.

We also implement safety audits of one worksite under each headquarters to raise awareness of safety management.

5. Activities and Other Related Information

ISO 45001 certification

One of our overseas bases, Sekisui House Australia, has acquired certification under ISO 45001, an international occupational health and safety management standard, at its head office and factory (the Ingleburn Manufacturing and Quality Control Centre). The company undergoes annual external audits to maintain this certification.

Promoting traffic safety

Sekisui House makes considerable use of Company vehicles in its business activities. Raising awareness of safe driving protects both the lives of employees and others on the road. In concert with the National Traffic Safety Campaign organized by the Cabinet Office, we implement annual traffic safety promotion activities for employees. At worksites, employees watch videos of traffic accidents and hold group discussions to learn about diverse hazard prediction approaches and techniques, providing an opportunity to think about actions individuals can take to promote safety.

We are also implementing an initiative in which employees sign pledges to prevent drunk driving. Through such initiatives, we are encouraging all employees to obey traffic rules and strive to drive safely in order to reduce the number of accidents they are involved in.

Occupational health and safety activities at construction sites

Our priority themes for FY2022 were “elimination of fall accidents,” “securing appropriate working environments,” and “prevention of accidents involving the general public.”

- To eliminate fall accidents, which can lead to serious injury or death, we focused efforts on the construction environment.

1. We revised operating methods to accommodate narrow spaces and other areas where it is difficult to receive shipments in order to further expand factory shipments of handrails for installation around the outer periphery of buildings.
2. We clarified standards for installing scaffolding around internal stairways and conducted verifications to ensure their safety and workability. We plan to roll out these standards nationwide.

- To secure appropriate working environments, we continued efforts to thoroughly ensure worksite tidiness.

1. In particular, we advanced and strengthened the designation of tidiness, securing safe walkways, and preventing slippage as check items during site patrols.
2. We created a check system using the Safety Promotion app, incorporating items related to worksite tidiness.

- To prevent accidents involving the general public, we designated the priority theme of preventing falling objects, contact with heavy machinery and vehicle accidents as we took measures to prevent recurrences of past accidents. The number of vehicle accidents decreased. We were not, however, able to eliminate accidents involving the movement of unmanned vehicles, nor did incidences of falling components or contact with heavy machinery decrease. These remain challenges in FY2023.

Health and safety management initiatives

As a form of internal occupational health and safety audits, Sekisui House conducts special safety audits of individual worksites.

When deemed necessary by the head of the Construction Strategy Department, these audits are conducted at worksites where accidents or infractions defined as significant by the Company have occurred.

In FY2022, we conducted a special safety audit of one worksite. This site was selected for audit because of the number of accidents resulting in lost worktime that had occurred there and the repeated occurrence of

similar accidents in a short time. The audit examined the implementation of recurrence prevention measures at the construction site and compliance with manuals. Instructions were issued based on the audit findings.

Special Safety Audits Conducted (FY)

2020	2021	2022
2	0	1

Onsite safety patrols (including contractor sites)[1]

To prevent accidents, Sekisui House conducts regular safety patrols at worksites. These patrols check that construction is being carried out in accordance with our safety standards and are performed not only by Sekisui House's onsite managers, but also by contractors. By involving construction contractors, we aim to go beyond merely issuing one-sided corrections and directions to foster a more substantive understanding of our health and safety standards.

1 Since FY2020, due to the COVID-19 pandemic, these activities have been on hiatus or, depending on pandemic conditions, conducted at a reduced scale.

Occupational health and safety initiatives at Konoike Construction

Group company Konoike Construction has maintained certification under the Construction Occupational Health and Safety Management System (COHSMS) since FY2014 at all its offices as an initiative for occupational health and safety. Striving to eliminate accidents, Konoike Construction conducts regular internal audits of construction sites, safety patrols, as well as education on health and safety for its workers and the management and workers of partner companies.

Checking safety risks at construction sites

Sekisui House's business operations entail the use of heavy machinery and work performed in high places, and as such there is a significant possibility of a fatal accident occurring. We therefore carry out site inspections at each business site for all new projects for which we receive orders. In addition to planning construction in accordance with manuals and checking risks related to the safety of construction workers, in accordance with Japanese laws, we consider the impact on local residents from the planning stage.

Benefit programs for partner building constructors and collaboration with the Sekisui House Association

The greatest strength of the Group is the Sekisui House Association, which consists of Group companies involved in construction and partner building constructors. As of February 1, 2023, the association includes eight Sekisui House Construction (renamed from Sekiwa Construction effective February 1, 2023) companies that are part of the Sekisui House Group and approximately 7,000 partner building constructors throughout Japan (including the partner building contractors of Sekisui House Construction companies, which are members of the Sekiwa Association).

From its very start, Sekisui House has pursued "design-build" construction. As such, our partner building constructors are irreplaceable, and we hold them in high regard, fostering relationships of trust and mutual interest to work together 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 construction sites tidy, developing human resources and improving working conditions. Moreover, the association serves as a venue for information exchange that allows individual construction sites and partner building constructors to share issues they face and study possible solutions. The association also offers training and study opportunities to improve work processes and construction quality.

The Sekisui House Association is a tremendous driver of action in times of natural disaster, such as when an earthquake or flood strikes, from the initial response to restoration and reconstruction.

We will continue working with the association to strive for customer satisfaction and raise the value of the Sekisui House brand, aiming for coexistence and co-prosperity as "a community with a common destiny."

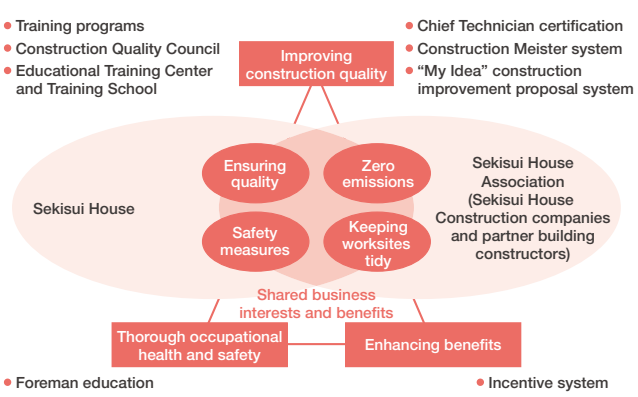
We also run various benefit programs to support partner building constructors and construction technicians who work on our construction sites across Japan.

The Sekisui House subsidy system is designed to support improvement in workforce management at partner building constructors and to expand benefits for construction workers. The system granted subsidies amounting to approximately ¥900 million in FY2022.

In FY2024, we plan to phase out the employee service fund, which is one of the systems subsidized by Sekisui House, and switch to a superior technician and team compensation system that provides compensation based on productivity and skill level. We have begun the transition process.

The Sekisui House Cooperation Association was established in 1982 to improve employment practices and benefits among partner building constructors. 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 "Community with a Common Destiny" Mindset



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 to obtain ministerial authorization as being in line with national certifications. Sekisui House supports the administration of certification examination.

The examination is held once a year, and in FY2022, 116 people passed. Certified individuals now number 6,464, and the certification is helping onsite work leaders to maintain and improve construction quality.

The purpose of the certification is to evaluate the skills of technicians fairly and accurately, 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 onsite for Sekisui House and complete a short course. The three types are: foundation work, framing/exterior work and interior finishing.



The blue construction helmet is worn by certified Sekisui House Chief Technicians

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. It aims 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. This fosters an atmosphere of diligence and the pursuit of high-level skills, thereby contributing to higher quality and greater customer satisfaction throughout the Company.

In FY2022, we certified a total of 343 Construction Meisters—66 foundation work technicians, 98 framers/exterior specialists and 179 interior carpenters. Among these were 79 First Meisters and 10 Top Meisters. Each recipient is awarded a certificate and incentive pay. Since 2010, a total of 3,570 technicians have been certified as Construction Meisters.

In 2020 we created a new Quality Champion Commendation System to recognize 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 system, the number of Construction Meisters commended for quality was 66 in FY2020, 67 in FY2021 and 62 in FY2022.

In 2024, we plan to update the Chief Technician Certification System, Construction Meister System and Quality Champion Commendation System, integrating them along with elements of the employee service fund, which will be abolished, into the new superior technician and team compensation system. The new system will provide generous incentives to technicians who exhibit superior productivity and technical skill.

We also have the Sekisui House Remodeling Meister System, established in 2008 by Sekisui House Remodeling, which certifies and registers superior technicians working for partner building constructors who do remodeling work for Sekisui House Remodeling. In addition to volume of work and technical skills, the certification system extends to areas including homeowner satisfaction, attitude and consideration for others on the construction site, attention to safety, management capabilities, and ability to foster young talent.

Initiatives to improve worksite productivity

With the total number of construction workers on the decline, we are working to ensure ongoing, reliable construction capacity by strengthening our technologies while also taking steps to make the most of our existing construction capabilities. We have launched two working groups to improve productivity—one to focus on solutions employing physical resources and the other to focus on solutions involving systems and people. Through these efforts, we seek to reduce person-hours and the burdens of construction work. 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, as well as staff from the head office and factories. These groups have successfully promoted initiatives to improve productivity, such as developing the SHAWOOD large-scale fixed sash combined construction method.

We also have in place the "My Idea" construction improvement proposal system, through which construction workers across the country can make suggestions based on the creative ideas or items they are using onsite. We select submissions that can help improve productivity and work to spread them among construction workers, mainly through the Chief Constructors of each area.



The SHAWOOD large-scale fixed sash combined construction method

Educational training centers and training schools

Sekisui House has established educational training centers and training schools where we conduct training that allows technicians from our Group to learn techniques and acquire skills. These facilities also teach proper conduct to facilitate interaction as professionals and prepare trainees for the working environment. Our educational facilities 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.

In FY2022, classes were once again held under strict restrictions due to the COVID-19 pandemic, with 27 trainees completing the framing/exterior course and 38 completing the interior finishing course, for a total of 65 newly minted technicians. A cumulative total of 3,033 technicians have completed courses and are working as construction technicians and construction managers around Japan. After the training courses end, we hold a variety of training offerings at each educational facility, working continuously to improve technical knowledge and skills.


Framing/exterior course: completion test


Interior finishing course: completion test

Overseas technical training centers

We became the first housing manufacturer to establish a technical training center in Vietnam for housing construction with the November 2019 opening of our facility in Hanoi, Vietnam. 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 prepare recruits. The center gives technical trainees a chance to learn Sekisui House's construction techniques and study practical Japanese 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 are held for families, training fees and other expenses are fully 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. However, the spread of COVID-19 prevented us from conducting subsequent education or training as planned. In 2021, we began online support for recruitment interviews, technical training lectures Japanese language study and other activities. We also hired more local staff and established a system that enables us to conduct training at any time in preparation for resuming the entry of technical trainees into Japan.

In April 2022, most border restrictions related to COVID-19 were lifted, and we resumed education and training as originally planned.

- FY2022 Results: 38 trainees came to Japan, 112 potential recruits were interviewed


Local fundamental training


Local exterior training


Online interviews



Online Japanese studies

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		Preliminary education (Japanese, etc.)					Technical training (fundamental course)	Entry into Japan	Assign-ment	
	One month		Six months						One month		
Explanatory meetings	(1) Acceptance process	(2) Hiring interview, explanatory meeting for families	(3) Preparation of immigration documents Confirmation of placement availability		(4) Technical training plan approval application		Application for issuance of certification of enrollment qualification	(5) Visa application at local office	(6) Immigration training	(7) Joining the company (8) Working onsite	

S Customer Initiatives

1. Governance

Even after handing over a house to a customer, Sekisui House continues working to further improve customer satisfaction based on an approach of always being there for customers and continuing to look after their homes for a lifetime.

Customer service promotion structure

Sekisui House has established the CS Promotion Department as a division dedicated to enhancing customer satisfaction. The department manages the Customer Service Centers, which provide support and service for homeowners, and comprehensively plans, develops and executes quality control measures. The CS Promotion Department also serves as the contact point for customer inquiries and complaints, which are then handled by either its internal Customer Service Center Supervisory Office or Customer Support Office. Furthermore, the department monitors and provides support related to customer service at Group companies.

Customer support framework

Sekisui House's customer support framework centers on roughly 100 Customer Service Centers (based in 30 offices) nationwide. After buildings are delivered, these centers provide customer support, such as regular inspections and maintenance, in coordination with the rest of the Group, including Sekisui House Remodeling and the Sekisui House Real Estate companies. When problems with products are discovered, these centers work with the Comprehensive Housing R&D Institute and the head office to improve quality.

In August 2020, we opened a Customer Service Center Owner Desk, establishing 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.

Quality Management Certification

In 1998, our entire Production & Procurement Division, including all domestic consolidated Group factories,[1] was the first in the industry to acquire certification under the ISO 9001 international quality management system standard, and we continue to maintain this certification.

1 The Tohoku Factory, Kanto Factory, Shizuoka Factory, Hyogo Factory and Yamaguchi Factory

2. Strategy

Sekisui House strives to contribute to the formation of a sustainable society that effectively utilizes supplied housing 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 scrap-and-build process that has predominated in Japan. In addition, we work to protect the value of buildings through such efforts as establishing relationships with new customers after a change in occupants so that quality housing can continue to be used over the longer term.

To realize our global vision to make home the happiest place in the world, our Customer Service Centers must always be closely attuned to customers and strive 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, peace of mind, ease of use and comfort

Since the 1980s, based on the lifelong housing concept, we have consistently pursued safety that takes into consideration the changing physical characteristics of people over time as well as the construction of houses that are convenient for everyone over their entire lifetime, including the elderly and those with disabilities.

In 2002, we were ahead of the curve in establishing the proprietary Sekisui House Universal Design (SH-UD) standard, based on the concepts of safety, peace of mind and ease of use. Furthermore, since 2010 we have been pursuing smart universal design, a conception of universal design that extends to comfort. In the area of safety, in particular, we apply internal rules for safety enhancement from the research and development of housing components onward. This process has received Child Safety through Design (CSD) Certification from the Kids Design Association. Specifically, we apply internal rules when planning and designing all buildings, including the outdoor landscaping. In addition to these initiatives, for the design and development of all real estate, including lots for sale and condominiums, we have established guidelines regarding access to train stations, bus stops, public and commercial facilities, and other essentials. By applying these guidelines, we ensure that our housing design incorporates barrier-free and other such considerations. These smart universal design efforts have been well received by the public and won Good Design Awards and numerous Kids Design Awards.

3. Risk Management

Quality improvement (systems to prevent flaws and recurrences, and complaint database)

To supply customers with homes where they can live safely with peace of mind and enjoy good health and comfort over their entire lives, 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 feedback from customers received at our Customer Service Centers and consultation desks. We investigate and analyze services and products based on homeowner feedback and share the results with the relevant departments, specifically applying them to improve design and construction and in product development. Such efforts made to date include improvements made to the design of water-use areas and the interior fixtures.

Improving customer service through the Customer Service Center Owner Desk

We set up the Owner Desk as a centralized body for handling customer inquiries, improving the consistency of customer service that had not always been uniform in the past because of the varying responses of the individual staff members providing service. In addition, we have built a system to convert inquiry details into data managed as a corporate asset. We analyze the collected data to improve the quality of service and customer satisfaction.

Scope of certification against internally developed product safety/quality standards

We set specific quality standards for each housing component and part developed and manufactured within the Group. Products and components are designed in accordance with wide-ranging quality standards that are based on expertise accumulated in our business and research activities, and thorough design vetting ensures high quality with excellent safety and performance. At all our factories that produce internally developed components and parts in Japan and overseas, we have built quality ISO 9001-compliant quality management systems to maintain the high standard of quality we have developed over the decades and carry out manufacturing in compliance with our proprietary quality standards.

Factories, and manufacturing and quality control divisions implement quality checks and inspections in the course of daily operations and at scheduled intervals, maintaining consistently high quality through the use of a PDCA cycle. In recent years, we are increasingly using automation and DX technologies in inspections, aiming for even higher quality. Furthermore, factories periodically audit one another to eliminate disparities between them and maintain a high level of quality.

Training to maintain and enhance quality

The Sekisui House Group has established a quality inspection framework to make ongoing improvements in processes to maintain and enhance construction quality. This system is based on the individual responsibilities of, and cooperation between, Sekisui House onsite supervisors and the construction managers and technicians of Sekisui House Construction companies and partner building constructors.

Sekisui House onsite supervisors undergo inspector certification training, and construction managers of Sekisui House Construction companies undergo construction manager inspection training in order to learn inspection skills used in quality control in the course of ordinary work. We implement periodic renewal tests to maintain inspection skills. The Sekisui House Construction companies also regularly hold training for construction managers in an effort to enhance their inspection skills.

In addition, chief inspectors monitor worksite construction quality, management systems and inspection capabilities while providing training and support for the inspections carried out by onsite supervisors and construction managers. In this way, we seek to consistently provide high-quality buildings to customers all across the country.

(FY)

Program for maintaining and improving quality	2022
Chief inspector training	8 participants
Inspector certification training, construction manager inspection training	781 participants (individuals were counted for each course they took)
Supervising technician training (inspector certification course)	229 participants (individuals were counted for each course they took)
Construction manager training	329 participants

4. Metrics and Targets

Customer satisfaction surveys

Sekisui House conducts customer satisfaction surveys in which homeowners rate its housing products and services. 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 in order to proceed smoothly through to the post-construction phase. A questionnaire upon move-in allows customers to rate their satisfaction level with each phase of the process, from preliminary discussions to the handing over of the house, and with the staff they worked with at each step. A questionnaire one year after moving in lets customers rate the success of the design proposal and their satisfaction in terms of ease of use, after-sales service and other factors. Owners of our Sha Maison rental housing are asked to fill out a questionnaire two years after closing. These questionnaires cover overall satisfaction, the workmanship of the building, the customer's willingness to recommend Sekisui House, satisfaction with various parts of the building and satisfaction with the power generation system.

Since August 2012, customers have been able to answer surveys 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 70% of detached house customers respond to the questionnaire online. In light of this success, beginning in FY2023, surveys will be moved entirely online.

The views of customers collected through these surveys are regularly collated and analyzed. The results are communicated to the relevant departments, helping to improve daily operations, expand services, and enhance safety and comfort at the new component and product development stage.

Respondents who Answered Customer Satisfaction Surveys with "Very Satisfied," "Satisfied" or "Fairly Satisfied" (FY)

Segment		Unit	2020	2021	2022
Built-to-order business	Custom detached houses	%	96.1	96.0	96.3
	Rental housing	%	95.4	94.0	94.3
Development business	Condominiums for sale	%	92.6	87.8	89.9
	Ready-built detached houses	%	98.3	96.7	98.9

Survey overview:
Custom detached houses, ready-built detached houses and condominiums for sale: Survey one year after moving in
Rental housing: Survey two years after closing
Survey with a choice of seven levels: Very satisfied, satisfied, fairly satisfied, neutral, slightly dissatisfied, dissatisfied and very dissatisfied

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. Making 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-lasting housing. Houses that are built according to set standards for structure and facilities are certified as "Long-Life Quality Housing" and are eligible for various tax benefits. In FY2022, 92.1% of the homes we built were certified as "Long-Life Quality Housing."

We also operate Ie-Log, a regularly updated database of historical data about each residence, ranging from such basic building information as homeowner 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 varying periods of time. Even after the initial warranty period has expired, homeowners can take advantage of our unique U-trus System to extend warranties in 10-year intervals any time they pay for inspections or repairs not covered by active warranties.

We will continue striving to craft longer-lasting homes that provide safety, peace of mind and comfort.

Percentage of Sekisui House Residences Certified as Long-Life Quality Housing (FY)

2020	2021	2022
93.3%	93.4%	92.1%

SumStock quality housing stock system

Sekisui House's Customer Service Centers are promoting SumStock in collaboration with the Sekisui House Remodeling and Sekisui House Real Estate Group companies.

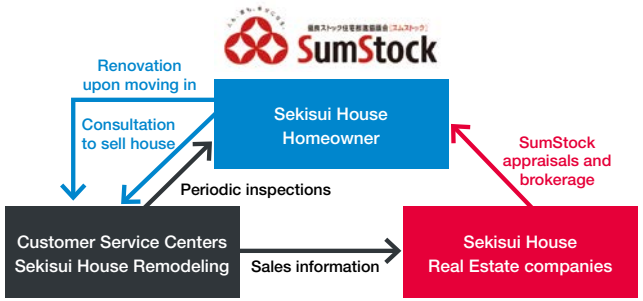
SumStock is a circulation system for high-quality existing housing stock. It is run by the Provision of Quality Housing Stock Association, a general incorporated association founded in 2008 that comprises 10 major housing manufacturers including Sekisui House, and is chaired by Yosuke Horiuchi, Sekisui House's current Representative Director of the Board, Vice Chairman and Executive Officer. Under this integrated circulation system for existing homes, members carry out all steps from value appraisal and certification through to resale. Through SumStock, the industry is working to increase quality housing stock and invigorating the resale market.

A house's basic structure ("skeleton") and its interior furnishings and fixtures ("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.

Also, using the data accumulated in Ie-Log, our proprietary housing history database, homeowners are able to promote the resale their homes as high-quality houses.

We are working to firmly establish the SumStock brand. In addition to the conventional goals of increasing sales volume and brand recognition, by promoting SumStock, we are working to further improve quality and contribute to society, including in the area of decarbonization, by promoting the resale of high-quality existing homes.

SumStock Promotion through Collaboration within the Group



Ratio of SumStock housing in the Group's existing home transactions (FY)

2020	2021	2022		2023
Results	Results	Targets	Results	Targets
59%	70%	75% or higher	63%	800 contracts[1]

1 Beginning with the target for FY2023, this indicator has been changed from a ratio to the number of contracts reached.

S Coexisting with Local Communities

1. Governance

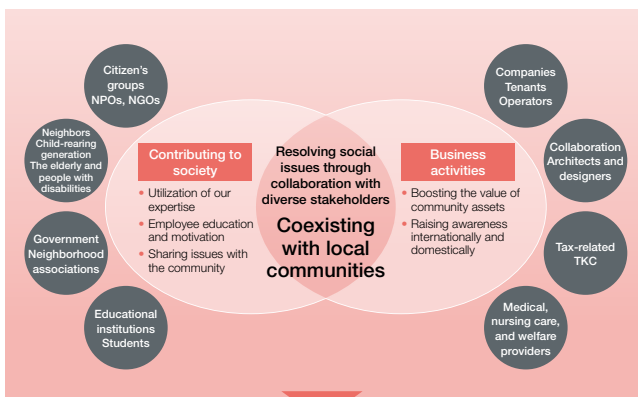
The Sekisui House Group has positioned coexisting with local communities as a key issue in the social (S) area of ESG management, from the perspective of wishing for the happiness of local communities. We are working to address this issue from two directions: social contributions through our business, and social contribution activities in aspects not covered by business. In terms of aspects not covered by our business, we focus on children and the environment as local issues. The ESG Promotion Committee, which is an advisory body to the Board of Directors and includes two external experts, defines initiatives in this area through discussion. To promote activities to this end, we have established the Social Improvement Subcommittee, which sets targets and KPIs for initiatives to enhance their efficacy.

2. Strategy

In addition to the accelerated aging of society and low birthrate, disaster prevention and mitigation measures, and carbon neutrality, particularly since the COVID-19 pandemic, local issues and the needs of residents and businesses are changing. These changes call for community development aimed at sustainable lifestyles tailored to individual cultural climates. To address social issues through its business, such as dealing with longer lifespans across society and regional revitalization, the Sekisui House Group is advancing 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 capabilities that integrate ESG considerations with its technologies, lifestyle design and services. Using this strength, in collaboration with homeowners and organizations ranging from NPOs and NGOs to governments and public welfare organizations, we aim to create and maintain strong relationships between residents and property operators to bring about a society where people can be happy in their communities throughout their lives.

In addition, on the non-business side, we support local NPOs that are working on issues surrounding children and the environment through the Sekisui House Matching Program, a corporate program to match employee donations that has been providing funds to such organizations since 2006. In addition, we encourage employees to volunteer using their own expertise, providing frameworks 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 happiness of society

Basic Policy of the urban redevelopment business

Leveraging our decades of expertise in housing construction, we are implementing urban redevelopment that goes beyond mere scrap-and-build. Through the urban redevelopment of rental and for-sale condominiums, offices, hotels, commercial facilities, and complexes incorporating these property types, we aim to realize buildings that are accommodating to all and will be passed on to subsequent generations, thereby creating value for society as a whole with focus on people, communities and the future.

When planning urban redevelopment projects, we always consider the impact of our operations on the environment and community, referencing relevant laws, regulations and internal rules.



Grand Maison Misonoza Tower

Conceived as a project to rebuild and redevelop the Misonoza kabuki theater, the tower incorporates a theater with new functionality as well as high-rise housing and shopping with the aim of invigorating the surrounding community and creating a lively townscape.



Garden City Shinagawa Gotenyama

This property was developed as a large-scale office building complex on the site of the former Sony headquarters. Surrounded by greenery, including an expansive rooftop garden, the office building features a seismically-isolated structure, and its design incorporates the concept of *keinen bika*, or creating a townscape that grows more beautiful over time. The property harmonizes with the surrounding community while providing comfortable spaces for office workers.

Initiatives for tenants and local communities

Sekisui House is engaged in business centered on the residential domain that goes beyond just housing itself. Protecting the lives and assets of residents and tenant employees from increasingly severe natural disasters is a significant social issue and part of Sekisui House's mission. We therefore develop properties with attention to not only environmental and social issues, but also local communities.

3. Risk Management

Connections with communities and strong organizational expertise

In advancing business that contributes to coexistence with local communities, it is important to understand local issues, maintain relationships of trust with business owners, and assure (and strengthen) their compatibility with the property operator. Sekisui House implements 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

Since 2021, we have operated Volunteer Web to empower our employees to participate in safe and appropriate volunteer activities. The Volunteer Web website provides information on NPOs and other volunteer opportunities that meet certain standards to improve employee safety. In addition, users can search for NPOs and other organizations that are active in each region and registered as recommended organizations for Sekisui House Matching Program subsidies.

4. Metrics and Targets

Coexistence with local communities through business by the numbers

Cumulative Roadside Rest Station Facilities Opened through the Trip Base *Michi-no-Eki* Stations Project, a Regional Revitalization Project (FY)

KPI	2020	2021	2022		2023
	Results	Results	Targets	Results	Targets
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	9 prefectures: 20 buildings 1,582 rooms	10 prefectures: 23 buildings 1,848 rooms	14 prefectures: 29 buildings 2,336 rooms

Cumulative Buildings Constructed in our Platinum Business[1] (FY)

	Unit	2020	2021	2022
Elderly and nursing care facilities	Buildings	1,379	1,407	1,511
Medical facilities	Buildings	3,603	3,700	3,775
Facilities for people with disabilities	Buildings	400	468	561
Childcare facilities	Buildings	330	402	424

1 The platinum business refers to the construction of medical facilities, such as assisted living facilities for seniors, group homes and clinics, as well as facilities for people with disabilities and childcare facilities.

Spending on social contribution activities

In FY2022, spending on social contribution activities in and outside Japan totaled ¥443 million.

Sekisui House Matching Program Subsidies (FY)

2020	2021	2022
¥38.33 million	¥49.00 million	¥45.80 million

(FY)

KPI	Unit	2020	2021	2022	
		Results	Results	Targets	Results
Percentage of employees joining employee-company joint donation programs (Sekisui House Matching Program employee participation rate)	%	27	31	35	32

5. Activities and Other Related Information

Social contribution 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 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. During the second stage, we began opening additional facilities in May 2022, with plans to have 1,184 rooms at 14 locations in 8 prefectures by the end of 2023.

The project operates Fairfield by Marriott roadside hotels specializing in overnight stays. With the aim of promoting the use of local stores and other facilities, the project is deepening collaborations 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. Aiming to expand the number of rooms to roughly 3,000 nationwide, we will continue to contribute to regional revitalization by promoting tourism.


Fairfield by Marriott Kyoto Kyotamba


Yorimichi Map

Community café with senior living: creating a free and comfortable place for all

San Fellows Aomori is an assisted-living complex for senior citizens run by a medical corporation with a long history of medical and nursing care in the community. The facility was designed as housing for a variety of residents, whether individuals or couples, and functions in coordination with the neighboring clinic and private nursing home to provide better living in residents' senior years. The head office's specialized medical and nursing

care division worked with the local office to develop the facility based on the aspirations of the operating company to create a space that allows senior residents to be themselves, is open to the community and makes the most of the scenery provided by the greenery and people in the neighboring park. This vision was realized with a facility featuring a multi-purpose common area and design that incorporates a rich variety of loosely linked spaces, light, air and greenery.

Residents are free to spend their time as they like—sometimes active, sometimes quiet—in accordance to how they feel each day. The adjoining "cafe & space ivy" is open to the public as a cheery café but also functions as a multi-purpose rental space that fosters exchange between residents and the community. The organization that operates the facility used subsidies for community facilities to create a space that the elderly, people with disabilities, parents with small children and others can enjoy within their local community.


San Fellows Aomori

The *Dai-no-mori* Project: 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 that keeps alive memories of daily life in times gone by together with a forested property, wells that have been passed down from generation to generation, and a zelkova tree that is now more than 300 years old and is a valuable local resource. Its facilities include a group home for people with disabilities, pottery workshop, café, gallery and restaurant. 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 new kind place to spend time that would encourage visitors to get attached to and involved with the area.

The group home for persons with disabilities was designed with an eye to coexistence with the local community, including creating ways of naturally drawing people in and expanding the value of interpersonal connections. It has also been recognized for creating spaces where children and young families could spend time outdoors while maintaining a safe distance from others during the COVID-19 pandemic. The project's development process received high praise as a potential model for children's participation in community development and was awarded the Kids Design Association President's Award in FY2021.


Dai-no-mori Project

A place for children to be free

The NPO Hull Pong[1] operates a children's development support center. The center was established in 2013, after its operators met children with developmental difficulties and realized the need for community spaces for children other than the home and schools, becoming the first permanent privately run facility of its kind in Japan. Sekisui House proposed a space for the center featuring the warmth of wood based on its SHAWOOD construction method and continues to work with Hull Pong after delivering the building to address, for example, changes in building use over time. The center has collaborated with local cafeterias and parents' clubs, hosted a traveling parent-child consultation salon, held a Santa program, and made numerous creative efforts to promote connections in daily life, receiving a Kids Design Award in 2022.

1 An organization selected for support in FY2013 under the Sekisui House Matching Program


Children's development support center

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 redevelopment, with rental housing and for-sale housing for families with children, an assisted-living complex for seniors, a private retirement home with nursing care, rental housing for students and for nurses, along with convenient facilities such as restaurants and convenience stores, and child-rearing support facilities, such as a nursery school and after-school center.

Above all, the project focuses on enriching the lives of households raising children and fostering community among both residents of the development and the local area. The Livinlabo has been established as community space for related activities. Comprising a kids' room, picture book library, soundproof studio, multi-purpose room and dining room that doubles as an event space, the facility is a place for multigenerational interaction centered on children, while also serving as a kind of "community living room" for all residents of the surrounding community. Seasonal events throughout the year and regular musical performances are held at Livinlabo, bringing joy and ongoing growth to individuals and the community.

In addition, to strengthen their disaster prevention functions, a total of 915 homes have been equipped with Ene-Farm household fuel cells for condominium use. These cells enable continuous power generation even during power outages. In addition, photovoltaic power generation and EV car sharing have been introduced to provide multiple sources of power, thereby reducing CO_2 emissions and enhancing disaster preparedness.


EGOTANOMORI Project

Miramachi, a large-scale development complex

Miramachi is a 27-hectare redevelopment project on a 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, then further developed through proposals and coordination with the relevant government agencies as well as explanations and dialogue with local residents. The complex was finally realized through the comprehensive capabilities and collaboration of the Sekisui House Group. In addition to the existing 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 community.

Residents are strongly aware of their involvement in community development, and actively express their opinions. Sharing the value of the townscape has deepened their understanding of greenery 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 get out of their houses without worrying about maintaining safe distancing. This project was the first in Japan to use smart electric meter communication technology to read electric, gas and water meters. This offers residents greater convenience because they can more clearly see their utility use.

Four Types of Value Created at Miramachi

Community Contribution	Environmental Awareness
Complex development to raise the value of the southern part of Toyohashi, creating a “compact city”	About 400 ZEH homes planned—an environmental approach to goals for 2030 as an Eco-First company
Sustainable Growth	**Disaster Resilience**
Systematic greening using existing trees to create relaxing spaces and protect the environment	Roundabouts and underground power cables assure safety and resilience

Education for a sustainable feature starting with housebuilding

Working with the national government, municipalities and educational institutions, we provide fun, hands-on opportunities for children—tomorrow’s leaders—to learn about housing. We also accept students for work experience events. These efforts help contribute to society though education and inform the public on our efforts to create happy homes.

Sekisui House’s educational support activities (Japanese only)

Environmental education

We offer traveling environmental education programs based on the themes we have designated as an Eco-First Company (global warming prevention and ecosystem preservation). In addition, we provide opportunities for children to learn about nature using Company facilities, such as Shin-Satoyama, which neighbors the head office, or the Sekisui House Eco First Park on the grounds of the Kanto Factory.

Sekisui House Eco First Park

In 2008, the same year that Sekisui House was certified as the industry’s first Eco-First Company, we opened the Zero Emission Center in conjunction with the Kanto Recycling Center. To symbolize the environmental efforts we have made over the years, in May 2015 we reopened the facility as the Sekisui House Eco First Park. The park is a place where visitors can learn first-hand about our environmental activities in the areas of preventing global warming, ecosystem preservation, 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 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 calls from the international community for the creation of a circular economy, and to incorporate these methods in specific initiatives.

“A Letter from Dr. Forest” Program

Dr. Forest (a Sekisui House employee) is a specialist in plant life who visits schools and uses examples of nature—on a schoolground, for example—to conduct lessons. While completing a mission set by Dr. Forest, children learn about the connections between greenery and fauna, fostering an interest in close-at-hand aspects of nature and encouraging them to think about what they can do to protect nature with the aim of promoting ongoing action. We take requests for Dr. Forest traveling lessons (instructor dispatch to classrooms) and for educator training based on the program (instructor dispatch to school boards and educator study meetings).

Captain Earth “Ie-cology” Seminar

The Captain Earth “Ie-cology” Seminar is an educational program centered on experiments in which an instructor (an employee) dressed up as Captain Earth works with children to learn about ways they can save energy to combat global warming in their daily lives. Participants use housing as a familiar platform to learn about the links between climate change and our daily lives by exploring the key themes of comparing housing insulation performance and understanding energy-saving appliances. The seminar helps children understand eco-friendly living and encourages them to think about eco-friendly actions that they themselves can take immediately.



“A Letter from Dr. Forest” Program



“Ie-cology” Seminar

Learning about happy living with model houses

We utilize the model houses Sekisui House operates around the country to provide children with fun, hands-on opportunities to learn about housing. The program is designed for students to explore the interior of a house, look for innovative aspects of house construction that promote happiness from their own perspectives, and think and learn about the reasons behind these innovations first-hand. There are two types of programs: the tour type, in which students experience virtual reality (VR) at actual model houses and tour exhibition spaces, and the online type, in which classes are conducted via remote relay webcast from model houses to schools. Since the program was launched in FY2021, approximately 600 students have participated.

In addition, we use this program to create workplace visit opportunities for children, holding classes to encourage children to think about the significance and roles of work.




Remote exploration of model houses by children using a tablet

Supporting programming education: "Everyone's House! Houses of the Future!"

In 2019, Sekisui House was the only company in the housing and construction industry to participate in the "Programming Education Promotion Month in Future Studies," an educational initiative 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. Since then, at our five Tomorrow's Life Museum hands-on, experience-based housing facilities nationwide and other facilities, we have accepted visits from children from elementary schools around the country. In classes on housing titled "Everyone's House! Houses of the Future!" elementary school children are given the chance to take ideas from our facilities to design and build their own house of the future using architectural simulation software on computers. In the four years since 2019, about 650 students have participated.

Participation in the Minecraft Cup 2022 National Tournament

Minecraft is an open-world game that was introduced to Japan in 2011. Minecraft: Education Edition is used in educational settings around the world to develop programming thinking in children. The game allows players to build and design freely with blocks, making it a perfect fit for collaboration with our business.

Sekisui House participated as a gold partner for a second year in the Minecraft Cup 2022 National Tournament, soliciting entries of Minecraft works based on the theme of "Houses and communities that connect animals, nature and people: protecting biodiversity." The works of entrants near our model houses were displayed in 109 model house sites nationwide. The tournament was further enlivened by offering an educational program about the SDGs in housing to entrants who visited the model houses. Of a total of 426 entries, 39 advanced to the final judging, and the final judging and awards ceremony was held at the Company's SUMUFUMU TERRACE Shinjuku via webcast. In partnership with the Minecraft Cup, we are communicating our efforts related to the SDGs and housing to the next generation.

Final judging and awards ceremony, Minecraft Cup 2022 National Tournament (Japanese only)

Shin-Satoyama Garden

In 2006, on the north side of Shin Umeda City, where the head office of Sekisui House is located, we built a landscaped area known as *Shin-Satoyama* covering about 8,000 m^2 and 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, which focuses on planting trees native to the area. Since 2007, the year after it opened, we have used the area to support the education of children from the community. We give elementary school children the chance to experience the entire process of growing rice using traditional farm tools, from planting in a wet paddy to harvesting and threshing. Nursery school children, meanwhile, get 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 the ecosystem.

Fostering a new art culture with the Koji Kinutani Tenku Art Museum

Sekisui House operates the Koji Kinutani Tenku Art Museum to promote culture and the arts in society. The museum is located in the Umeda Sky Building, home to our head office, in Tower West (27F). The museum is dedicated to the works of renowned fresco painter and Order of Culture recipient Koji Kinutani. On display are many of Kinutani's colorful, energetic frescos, along with sculptures and interactive content, such as the world's first 3D visual system that allows viewers to seemingly enter the world of the painting, and a virtual reality presentation in which the artist himself introduces the museum and the artist's atelier.

Since opening in December 2016, the museum has been very popular, attracting over 260,000 visitors from inside and outside of Japan (as of March 31, 2023). It is also used as a venue for extracurricular lessons by nearby elementary schools. Its special exhibitions, held twice a year, have been certified under Japan Cultural Expo, an initiative of the Agency for Cultural Affairs to promote Japanese arts worldwide, and it holds monthly fresco painting workshops. These and other efforts have received three Kids Design Awards from the Kids Design Association. Such activities have been widely recognized, and have been certified every year since 2019 by the Association for Corporate Support of the Arts as "This is MECENAT"—certified activities for promoting arts and culture in a richly creative way. In addition, a conference of the International Council of Museums (ICOM) held in Kyoto in 2019 offered an excursion to this high-rise interactive museum, gaining the interest of museum staff from around the world. Furthermore, since 2021, the museum holds an annual kids' painting contest, aimed at encouraging elementary and junior high school kids from across the country to experience the joy and fun of creation.

This one-of-a-kind, cutting-edge museum will continue to foster culture and art both in Japan and around the world.


Kids' painting contest

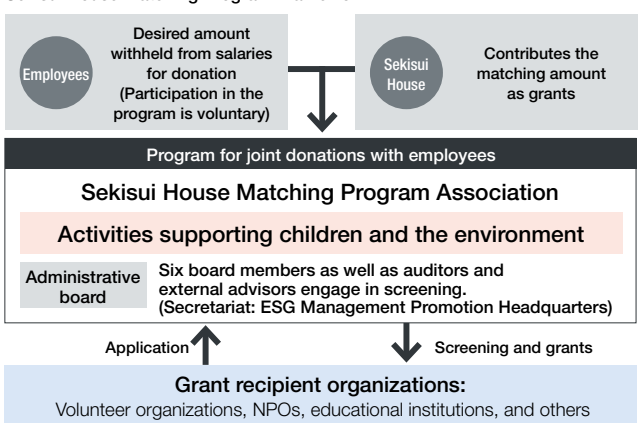

Fresco painting workshop, which received a Kids Design Award

Working with local communities

Sekisui House Matching Program

In FY2006, we launched the Sekisui House Matching Program, through which the Company matches employee donations to NPOs and other organizations engaged in addressing social issues through the Sekisui House Children's Fund and Sekisui House Eco-Fund. About 8,100 employees participate in this program, which to date has donated over ¥500 million to 590 organizations.

Sekisui House Matching Program Framework



In FY2023, we decided to provide a total of ¥50.54 million 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.

Sekisui House Matching Program (Japanese only)
List of charitable groups (Japanese only)

Tsunagari Café

We hold regular online seminars entitled Tsunagari Café, in which any Group employee can freely participate from anywhere, to provide easy opportunities to learn about the Sekisui House Matching Program. Every seminar features different guests from inside and outside the Company who present basic knowledge about NPOs and their involvement in issues ranging from support for persons with disabilities to the LGBTQ community. Employees from offices that are actually working with NPOs also participate, encouraging others to volunteer and discussing the projects they worked on. In addition to presentations, these seminars also include time for discussion among participants. Tsunagari Café has been held a total of 45 times since its start in 2021, with a cumulative total of approximately 1,900 participants.


Employees making candles with the NPO Tabula Rasa

Collaborative initiatives with charitable groups

We hold presentation ceremonies with charitable groups supported by the Sekisui House Matching Program at the Sekisui House office closest to where the group is active. The ceremonies provide opportunities for exchange and advance coexistence with local communities by promoting further cooperation and synergistic initiatives between the groups and our offices. At the same time, we are expanding links with our businesses, such as support from our employees for the construction of buildings and landscaping for recipients' facilities.


Presentation ceremony with a supported group

Support for children's cafeterias in collaboration with KURADASHI

Sekisui House is participating in a demonstration experiment 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 is to match data on corporate stockpiles of emergency food with children's cafeterias in Osaka Prefecture. By providing them with emergency food supplies that are nearing the point of replacement, the initiative aims to support children's cafeterias, which help promote community revitalization and food education.

Overseas initiatives

Wholly owned U.S. subsidiary Woodside Homes contributes to the Dream Home Giveaway[1] charity events held by St. Jude Children's Research Hospital[2] on an ongoing basis.

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, Nevada, and Sacramento, California. By supporting the activities of St. Jude, the company is helping to improve pediatric medical care in the United States.

1 A charity lottery in a portion of solicited donations are given to lottery winners in the form of houses and land.
2 Established in Memphis, Tennessee, in the United States in 1962, this globally renowned pediatric treatment and research facility provides medical treatment to children and supports their families free of charge.

S Supply Chain Management

1. Governance

PDCA practice for CSR procurement

We are committed to CSR-based procurement based on a basic purchasing policy of providing the best quality, robust delivery, and reasonable prices while also incorporating ESG considerations.

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 then, 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.

The CSR evaluation covers nine areas (including corporate governance, human rights and labor), with suppliers asked to self-evaluate their own initiatives from five perspectives: legal awareness, policies, systems and responsibility, verifying initiative outcomes, and corrections. The results are scored and evaluated.

Prior to commissioning a new supplier, we perform evaluations based on internal regulations to confirm the company's suitability in terms of ESG and other factors. In addition, we require a signed agreement confirming their understanding of the purpose and content of the CSR Procurement Guidelines before any transactions are conducted.

Guidelines and other regulations are available for procurement staff to refer to at any time. In addition, related departments use seminars and working groups to keep efforts up to date with the latest laws and social issues.

QDC plus ESG

Strive to procure materials of the best quality in order 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 prices	Reasonable price C	ESG	Proactively address social issues such as respect for human rights and decarbonization in the supply chain

2. Strategy

CSR Procurement Guidelines

In 2018, we established the CSR Procurement Guidelines, in compliance with the GCNJ's SAQ, for our suppliers, with the aim of realizing a sustainable society that includes the supply chain.

CSR Procurement Guidelines

The Nine Standards of the CSR Procurement Guidelines

	Standard	Sub-categories
1	Corporate governance	Compliance with laws and regulations, establishment of a CSR promotion system; Establishment of internal controls; Establishment of a business continuity planning (BCP) system; Establishment of a whistle-blower system; Dissemination of CSR-related information within and outside of the company
2	Human rights	Basic stance: We will support and respect the protection of human rights that have been declared internationally, and will not be complicit in human rights abuses. Respect for human rights and prohibition of discrimination; Avoidance of complicity in (or contribution to) human rights abuses; Respect for indigenous peoples and local communities
3	Labor	Basic stance: Recognizing the labor principles expressed in international norms, etc., we will apply them to the basic rules of the workplace as universal values. Prohibition of discrimination in employment; Provision of human resources development; Prohibition of inhumane treatment; Payment of fair wages; Fair working hours; Prohibition of forced labor; Prohibition of child labor; Respect for religious traditions and customs; Respect for freedom of association and the right to collective bargaining; Health and safety
4	Environment	Basic stance: We will create a system for resolving international environmental issues, in addition to identifying and managing factors that affect the environment. Management of chemical substances; Control and reduction of wastewater, sludge, and air emissions; Sustainable and efficient utilization of resources (energy, water, raw materials, etc.); Reduction of GHG emissions; Identification, management, and reduction of waste; Initiatives related to biodiversity
5	Fair business practices	Basic stance: We will conduct fair business practices such as anti-corruption, responsible political involvement, fair competition, and rejection of relationships with antisocial forces and/or organizations. Appropriate relationships with politics and governments; Appropriate relationships with customers and trade partners; Competition law; Rejection of relationships with antisocial forces and/or organizations; Intellectual property; Responding to complaints from outside the company and consultations; Insider trading; Acts with conflicting interests; Import and export control
6	Quality and safety	Ensuring product and service quality and safety; Response to product and service accidents and the circulation of defective goods
7	Information security	Defense against threats to computer networks; Management and protection of personal data and confidential information
8	Supply chain	Basic stance: In order to put CSR procurement into practice not only within our company but also throughout the supply chain, we will establish CSR Procurement Guidelines and strive to make them widely known and instilled in and outside the company. Purchase and use of raw materials not involved in conflict or crime
9	Harmonious coexistence with local communities	Reducing negative effects on local communities; Initiatives toward sustainable development

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 available on the online information-sharing platform we maintain with our suppliers and we promote compliance with the policy.

The CSR Procurement Guidelines prohibit discrimination based on nationality or race, inhumane treatment, forced or compulsory labor, and child labor. They also require appropriate management of employee health and safety. We obtain signed agreements from our suppliers indicating that they understand the purpose and content of the guidelines.

In order to promote respect for human rights in the supply chain, it is essential to expand the circle of engagement from our suppliers to their suppliers. To this end, in February 2022, we held a study session with external lecturers. Approximately 150 suppliers participated in the session with the aim of raising awareness and acquiring basic knowledge. Furthermore, in September 2022, in response to the establishment of the Guidelines on Respecting Human Rights in Responsible Supply Chains by the Japanese government, we surveyed 360 of our suppliers about their efforts to establish human rights policies, publish these, and promote awareness throughout their supply chains in order to understand current conditions.

In February 2023, we held a study session with 157 suppliers and Sekisui House procurement staff. Participants shared information about leading initiatives and deepened their understanding of the Japanese government’s guidelines.

We will continue these efforts going forward to promote respect for human rights in our supply chain. We will also use these meetings to train procurement staff on environmental and social issues.

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 or human rights, we conduct monitoring to understand actual conditions by visiting the individual suppliers in question and providing advice on the evaluation criteria and achievement levels. In this way, we practice due diligence.

As of the end of 2022, we conducted CSR evaluations of 161 suppliers and determined that eight suppliers should be closely monitored in terms of human rights, labor and the supply chain. We are monitoring each company to promote improvement. In serious cases, we work with the department concerned to determine the proper response and stipulate measures to be taken, which might include cutting back on transactions, depending on the score in the supplier assessment.

Furthermore, as a construction company, we consume a large volume of lumber and recognize the need for especially strict lumber procurement. For this reason, we implement an annual wood procurement risk survey of about 60 major wood building material suppliers. In FY2022, we surveyed 63 companies.

When necessary, we conduct onsite 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 FY2022.

Risk assessment of social issues

Since FY2021, we have been requesting suppliers to report violations of laws and regulations in addition to answering each question in the CSR evaluation. This complements 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 FY2022, there were three reported cases, all of which were appropriately resolved in accordance with guidance from governmental authorities. 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 while promoting ESG in procurement. The purpose of the briefing is to deepen the understanding of suppliers regarding our procurement activities, and approximately 150 major suppliers participate. 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. In FY2022, we carried out activities in these areas with 10 companies.

Business continuity planning

Recent years have seen numerous events related to procurement risks that could not previously have been anticipated. These include not only natural disasters and industrial fires, but also geopolitical risks, a global shortage of semiconductors and raw materials, as well as imbalances between supply and demand due to infectious disease spread followed by 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 conduct associated drills. With the aim of addressing a wide range of procurement risks, we hold the Supply Chain Resilience Promotion Conference online; approximately 160 suppliers participated in September 2021, and

approximately 260 participated in September 2022. In order to strengthen the supply chain, it is necessary to expand the circle of encouragement from our primary suppliers to secondary and tertiary 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 based on the three pillars of delivery, specifications and information.

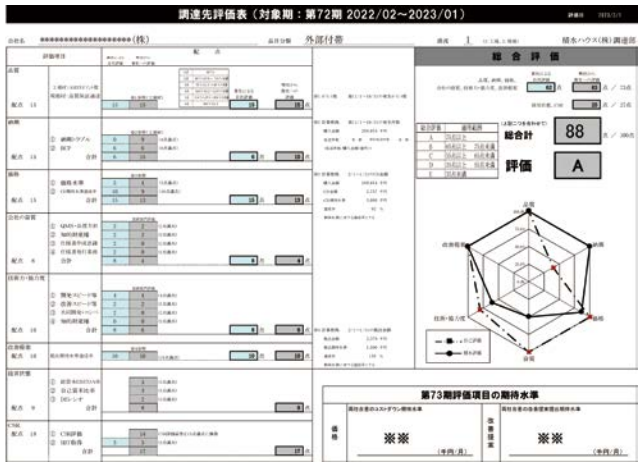
Process improvement through supplier assessments

To ensure fair and impartial transactions, we conduct supplier assessments for our suppliers in order to evaluate such factors as quality, delivery and cost (QDC) as well as technical capabilities. We disclose the assessment results to the concerned suppliers so that they can use them to improve and strengthen their structures. The FY2022 supplier assessments covered 110 companies representing 74.8% of total procurement spending.[1]

In carrying out these assessments, the focus is on process management to encourage reforms, rather than uniform evaluations of the results of such efforts. Going forward, we plan to implement highly transparent supplier assessments and continue to support the strengthening of suppliers' frameworks while maintaining fair and impartial transactions.

1 Ratio of suppliers covered by assessments to all suppliers (by purchased value; trading companies are not included in these assessments)

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.

4. Metrics and Targets

(FY)

KPI	Unit	2020	2021	2022		2023
		Results	Results	Targets	Results	Targets
CSR procurement coverage[1]	%	88.0	93.8	90.0	94.8	—
CSR procurement score	Points	91.2	91.9	92.0	92.1	—
CSR procurement human rights and labor scores	Points	90.1	90.9	91.0	92.5	—
CSR procurement human rights and labor supply chain scores[2]	Points	—	—	—	—	85.8

1 Ratio of CSR assessments related to human rights and labor to all suppliers (procurement value basis; includes major raw material manufacturers)
2 In light of the establishment of the Guidelines on Respecting Human Rights in Responsible Supply Chains by the Japanese government, we have adopted this item as a new KPI with the aim of promoting respect for human rights not just among primary suppliers, but throughout the supply chain, including secondary suppliers, tertiary suppliers and beyond.

5. Activities and Other Related Information

Declaration of Partnership Building

In November 2022, Sekisui House joined the Declaration of Partnership Building system set up by the Japanese Cabinet Office. Under this system, the representatives of companies that contract out work make a Declaration of Partnership Building in which they commit to coordinating and promoting coexistence and co-prosperity with business partners and value-creating contractors in the supply chain to build new partnerships. As of December 2022, more than 16,000 companies had made declarations under the system.

The declaration includes commitments to

1. Coexistence and co-prosperity throughout the supply chain and new partnerships that transcend scale and business affiliation
2. Compliance with preferred business practices between contractors and subcontractors (a "promotion standard" based on the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises)

The declaration is published on a dedicated portal site.

Declaration of Partnership Building portal site (Japanese only)
Full text of Sekisui House's declaration (Japanese only)

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 therefore 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 in the areas of "human rights," "labour," "environment" and "anti-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 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 endorsement of the TCFD.
SBT Initiative	SCIENCE BASED TARGETS	An initiative requiring companies to adopt evidence-based CO_2 emissions reduction targets. We acquired verification in April 2018.
Japan Climate Initiative (JCI)	JAPAN CLIMATE INITIATIVE	A network of non-governmental organizations encompassing enterprises, local governments and other 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 formally joined as a full member in August 2016. We participate in the construction working group, renewable energy promotion project, and communications and public relations project.
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	An initiative of highly motivated companies committed to biodiversity conservation and sustainability. We have participated in this initiative since its beginning in April 2008.
TNFD Forum	TNFD Forum Member	An initiative that shares the vision and mission of the Taskforce on Nature-related Financial Disclosures (TNFD) and provides technical support aimed at sharing information and building frameworks. 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, Building Energy Efficiency Standards Subcommittee

Association with Industry Group-Led Initiatives

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

Group name	Committees and others
Japan Business Federation	Standing Executive Committee, 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, Policy Committee, Housing Taxation and Finance Committee, Housing Performance Improvement Committee★, Building Regulations Rationalization Committee, Environment Committee, Housing Stock Committee, Construction CS and Safety Committee, International Exchange Committee, Mature Society Housing Committee★, Advertising Committee and others
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★, Executive Committee, 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	Founding member

Independent Third-Party Assurance Report

KPMG AZSA Sustainability Co., Ltd. was engaged to provide assurance on Sekisui House, Ltd.'s Value Report 2023 (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; COD, phosphorus and nitrogen emissions volumes; and social reporting (frequency of occupational illnesses and accidents resulting in lost worktime). Below is a digital copy of the items stated in the original independent third-party assurance report; the original is maintained separately by Sekisui House Ltd.

Independent Assurance Report

May 17, 2023

KPMG AZSA Sustainability Co., Ltd.
3-5-29 Kitahama, Chuo-ku Osaka, Japan
Shinnosuke Kayumi, Director

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, 2022 to January 31, 2023 (the "Indicators") included in its Value Report 2023 published in Japanese (the "Report") for the fiscal year ended January 31, 2023.
Indicators and pages in the Report

Indicator	pages
"Waste generated", "Non-recyclable waste", "Recyclable waste"	161
"Chemical oxygen demand (COD)", "Phosphorus", "Nitrogen"	164
Energy (total amount) and Water (total amount) of Factory in Input	169
CO_2 emissions, Waste (total amount) in Output	169
"Scope 1 CO_2, HFC", "Scope 2 CO_2", "Total of Scope 1,2 CO_2, HFC" in Scope 1,2 GHG emissions and "Category 1", "Category 4", "Category 5", "Category 11" and "Category 12" in Scope 3 GHG emissions	171
Frequency Rate of Accidents Resulting in Lost Worktime, Frequency Rate of Occupational-Illness	202

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.
- Visiting one domestic factory and one construction site managed by one of the domestic Company's subsidiaries selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Management

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 Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

This is an English translation of the "Independent Assurance Report" dated May 17, 2023 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the "Value Report 2023" published in Japanese by Sekisui House, Ltd.



Section 5

Financial Data, Company Information and Share Information

Consolidated Financial Statements 222
11-Year Highlights (Consolidated) 226
Company Information 230
Share Information 231
External Recognition and Awards 232

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	As of January 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	515,283	**332,903**
Notes receivable and accounts receivable from completed construction contracts	132,471	**—**
Notes receivable, accounts receivable from completed construction contracts and others	—	**157,123**
Costs on construction contracts in progress	18,299	**17,202**
Buildings for sale	436,973	**534,391**
Land for sale in lots	589,879	**723,941**
Undeveloped land for sale	149,828	**177,095**
Other inventories	9,501	**12,160**
Other	101,672	**140,200**
Allowance for doubtful accounts	(1,179)	**(1,136)**
Total current assets	1,952,729	**2,093,883**
Non-current assets		
Property, plant and equipment		
Buildings and structures	365,224	**388,523**
Machinery, equipment and vehicles	71,333	**75,108**
Tools, furniture and fixtures	37,007	**39,657**
Land	284,788	**277,568**
Leased assets	5,157	**19,746**
Construction in progress	49,597	**32,080**
Accumulated depreciation	(272,397)	**(278,123)**
Total property, plant and equipment	540,711	**554,562**
Intangible assets		
Goodwill	250	**31,406**
Industrial property	31	**716**
Leasehold interests in land	2,575	**2,292**
Software	14,586	**14,807**
Right to use facilities	201	**172**
Telephone subscription right	308	**258**
Other	34	**1,462**
Total intangible assets	17,988	**51,117**
Investments and other assets		
Investment securities	190,334	**191,500**
Long-term loans receivable	5,793	**5,636**
Retirement benefit asset	7,206	**32,501**
Deferred tax assets	24,091	**18,219**
Other	62,626	**62,321**
Allowance for doubtful accounts	(294)	**(2,206)**
Total investments and other assets	289,759	**307,973**
Total non-current assets	848,459	**913,653**
Total assets	2,801,189	**3,007,537**

(Millions of yen)

	As of January 31, 2022	As of January 31, 2023
Liabilities		
Current liabilities		
Notes payable and accounts payable for construction contracts	111,022	**124,420**
Electronically recorded obligations—operating	96,635	**102,416**
Short-term borrowings	219,218	**305,503**
Current portion of bonds payable	—	**30,000**
Current portion of long-term borrowings	16,235	**71,664**
Income taxes payable	43,021	**34,641**
Advances received on construction contracts in progress	207,798	**192,236**
Provision for bonuses	31,270	**36,497**
Provision for bonuses for directors (and other officers)	1,385	**1,019**
Provision for warranties for completed construction	3,897	**4,906**
Other	137,416	**141,337**
Total current liabilities	867,903	**1,044,643**
Non-current liabilities		
Bonds payable	170,000	**20,000**
Long-term borrowings	136,556	**157,372**
Long-term leasehold and guarantee deposits received	59,079	**59,535**
Deferred tax liabilities	464	**933**
Provision for retirement benefits for directors (and other officers)	864	**692**
Retirement benefit liability	30,733	**29,286**
Other	14,626	**27,525**
Total non-current liabilities	412,325	**295,347**
Total liabilities	1,280,229	**1,339,990**
Net assets		
Shareholders' equity		
Share capital	202,591	**202,591**
Capital surplus	258,989	**259,864**
Retained earnings	940,135	**1,056,475**
Treasury shares	(20,975)	**(50,656)**
Total shareholders' equity	1,380,740	**1,468,274**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,488	**40,449**
Deferred gains or losses on hedges	141	**623**
Foreign currency translation adjustment	47,245	**99,689**
Remeasurements of defined benefit plans	4,323	**23,793**
Total accumulated other comprehensive income	93,199	**164,556**
Share acquisition rights	186	**134**
Non-controlling interests	46,832	**34,581**
Total net assets	1,520,959	**1,667,546**
Total liabilities and net assets	2,801,189	**3,007,537**

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Net sales	2,589,579	**2,928,835**
Cost of sales	2,060,702	**2,344,537**
Gross profit	528,877	**584,297**
Selling, general and administrative expenses		
Selling expenses	56,031	**54,787**
General and administrative expenses	242,684	**268,020**
Total selling, general and administrative expenses	298,716	**322,808**
Operating profit	230,160	**261,489**
Non-operating income		
Interest income	2,604	**2,284**
Dividend income	1,904	**2,096**
Foreign exchange gains	1,134	**—**
Other	3,446	**4,526**
Total non-operating income	9,088	**8,907**
Non-operating expenses		
Interest expenses	3,836	**5,317**
Share of loss of entities accounted for using equity method	1,238	**2,087**
Foreign exchange losses	—	**723**
Other	4,080	**4,995**
Total non-operating expenses	9,155	**13,124**
Ordinary profit	230,094	**257,272**
Extraordinary income		
Gain on liquidation of subsidiaries and affiliates	3,088	**16,813**
Gain on sale of investment securities	1,166	**397**
Gain on sale of shares of subsidiaries and affiliates	2,246	**5**
Total extraordinary income	6,501	**17,216**
Extraordinary losses		
Impairment losses	539	**2,898**
Provision of allowance for doubtful accounts	—	**1,991**
Loss on sale and retirement of non-current assets	1,629	**1,759**
Loss on sale of investment securities	51	**128**
Loss on valuation of investment securities	21	**—**
Loss related to COVID-19	19	**—**
Total extraordinary losses	2,261	**6,778**
Profit before income taxes	234,334	**267,710**
Income taxes – current	75,789	**77,214**
Income taxes – deferred	(5,470)	**(831)**
Total income taxes	70,319	**76,383**
Profit	164,015	**191,327**
Profit attributable to non-controlling interests	10,109	**6,806**
Profit attributable to owners of parent	153,905	**184,520**

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Profit	164,015	**191,327**
Other comprehensive income		
Valuation difference on available-for-sale securities	862	**(703)**
Foreign currency translation adjustment	40,766	**44,957**
Remeasurements of defined benefit plans, net of tax	15,103	**19,373**
Share of other comprehensive income of entities accounted for using equity method	4,315	**7,976**
Total other comprehensive income	61,048	**71,604**
Comprehensive income	225,063	**262,931**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	215,253	**255,876**
Comprehensive income attributable to non-controlling interests	9,810	**7,054**

Consolidated Statement of Change in Equity

Fiscal year ended January 31, 2022

(Millions of yen)

	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 year	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
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance at beginning of year	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 year													
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
Change in scope of consolidation	—	—	2,214	—	2,214	—	—	—	—	—	—	—	2,214
Purchase of shares of consolidated subsidiaries	—	(0)	—	—	(0)	—	—	—	—	—	—	—	(0)
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 year	—	(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 year	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

Fiscal year ended January 31, 2023

(Millions of yen)

	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 year	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
Cumulative effects of changes in accounting policies	—	—	(1,715)	—	(1,715)	—	—	—	—	—	—	—	(1,715)
Restated balance at beginning of year	202,591	258,989	938,419	(20,975)	1,379,025	41,488	141	47,245	4,323	93,199	186	46,832	1,519,243
Changes during year													
Dividends of surplus	—	—	(66,400)	—	(66,400)	—	—	—	—	—	—	—	(66,400)
Profit attributable to owners of parent	—	—	184,520	—	184,520	—	—	—	—	—	—	—	184,520
Purchase of treasury shares	—	—	—	(30,014)	(30,014)	—	—	—	—	—	—	—	(30,014)
Disposal of treasury shares	—	—	(64)	333	269	—	—	—	—	—	—	—	269
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	874	—	—	874	—	—	—	—	—	—	—	874
Net changes in items other than shareholders' equity	—	—	—	—	—	(1,039)	481	52,443	19,470	71,356	(52)	(12,250)	59,053
Total changes during year	—	874	118,055	(29,680)	89,249	(1,039)	481	52,443	19,470	71,356	(52)	(12,250)	148,302
Balance at end of year	202,591	259,864	1,056,475	(50,656)	1,468,274	40,449	623	99,689	23,793	164,556	134	34,581	1,667,546

Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Cash flows from operating activities		
Profit before income taxes	234,334	**267,710**
Depreciation	24,069	**26,711**
Impairment losses	539	**2,898**
Increase (decrease) in retirement benefit liability	3,382	**980**
(Increase) decrease in retirement benefit asset	158	**112**
Interest and dividend income	(4,508)	**(4,380)**
Interest expenses	3,836	**5,317**
Share of (profit) loss of entities accounted for using equity method	1,238	**2,087**
(Gain) loss on sale of investment securities	(1,114)	**(269)**
(Gain) loss on valuation of investment securities	21	**—**
(Gain) loss on liquidation of subsidiaries and affiliates	(3,088)	**(16,813)**
(Gain) loss on sale of shares of subsidiaries and affiliates	(2,246)	**(5)**
Provision of allowance for doubtful accounts	—	**1,991**
(Increase) decrease in trade receivables	13,462	**(24,158)**
(Increase) decrease in inventories	(85,515)	**(38,493)**
Increase (decrease) in trade payables	17,640	**8,276**
Increase (decrease) in advances received on construction contracts in progress	(7,059)	**(20,526)**
Other, net	(16,001)	**3,887**
Subtotal	179,149	**215,326**
Interest and dividends received	8,151	**11,437**
Interest paid	(4,530)	**(6,812)**
Income taxes paid	(64,735)	**(94,487)**
Net cash provided by (used in) operating activities	118,034	**125,464**

(Millions of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(82,951)	**(92,162)**
Proceeds from sale of property, plant and equipment	727	**2,843**
Purchase of investment securities	(11,487)	**(5,163)**
Proceeds from sale and redemption of investment securities	3,670	**3,010**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(35,701)	**(69,595)**
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	87	**—**
Loan advances	(2,187)	**(753)**
Proceeds from collection of loans receivable	11,669	**1,014**
Other, net	2,467	**(4,604)**
Net cash provided by (used in) investing activities	(113,706)	**(165,409)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	33,219	**37,357**
Proceeds from long-term borrowings	26,748	**66,291**
Repayments of long-term borrowings	(64,168)	**(21,768)**
Redemption of bonds	(30,000)	**(120,000)**
Dividends paid	(55,608)	**(66,400)**
Purchase of treasury shares	(15,015)	**(30,014)**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(0)	**(15,956)**
Other, net	(6,876)	**(5,288)**
Net cash provided by (used in) financing activities	(111,701)	**(155,780)**
Effect of exchange rate change on cash and cash equivalents	20,124	**13,298**
Net increase (decrease) in cash and cash equivalents	(87,248)	**(182,426)**
Cash and cash equivalents at beginning of year	600,234	**515,174**
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	2,188	**—**
Cash and cash equivalents at end of year	515,174	**332,747**

11-Year Highlights (Consolidated)

Financial Data

(Millions of yen)

(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	**2,928,835**
Gross profit	299,503	358,499	368,446	373,867	418,297	445,082	444,596	478,036	473,511	528,877	**584,297**
Gross profit margin (%)	18.6	19.9	19.3	20.1	20.6	20.6	20.6	19.8	19.4	20.4	**19.9**
Total 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	**322,808**
Operating profit	86,196	131,930	146,595	149,645	184,164	195,540	189,223	205,256	186,519	230,160	**261,489**
Operating margin (%)	5.3	7.3	7.7	8.1	9.1	9.1	8.8	8.5	7.6	8.9	**8.9**
Ordinary profit	91,767	137,794	156,426	160,589	190,989	203,678	195,190	213,905	184,697	230,094	**257,272**
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	**184,520**
Return on investment											
ROE (%)	6.0	9.2	9.0	7.9	11.3	11.6	10.8	11.5	9.5	11.0	**11.9**
ROA (%)[1]	6.0	8.2	8.4	8.3	9.4	9.0	8.3	8.8	7.3	8.6	**9.1**
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	**3,007,537**
Total 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	**1,667,546**
Net assets attributable to ordinary shares	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	**1,632,830**
Equity capital ratio (%)	52.39	52.63	55.38	52.11	50.50	49.40	49.02	48.06	50.52	52.62	**54.29**
Interest-bearing debt	268,622	289,860	351,731	426,013	491,017	622,084	639,510	586,891	562,966	549,862	**607,198**
Debt/Equity ratio (Times)	0.33	0.31	0.33	0.40	0.45	0.52	0.54	0.46	0.42	0.37	**0.37**
Asset turnover ratio (Times)	1.08	1.09	1.03	0.94	0.96	0.94	0.89	0.96	0.93	0.95	**1.01**

1 (Operating profit + Interest income + Dividend income + Equity in earnings of affiliates) ÷ Total assets

11-Year Highlights (Consolidated)

(Millions of yen)

(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash flows											
Net cash provided by (used in) operating activities	82,582	78,073	117,358	45,884	115,820	165,355	125,088	363,766	191,972	118,034	**125,464**
Net cash provided by (used in) investing activities	(58,124)	(80,637)	(128,529)	(76,166)	(107,397)	(76,150)	(70,184)	(65,229)	(95,504)	(113,706)	**(165,409)**
Net cash provided by (used in) financing activities	(17,289)	(782)	19,611	32,084	5,511	30,154	(31,030)	(148,160)	(77,614)	(111,701)	**(155,780)**
Cash and cash equivalents at end of year	179,242	181,324	195,008	192,338	204,701	324,693	342,898	583,297	600,234	515,174	**332,747**
Investments											
Capital expenditure	60,915	130,243	121,550	81,258	98,277	68,799	58,680	73,255	96,609	89,512	**95,330**
Depreciation	19,015	22,581	25,692	24,438	23,125	21,983	22,155	21,518	21,726	24,069	**26,711**
Research and development expenses	4,318	4,507	4,726	4,772	4,991	5,181	6,041	7,313	9,665	9,478	**9,562**
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	**1,678,159**
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	**2,451.0**
Per-share information											
EPS: Earnings per share (Yen)	69.17	118.63	130.91	120.16	175.48	193.06	186.53	205.79	181.18	227.37	**276.58**
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	**2,466.04**
Dividends per share (Yen)	28.00	43.00	50.00	54.00	64.00	77.00	79.00	81.00	84.00	90.00	**110.00**
Payout ratio (%)	40.5	36.2	38.2	44.9	36.5	39.9	42.4	39.4	46.4	39.6	**39.8**
Stock price indicators											
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	**8.86**
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	**0.99**

Key Performance Indicators

(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
New Housing Starts in Japan (Units)[1]											
Owner-occupied houses	311,589	354,772	285,270	283,366	292,287	284,283	283,235	288,738	261,088	285,575	**253,287**
Built for sale houses	246,810	263,931	237,428	241,201	250,532	255,191	255,263	267,696	240,268	243,944	**255,487**
Condominiums	123,203	127,599	110,475	115,652	114,570	114,830	110,510	117,803	107,884	101,292	**108,198**
Detached houses	122,590	134,888	125,421	123,624	133,739	138,189	142,393	147,522	130,753	141,094	**145,992**
Rented houses	318,521	356,263	362,191	378,718	418,543	419,397	396,404	342,289	306,753	321,376	**345,080**
Corporate houses	5,877	5,059	7,372	6,014	5,875	5,770	7,468	6,400	7,231	5,589	**5,675**
Total	882,797	980,025	892,261	909,299	967,237	964,641	942,370	905,123	815,340	856,484	**859,529**
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	**7,842**
Built for sale houses	2,246	2,368	2,162	2,364	2,071	2,677	2,336	2,589	1,958	2,261	**2,219**
Rental houses	27,869	30,414	34,709	32,631	35,156	32,937	30,078	27,981	26,033	25,321	**27,203**
Condominiums (for sale)	1,038	1,921	1,250	2,002	1,231	1,184	1,499	2,081	1,510	2,320	**1,865**
Total	45,098	49,752	51,225	48,245	49,563	47,415	43,735	43,314	37,912	38,251	**39,129**
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	**4.6**
Cumulative number of dwellings built (Japan)[2]	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	**2,583,978**
Cumulative number of dwellings built (overseas)	1,966	3,494	4,706	5,345	8,251	12,731	16,137	22,301	27,953	33,166	**38,767**
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	**46,196**
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	**137.41**
Built-to-order rental housing											
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	**141,619**
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	**515.23**
Trends in Sekisui House Real Estate Block Leasing Operation											
Occupancy rate (%)[3]	96.0	96.2	96.4	96.5	96.5	96.7	97.8	97.7	97.7	97.9	**97.8**
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	**691,635**

1 Calendar year basis
2 Figures for FY2016 onward are for the entire Group.
3 Presentation changed to monthly data from month-end data as of FY2018

Sales and Operating Profit by Segment

(Millions of yen)

	(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	**352,463**
	Rental housing	303,712	356,202	398,483	400,601	440,312	442,845	416,062	360,026	358,745	384,022	**426,116**
	Architectural/Civil engineering	—	—	—	—	—	—	—	120,986	302,837	261,930	**298,777**
	Subtotal	768,862	873,894	825,527	794,388	823,442	814,017	774,006	872,008	984,915	998,685	**1,077,357**
	Supplied Housing Business											
	Remodeling	111,548	125,046	134,166	134,458	133,498	136,843	141,416	152,729	141,090	156,167	**165,910**
	Real estate management fees	393,978	408,403	428,227	448,751	469,132	489,891	514,035	534,876	557,632	584,969	**619,271**
	Subtotal	505,527	533,450	562,393	583,210	602,631	626,735	655,452	687,606	698,722	741,136	**785,182**
	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	**238,252**
	Condominiums	52,538	63,083	56,699	81,470	66,125	77,497	89,581	103,984	77,091	90,612	**90,883**
	Urban redevelopment	45,528	42,428	178,344	93,038	130,491	103,777	173,391	131,920	104,953	102,736	**135,320**
	Subtotal	225,877	238,917	353,774	311,993	338,631	336,756	411,853	387,173	321,195	384,837	**464,456**
	Overseas Business											
	Subtotal	54,844	85,392	79,835	89,522	182,127	306,716	245,953	389,866	370,686	388,936	**521,124**
	Other	58,704	73,447	91,190	79,764	80,099	75,137	73,050	78,531	71,384	75,984	**80,715**
	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	**2,928,835**
Operating Profit	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	**38,309**
	Rental housing	27,547	36,492	45,825	51,918	60,832	60,883	50,376	49,710	47,052	56,047	**58,407**
	Architectural/Civil engineering	—	—	—	—	—	—	—	3,730	16,051	15,146	**13,214**
	Subtotal	76,347	102,306	94,719	99,127	110,347	108,926	92,632	99,383	95,335	113,668	**109,931**
	Supplied Housing Business											
	Remodeling	11,542	14,037	14,997	15,847	17,544	19,760	21,109	23,535	20,479	25,546	**27,561**
	Real estate management fees	17,039	20,064	23,405	26,819	31,278	33,133	39,407	41,054	43,869	50,480	**50,659**
	Subtotal	28,582	34,101	38,402	42,667	48,823	52,893	60,516	64,589	64,348	76,027	**78,221**
	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	**20,777**
	Condominiums	1,004	3,978	4,738	8,031	2,248	9,229	6,478	10,134	8,817	12,486	**13,403**
	Urban redevelopment	9,787	8,561	25,802	24,747	23,414	16,994	40,403	17,045	16,565	11,276	**15,051**
	Subtotal	12,372	20,683	39,032	44,698	34,485	39,684	57,970	39,439	32,969	38,311	**49,233**
	Overseas Business											
	Subtotal	4,247	8,581	4,419	(5,673)	25,172	29,761	16,340	44,551	39,708	50,147	**73,860**
	Other	(445)	1,690	3,123	2,511	726	1,234	(44)	(273)	(2,480)	(1,208)	**(439)**
	Eliminations and adjustments	(34,907)	(35,434)	(33,102)	(33,686)	(35,390)	(36,960)	(38,192)	(42,434)	(43,363)	(46,786)	**(49,317)**
	Total	86,196	131,930	146,595	149,645	184,164	195,540	189,223	205,256	186,519	230,160	**261,489**

Note: Architectural/Civil engineering became a reportable segment as of FY2020. The figures for FY2019 have been restated to reflect this change.

Company Information (As of January 31, 2023)

Corporate Profile

Corporate 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	29,052 (consolidated basis) 14,932 (non-consolidated basis)
Share Capital	¥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: 112 Customer Service Centers: 30 Display House Locations: 308
Affiliated Companies	Consolidated Subsidiaries 345 companies (54 in Japan, 291 overseas) Sekisui House Real Estate Group: 14 companies Sekisui House Remodeling, Ltd. Sekiwa Construction: 15 companies[1] Sekisui House noie Limited Sekisui House Asset Management, Ltd. Konoike Construction Co., Ltd. Other Equity-method Affiliates 40 companies (11 in Japan, 29 overseas)

1 The names of the Sekiwa Constriction companies changed to the Sekisui House Construction companies as of February 1, 2023.

Locations

In Japan

Sekisui House, Ltd. Head Office

Hyogo Factory

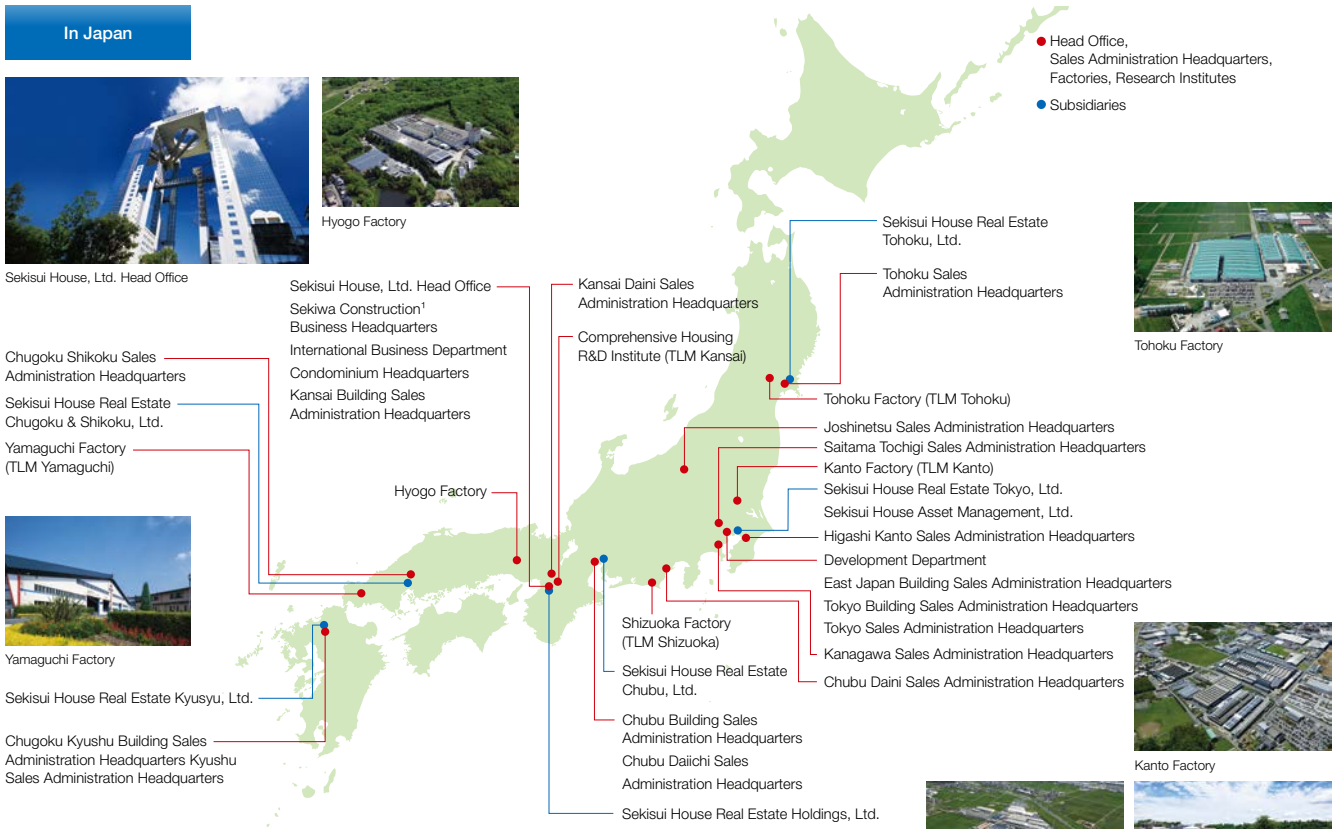
Yamaguchi Factory

Tohoku Factory

Kanto Factory


Shizuoka Factory


TLM Kanto
(TLM: Tomorrow's Life Museum)



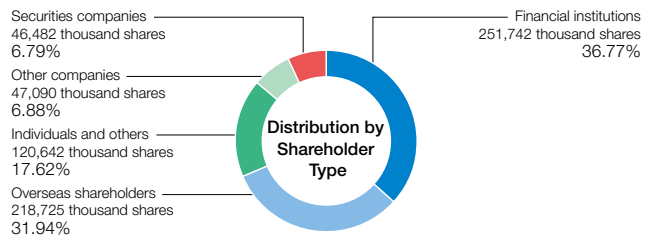
Overseas

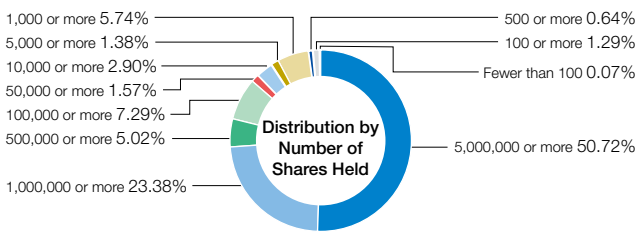
Please see Section 3 for details.
→ P.71 Overseas Business Regions and Major Projects

Share Information (As of January 31, 2023)

Total number of shares authorized	1,978,281,000
Total number of shares issued	684,683,466 (including 22,384,361 treasury shares)
Trading unit	100 shares
Total number of shareholders	122,811

Share Distribution





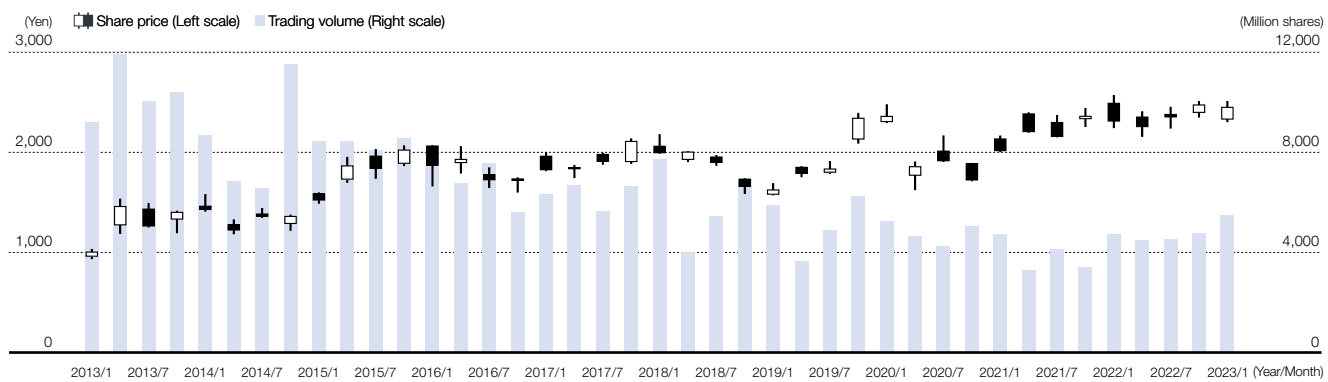
Note: 22,384 thousand treasury shares are included in "Individuals and others"

Major Shareholders (Top 10)

Name	Number of Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	112,607	17.00%
Custody Bank of Japan, Ltd. (Trust Account)	40,785	6.16%
SMBC Nikko Securities Inc.	24,048	3.63%
Sekisui Chemical Co., Ltd.	22,168	3.35%
Employees' Stockholding	20,183	3.05%
State Street Bank West Client – Treaty 505234	14,326	2.16%
MUFG Bank, Ltd.	10,899	1.65%
JAPAN SECURITIES FINANCE CO., LTD.	7,961	1.20%
The Dai-ichi Life Insurance Company, Limited	7,903	1.19%
STATE STREET BANK AND TRUST COMPANY 505103	7,851	1.19%

Notes:
1. Employees' Stockholding is the Company's employee stockholders association.
2. The Company holds 22,384 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



*Prepared using quarter-end data (from the Tokyo Stock Exchange) for each month

Total Shareholder Return

Fiscal Year	2018	2019	2020	2021	2022
Sekisui House	85.3%	126.2%	113.3%	132.6%	144.9%
TOPIX (including dividends)	87.2%	96.1%	105.7%	113.2%	121.1%

External Recognition and Awards

Note: Includes some awards received in FY2023

Environmental

Received the Minister of the Environment's Award in the 5th EcoPro Awards

September 2022

Sponsor: SuMPO

News Release (Japanese only)

Awarded double "A" rating by the CDP for its leadership in terms of climate change and forests

December 2022

Sponsor: CDP

News Release (Japanese only)

Received the Fiscal 2022 Energy Conservation Grand Prize Energy Conservation Best Practices at Workplaces Category Prize of the Chairman of ECCJ

December 2022

Sponsor: The Energy Conservation Center, Japan

News Release (Japanese only)

Received Environmentally Sustainable Company Category, Silver Award Fourth ESG Finance Awards Japan

February 2023

Sponsor: Ministry of the Environment

News Release (Japanese only)

Social

Received Rainbow Certification under the PRIDE Index 2022 and presented with the PRIDE Index 2022 Gold Award for the fifth consecutive year

November 2022

Sponsor: work with Pride

News Release (Japanese only)

Received First Place at WEPs AWARDS 2022

November 2022

Sponsor: UN Women Regional Office for Asia and the Pacific

News Release (Japanese only)

Received the 15th Parenting Award

November 2022

Sponsor: Parenting Award Executive Committee (Access International Ltd.)

News Release (Japanese only)

Selected for the 2023 Bloomberg Gender-Equality Index (third consecutive year)

January 2023

Sponsor: Bloomberg L.P.

External Recognition and Awards

Selected for the Best Workplace category of D&I Award 2022

February 2023

Sponsor: JobRainbow Co., Ltd.

Certified Health and Productivity Management Outstanding Organization 2023, Large Enterprise Category (White 500) for the fourth consecutive year

March 2023

Sponsor: Ministry of Economy, Trade and Industry

ESG (overall)

Received First Place in the Construction, Housing and Real Estate Category of the 2022 Award for Excellence in Corporate Disclosure (second consecutive year)

October 2022

Sponsor: The Securities Analysts Association of Japan

News Release (Japanese only)

Voted “Best CEO” in the Institutional Investor 2023 All-Japan Executive Team ranking for third consecutive year

April 2023

Sponsor: Bloomberg L.P.

News Release (Japanese only)

In addition, since Japan’s Government Pension Investment Fund (GPIF) adopted six ESG indices, Sekisui House has been included in each of them. GPIF holds one of the world’s largest pools of pension assets.

ESG indices selected by GPIF		Index category	Sekisui House selection
MSCI Japan ESG Select Leaders Index	2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX	ESG (overall)	Since July 2017
MSCI Japan Empowering Women Index (WIN)	2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	S (Social)	
FTSE Blossom Japan Index	FTSE Blossom Japan Index	ESG (overall)	
S&P/JPX Carbon Efficient Index	S&P/JPX カーボン エフィシェント 指数	E (Environmental)	Since September 2018
FTSE Blossom Japan Sector Relative Index	FTSE Blossom Japan Sector Relative Index	ESG (overall)	Since March 2022
Morningstar Japan ex-REIT Gender Diversity Tilt Index	MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index TOP CONSTITUENT 2023	S (Social)	Since March 2023

THE INCLUSION OF SEKISUI HOUSE, LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF SEKISUI HOUSE, LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Disclaimer regarding the use of a Morningstar, Inc. logo

SEKISUI HOUSE

SEKISUI HOUSE, LTD.

Head office:

Umeda Sky Building Tower East, 1-1-88, Oyodonaka,
Kita-ku, Osaka 531-0076, Japan

Contact:

ESG Management Promotion Headquarters
(Head office)
Tel: +81-6-6440-3440
Email: esg@sekisuihouse.co.jp

ESG Management Promotion Headquarters
Investor Relations Department
Akasaka Garden City, 4-15-1, Akasaka, Minato-ku,
Tokyo 107-0052, Japan
Tel: +81-3-5575-1730
Email: investor.relations@sekisuihouse.co.jp

Global website:
https://www.sekisuihouse.co.jp/english/

Sustainability / ESG management:
https://www.sekisuihouse.co.jp/english/company/sustainable/

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

Published July 2023

GRI Content Index

Statement of use In *Value Report 2023*, Sekisui House has reported in accordance with the GRI Standards for the period from February 1, 2022 to January 31, 2023 (FY2022).

GRI 1 used GRI 1: Foundation 2021

GRI 2: General Disclosures 2021

GRI 2: 1. The organization and its reporting practices

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
2-1	Organizational details	Company Information	230
2-2	Entities included in the organization's sustainability reporting	Editorial Policy / Communication Overview	2
		Company Information	230
		(Securities Report (Japanese only))	WEB
2-3	Reporting period, frequency and contact point	Editorial Policy / Communication Overview	2
		Back cover	234
2-4	Restatements of information	Environmental Data	166-174
		Social > Metrics and Targets	181-218
2-5	External assurance	Independent Third-Party Assurance Report	220

GRI 2: 2. Activities and workers

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
2-6	Activities, value chain and other business relationships	Business Portfolio	4
		Company Information	230
		Value Chain	51-52
		Supply Chain Management	141, 147-148, 151, 216-218
		11-Year Highlights (Consolidated)	226-229
2-7 2-8	Employees Workers who are not employees	Company Information	230
		Diversity and Inclusion and KPIs	32-35
		Developing Human Resources	187-191
		Diversity and Inclusion	192-198

GRI 2: 3. Governance

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
2-9	Governance structure and composition	Corporate Governance > Corporate Governance System	103
		Corporate Governance > Directors of the Board and Audit and Supervisory Board Members	128-132
		Corporate Governance > Major Organizations/Committees and Their Roles	104
2-10	Nomination and selection of the highest governance body	Corporate Governance > Personnel Affairs and Remuneration Committee	106
		Corporate Governance > Stance on and Procedures for Selection of Prospective Directors of the Board	109-110
2-11	Chair of the highest governance body	Corporate Governance > Major Organizations/Committees and Their Roles	104
2-12	Role of the highest governance body in overseeing the management of impacts	Stakeholder Engagement	54
		Participation in International Initiatives and Activities with Government and Industry Groups	219
		Corporate Governance > Major Organizations/Committees and Their Roles	104
		The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability)	97-98
		Sekisui House's Operating Environment, Risks and Opportunities	38
2-13	Delegation of responsibility for managing impacts	Corporate Governance > Major Organizations/Committees and Their Roles	104
		The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability)	97-98
2-14	Role of the highest governance body in sustainability reporting	The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability)	97-98
2-15	Conflicts of interest	Corporate Governance > Officer Remuneration	112-114
		Corporate Governance > Enhancing the Group Governance System	115
		Corporate Governance > Cross-Shareholdings	116
2-16	Communication of critical concerns	Promoting Compliance	117-120
		Strengthening Risk Management	121-124
2-17	Collective knowledge of the highest governance body	Corporate Governance > Skill Matrix and Reasons for Selection of Each Skill Category	108
2-18	Evaluation of the performance of the highest governance body	Corporate Governance > Evaluation of the Effectiveness of the Board of Directors	104-105
2-19	Remuneration policies	Corporate Governance > Officer Remuneration	112-114
2-20	Process to determine remuneration	Corporate Governance > Officer Remuneration	112-114
2-21	Annual total compensation ratio	Total Consolidated Remuneration for Directors of the Board (Excluding Outside Directors of the Board) Average annual salary	114, 194

GRI 2: 4. Strategy, policies and practices			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
2-22	Statement on sustainable development strategy	Message from the President	7-10
2-23	Policy commitments	(Respect for Human Rights > Sekisui House Group Human Rights Policy)	WEB
2-24	Embedding policy commitments	The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability)	97-98
2-25	Processes to remediate negative impacts	The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability)	97-98
		Promoting Compliance	117-120
		Strengthening Risk Management	121-124
2-26	Mechanisms for seeking advice and raising concerns	Promoting Compliance	117-120
2-27	Compliance with laws and regulations	Promoting Compliance > Legal compliance status	120
2-28	Membership associations	Participation in International Initiatives and Activities with Government and Industry Groups	219

GRI 2: 5. Stakeholder engagement			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
2-29	Approach to stakeholder engagement	Stakeholder Engagement	54
2-30	Collective bargaining agreements	Respect for Human Rights > Dialogue with employees on freedom of association and respect for collective bargaining rights	183

GRI 3: Material Topics 2021

GRI 3: 2. Disclosures on material topics			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
3-1	Process to determine material topics	Sekisui House's Material Issues	15-17
3-2	List of material topics	Our Material Issues and the Value We Provide	17
		Creation of High-Quality Housing Stock and KPIs	22-25
		Contributing to a Sustainable Society and KPIs	26-31
		Diversity and Inclusion and KPIs	32-35
3-3	Management of material topics	Sekisui House's Material Issues	15-17
		The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability)	97-98

Topic Standards (Economic Topics)

GRI 201: Economic Performance 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
201-1	Direct economic value generated and distributed	11-Year Highlights (Consolidated)	226-229
		(Securities Report (Japanese only))	WEB
		Promoting Compliance > Breakdown of taxes paid in each country	119
201-2	Financial implications and other risks and opportunities due to climate change	Contributing to a Decarbonized Society	136-141
		Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations	142-145
201-3	Defined benefit plan obligations and other retirement plans	(Securities Report (Japanese only))	WEB
201-4	Financial assistance received from government	—	—

GRI 202: Market Presence 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	—	—
202-2	Proportion of senior management hired from the local community	—	—

GRI 203: Indirect Economic Impacts 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
203-1	Infrastructure investments and services supported	Coexisting with Local Communities	210-215
203-2	Significant indirect economic impacts	Contributing to a Decarbonized Society	136-141
		Coexisting with Local Communities	210-215

GRI 204: Procurement Practices 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
204-1	Proportion of spending on local suppliers	Biodiversity Conservation > Percentage of Wood Products by Region	148

GRI 205: Anti-corruption 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
205-1	Operations assessed for risks related to corruption	Promoting Compliance	117-120
205-2	Communication and training about anti-corruption policies and procedures	Promoting Compliance	117-120
		Strengthening Risk Management	121-124
205-3	Confirmed incidents of corruption and actions taken	Promoting Compliance > Legal compliance status	120

GRI 206: Anti-competitive Behavior 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Promoting Compliance > Legal action related to monopolistic practices	120

GRI 207: Tax 2019

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
207-1	Approach to tax	Promoting Compliance > Tax transparency	119 (Full text online)
207-2	Tax governance, control, and risk management	Promoting Compliance > Tax transparency	119 (Full text online)
207-3	Stakeholder engagement and management of concerns related to tax	—	—
207-4	Country-by-country reporting	Promoting Compliance > Breakdown of taxes paid in each country	119

Topic Standards (Environmental Topics)

GRI 301: Materials 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
301-1	Materials used by weight or volume	Environmental Data	166-174
301-2	Recycled input materials used	Initiatives to Realize a Circular Economy > Recycling initiatives	158
301-3	Reclaimed products and their packaging materials	Initiatives to Realize a Circular Economy > Basic program for increasing the resource usage rate	157

GRI 302: Energy 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
302-1	Energy consumption within the organization	Environmental Data	166-174
302-2	Energy consumption outside of the organization	Environmental Data	168
302-3	Energy intensity	Environmental Data	166
302-4	Reduction of energy consumption	Environmental Data	173
302-5	Reductions in energy requirements of products and services	Environmental Data	167

GRI 303: Water and Effluents 2018

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
303-1	Interactions with water as a shared resource	Water Security	162-165
303-2	Management of water discharge-related impacts	Water Security	162-165
303-3	Water withdrawal	Water Security	163
303-4	Water discharge	Water Security	163
303-5	Water consumption	Water Security	163
		Factory Site Report	175-180

GRI 304: Biodiversity 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity Conservation > The *Gohon no Ki* Project, an eco-friendly landscaping and greening project	146-147
		Biodiversity Conservation > Practicing due diligence in procurement	147-148
		Biodiversity Conservation > Wood Procurement Risk Survey	148
304-2	Significant impacts of activities, products and services on biodiversity	Disclosure in Line with the Taskforce on Nature-related Financial Disclosures (TNFD) Draft Recommended Disclosures	152-153
304-3	Habitats protected or restored	Biodiversity Conservation	146-151
		Disclosure in Line with the Taskforce on Nature-related Financial Disclosures (TNFD) Draft Recommended Disclosures	152-153
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity Conservation > Commitment to biodiversity in wood procurement	147

GRI 305: Emissions 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
305-1	Direct (Scope 1) GHG emissions	Environmental Data > Scope 1 and 2 GHG Emissions	171-174
305-2	Energy indirect (Scope 2) GHG emissions	Environmental Data > Scope 1 and 2 GHG Emissions	171-174
305-3	Other indirect (Scope 3) GHG emissions	Environmental Data > Scope 3 GHG emissions	171-172, 174
305-4	GHG emissions intensity	Environmental Data > Scope 1 and Scope 2 Emissions per Unit of Net Sales	166
305-5	Reduction of GHG emissions	Contributing to a Decarbonized Society > Achieving Comfortable Living alongside Decarbonization While Strengthening Disaster Resilience	136-139
		Contributing to a Decarbonized Society > Decarbonization of Business Activities and Response to Climate Change	139-140
		Contributing to a Decarbonized Society > Reduction of CO_2 emissions at procurement stages for components and raw materials	141
		Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations > The Sekisui House Group's Scope 1 and 2 CO_2 Emissions Reduction / The Sekisui House Group's Scope 3 CO_2 Emissions Reduction	145
		Environmental Data > GHG emissions (Scope 1, 2, 3)	174
305-6	Emissions of ozone-depleting substances (ODS)	Scope 1 and 2 GHG Emissions	171
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Initiatives to Realize a Circular Economy > Initiatives for processing hazardous waste and preventing contamination by chemical substances	159
		Initiatives to Realize a Circular Economy > SOx and NOx emissions (factories in Japan)	161
		Factory Site Report	175-180

GRI 306: Waste 2020			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
306-1	Waste generation and significant waste-related impacts	Environmental Management	134-135
		Initiatives to Realize a Circular Economy	154-161
306-2	Management of significant waste-related impacts	Environmental Management	134-135
		Initiatives to Realize a Circular Economy	154-161
306-3	Waste generated	Initiatives to Realize a Circular Economy > Pollution, Waste and Resource Use Costs and Investment in R&D on Reducing or Avoiding Their Impacts	160
		Environmental Data > Material balance	169-170
		Factory Site Report	175-180
306-4	Waste diverted from disposal	Initiatives to Realize a Circular Economy > 4. Metrics and Targets	156-158
306-5	Waste directed to disposal	Initiatives to Realize a Circular Economy > 4. Metrics and Targets	156-158

GRI 308: Supplier Environmental Assessment 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
308-1	New suppliers that were screened using environmental criteria	Biodiversity Conservation > Practicing due diligence in procurement	147-148
308-2	Negative environmental impacts in the supply chain and actions taken	Biodiversity Conservation > Practicing due diligence in procurement	147-148
		Biodiversity Conservation > Wood Procurement Risk Survey	148
		Biodiversity Conservation > Wood Procurement Risk Survey	148

Topic Standards (Social Topics)

GRI 401: Employment 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
401-1	New employee hires and employee turnover	Developing Human Resources > Employee Turnover Rate	189
		Diversity and Inclusion > Metrics and Targets	194
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	—	—
401-3	Parental leave	Diversity and Inclusion > Metrics and Targets	193
		Diversity and Inclusion > Encouraging all eligible male employees to take childcare leave	196

GRI 403: Occupational Health and Safety 2018

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
403-1	Occupational health and safety management system	Occupational Health and Safety > Occupational health and safety management system for construction departments and Sekisui House employees	201
403-2	Hazard identification, risk assessment, and incident investigation	Strengthening Risk Management > Labor management	123
		Occupational Health and Safety > Occurrences of occupational accidents	202-203
403-3	Occupational health services	Happiness Health Management	199-200
		Occupational Health and Safety > Occupational health and safety management system for construction departments and Sekisui House employees	201
403-4	Worker participation, consultation and communication on occupational health and safety	Strengthening Risk Management > Labor management	123
		Occupational Health and Safety > Occupational health and safety management system for construction departments and Sekisui House employees	201
403-5	Worker training on occupational health and safety	Occupational Health and Safety > Construction-related health and safety training	202
403-6	Promotion of worker health	Happiness Health Management	199-200
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety > Occupational health and safety activities at construction sites	203
403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety > Occupational health and safety management system for construction departments and Sekisui House employees	201
403-9	Work-related injuries	Contributing to a Sustainable Society and KPIs > Occupational health and safety & supply chain	30-31
		Occupational Health and Safety > Occurrences of occupational accidents	202-203
403-10	Work-related ill health	Contributing to a Sustainable Society and KPIs > Occupational health and safety & supply chain	30-31
		Occupational Health and Safety > Occurrences of occupational accidents	202-203

GRI 404: Training and Education 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
404-1	Average hours of training per year per employee	Developing Human Resources > Investment in Training and Ability Development	189
404-2	Programs for upgrading employee skills and transition assistance programs	Developing Human Resources	187-191
404-3	Percentage of employees receiving regular performance and career development reviews	Developing Human Resources > Career interviews	190

GRI 405: Diversity and Equal Opportunity 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
405-1	Diversity of governance bodies and employees	Diversity and Inclusion and KPIs	32-33,35
		Corporate Governance > Corporate Governance Highlights	101
		Corporate Governance > Board of Directors Composition / Audit and Supervisory Board Composition	104
		Directors of the Board and Audit and Supervisory Board Members	128-132
		Diversity and Inclusion > Metrics and Targets	193
		Diversity and Inclusion > Metrics and Targets	194
405-2	Ratio of basic salary and remuneration of women to men	Diversity and Inclusion > Gender Wage Gap	194

GRI 406: Non-discrimination 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
406-1	Incidents of discrimination and corrective actions taken	—	—

GRI 407: Freedom of Association and Collective Bargaining 2016

GRI Standard	Topic disclosures	*Value Report 2023* section	Pages
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	—	—

GRI 408: Child Labor 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
408-1	Operations and suppliers at significant risk for incidents of child labor	—	—

GRI 409: Forced or Compulsory Labor 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	—	—

GRI 410: Security Practices 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
410-1	Security personnel trained in human rights policies or procedures	—	—

GRI 411: Rights of Indigenous Peoples 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
411-1	Incidents of violations involving rights of indigenous peoples	—	—

GRI 413: Local Communities 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
413-1	Operations with local community engagement, impact assessments, and development programs	Stakeholder Engagement	54
413-2	Operations with significant actual and potential negative impacts on local communities	—	—

GRI 414: Supplier Social Assessment 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
414-1	New suppliers that were screened using social criteria	Supply Chain Management	216-218
414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management > Risk Management	217-218

GRI 415: Public Policy 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
415-1	Political contributions	—	—

GRI 416: Customer Health and Safety 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
416-1	Assessment of the health and safety impacts of product and service categories	The Sekisui House Technology and Mindset Behind Our Material Issues > Creation of High-Quality Housing Stock	18-19
		Strengthening Risk Management > Response in the event of a natural disaster	124
		Customer Initiatives	207-209
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Promoting Compliance > Infractions and penalties related to products and services, health and safety	120

GRI 418: Customer Privacy 2016			
GRI Standard	**Topic disclosures**	***Value Report 2023* section**	**Pages**
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Promoting Compliance > Infractions and penalties related to customer privacy	120

SASB Index (Home Builders)

Land Use & Ecological Impacts

Accounting Metric	Unit	Provisional Metric Code	*Value Report 2023* section
Number of (1) lots and (2) homes delivered on redevelopment sites	Number	IF-HB-160a.1	—
Number of (1) lots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress	Number	IF-HB-160a.2	—
Total amount of monetary losses as a result of legal proceedings associated with environmental regulations	Presentation currency	IF-HB-160a.3	• Promoting Compliance > Legal compliance status>Infractions and penalties related to the environment (P.120) There were no major infractions or penalties of environmental laws or regulations in FY2022. There were no accidental spills or other incidents impacting the environment surrounding our factories. Although we are aware of the need of allowances to secure our preparedness to a major environmental accident or other incident arising from our operations, we recorded no allowances for ESG-related issues, including environmental issues, in said fiscal year.
Discussion of process to integrate environmental considerations into site selection, site design and site development and construction	n/a	IF-HB-160a.4	• Biodiversity Conservation (P.146-151) • Disclosure in Line with the Taskforce on Nature-related Financial Disclosures (TNFD) Draft Recommended Disclosures (P.152-153) • Environmental Data > Evidence of urban brownfield redevelopment (P.168) • Environmental Data > Commitment regarding Greenfield Development (P.168)

Workforce Health & Safety

Accounting Metric	Unit	Provisional Metric Code	*Value Report 2023* section
(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Rate	IF-HB-320a.1	• Contributing to a Sustainable Society and KPIs > Occupational health and safety & supply chain (P.30) • Occupational Health and Safety > Occurrences of occupational accidents > Frequency Rate of Accidents Resulting in Lost Worktime, Frequency Rate of Occupational Illness, Number of Deaths (P.202) • Occupational Health and Safety > Occupational accidents at construction sites (P.203)

Design for Resource Efficiency

Accounting Metric	Unit	Provisional Metric Code	*Value Report 2023* section
(1) Number of homes that obtained a certified residential energy efficiency rating and (2) average rating	Number, Rating	IF-HB-410a.1	• Contributing to a Decarbonized Society > Promoting ZEH through Green First ZERO detached houses > Growth in the Number of Detached House ZEH (P.136) The cumulative number of ZEH houses sold since the launch of sales in FY2013 reached 76,509 (as of March 2023)
Percentage of installed water fixtures certified to a water efficiency standard	Percentage (%)	IF-HB-410a.2	—
Number of homes delivered certified to a third-party multi attribute green building standard	Number	IF-HB-410a.3	• Environmental Data > Evidence and ratio of buildings with green certification in the real estate portfolio (P.168)
Description of risks and opportunities related to incorporating resource efficiency into home design, and how benefits are communicated to customers	n/a	IF-HB-410a.4	• Environmental Strategy (P.83-84) • Environmental Management (P.134-135) • Contributing to a Decarbonized Society (P.136-141) • Biodiversity Conservation (P.146-151) • Disclosure in Line with the Taskforce on Nature-related Financial Disclosures (TNFD) Draft Recommended Disclosures (P.152-153) • Initiatives to Realize a Circular Economy (P.154-161) • Water Security (P.162-165)

Community Impacts of New Developments			
Accounting Metric	**Unit**	**Provisional Metric Code**	***Value Report 2023* section**
Description of how proximity and access to infrastructure, services, and economic centers affect site selection and development decisions	n/a	IF-HB-410b.1	—
Number of (1) lots and (2) homes delivered on infill sites	Number	IF-HB-410b.2	—
(1) Number of homes delivered in compact developments and (2) average density	Number	IF-HB-410b.3	—

Climate Change Adaptation			
Accounting Metric	**Unit**	**Provisional Metric Code**	***Value Report 2023* section**
Number of lots located in 100-year flood zones	Number	IF-HB-420a.1	—
Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	n/a	IF-HB-420a.2	• Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations (P.142-145)

Activity Metrics			
Accounting Metric	**Unit**	**Provisional Metric Code**	***Value Report 2023* section**
Number of controlled lots	Number	IF-HB-000.A	• 11-Year Highlights (Consolidated) > Trends in Sekisui House Real Estate Block Leasing Operation (P.228)
Number of homes delivered	Number	IF-HB-000.B	• Management Resources (Four Types of Capital) > Cumulative dwellings built (global): 2.62 million (P.40) • 11-Year Highlights (Consolidated) > Number of Houses Built by Sekisui House (Units) (P.228)
Number of active selling communities	Number	IF-HB-000.C	—

Recommended disclosures from TCFD

Recommendations	Recommended Disclosures	*Value Report 2023* Section / Related Information
Governance Disclose the organization's governance around climate-related risks and opportunities	a) Describe the board's oversight of climate related risks and opportunities.	• Sekisui House's Material Issues(P.15) • Contributing to a Sustainable Society and KPIs(P.26-31) • The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability) >Governance (P.97) • Corporate Governance > Major Organizations/Committees and Their Roles (P.104) • Environmental Management > Governance (P.134) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations >Governance (P.142)
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	• Sekisui House's Material Issues (P.15) • Message from the President (P.7-10) • Contributing to a Sustainable Society and KPIs(P.26-31) • The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability) (P.97-98) • Corporate Governance > Major Organizations/Committees and Their Roles (P.104) • Corporate Governance > Officer Remuneration (P.112-114) • Environmental Management > Governance (P.134) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations (P.142)
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	• Our Material Issues and the Value We Provide (P.17) • Sekisui House's Operating Environment, Risks and Opportunities (P.38) • Value Chain > Risks and Opportunities (P.51-52) • Contributing to a Decarbonized Society (P.136-141) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations> Strategy (P.142-144)
	b) Describe the impact of climate- related risks and opportunities on the organization's businesses, strategy, and financial planning.	• The Sekisui House Technology and Mindset Behind Our Material Issues >Contributing to a Sustainable Society (P.20) • Management Resources (Four Types of Capital) >Tangibles (Manufactured capital and natural capital) (P.39) • Value Chain > Risks and Opportunities (P.51-52) • The Evolution of Our Mid-Term Management Plans (P.58) • Environmental Strategy (P.83-84) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations > Strategy (P.142-144)
	c) Describe the resilience of the organization's strategy, taking into consideration different climate- related scenarios, including a 2°C or lower scenario.	• Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations > Strategy (P.143-144) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations > Confirmation of the resilience of the Sekisui House Group's existing strategies (P.144) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations > Future issues for the Sekisui House Group (P.145)

Recommendations	Recommended Disclosures	*Value Report 2023* Section / Related Information
Risk management Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	• Stakeholder Engagement (P.54) • The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability) (P.97-98) • Corporate Governance > Major Organizations/Committees and Their Roles (P.104) • Strengthening Risk Management (P.121-124) • Contributing to a Decarbonized Society>Other Initiatives>Reduction of CO_2 emissions at procurement stages for • components and raw materials (P.141) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations >Governance (P.142) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations >Risk management (P.144) • Participation in International Initiatives and Activities with Government and Industry Groups (P.219)
	b) Describe the organization's processes for managing climate-related risks.	• The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability) (P.97-98) • Corporate Governance> Major Organizations/Committees and Their Roles (P.104) • Strengthening Risk Management (P.121-124) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations >Governance (P.142) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations >Risk management (P.144)
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	• The Sekisui House Group's Stance and Initiatives to Promote ESG Management (Sustainability) (P.97-98) • Corporate Governance > Major Organizations/Committees and Their Roles (P.104) • Strengthening Risk Management (P.121-124) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations >Governance (P.142) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations >Risk management (P.144)
Metrics and targets Disclosure of metrics and targets used to assess and manage climate- related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	• Contributing to a Sustainable Society and KPIs(P.26-31) • Management Resources (Four Types of Capital) > Tangibles (Manufactured capital and natural capital) (P.39) • Environmental Strategy (P.83-84) • Contributing to a Decarbonized Society (P.136-141) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations > Metrics and targets (P.145) • Environmental Data (P.166-174) • Independent Third-Party Assurance Report (P.220)
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	• Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations > Future issues for the Sekisui House Group (P.145) • Environmental Data (P.166-174) • Independent Third-Party Assurance Report (P.220)
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	• Contributing to a Sustainable Society and KPIs > Decarbonization (P.26-27,31) • ESG Strategy > Further Promoting Sha Maison ZEH (P.84) • Contributing to a Decarbonized Society (P.136-141) • Disclosure in Line with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations > Future issues for the Sekisui House Group (P.145) • Environmental Data (P.166-174)