

Special Feature **A home interweaved with time and affection**

Toward houses in which people want to continue living for a long time that will last for a 100-year lifetime

SEKISUI HOUSE, LTD.

The 73rd Interim Report

February 1, 2023 to July 31, 2023

BUSINESS REPORT



Top Message

Yoshihiro Nakai

Representative Director of the Board
President, Executive Officer, CEO

Top Message

The Sixth Mid-Term Management Plan has enjoyed a smooth start. And now we will press on with the ambidextrous management typical of Sekisui House.

The targets of the Fifth Mid-Term Management Plan were achieved as a result of record high business performance.

Building on that momentum, we have made a smooth start to the Sixth Mid-Term Management Plan whose fundamental policy is stable growth in Japan and proactive growth overseas.

We will move toward our Global Vision to “Make home the happiest place in the world.”

I will report to all our shareholders that the whole of Sekisui House Group, including the businesses in Japan, the overseas businesses, and the human capital to support those businesses, is growing strongly, and that we are making rapid progress.

The roots of the two growth strategies that we put forward this time are the deepening and expansion of existing businesses, and development and expansion of new businesses. So we can say that this is exactly the ambidextrous management typical of Sekisui House. Going forward, too, we will brush up our core competences, and investigate the market further.

Meanwhile, around our keystone of living in a home, while learning from our predecessors, I myself will boldly think outside the box to pursue new businesses and corporate models, and I am determined to increase corporate value. Sekisui House Group will target new growth with even greater enthusiasm.

Top Message

The business results in each segment are trending upward.

Half a year has now passed since the start of the new Mid-Term Management Plan. Among our businesses in Japan, our detached housing business, which is our core business that focuses on high added-value proposals has been steady. This, I strongly believe, is evidence of a growing understanding of and sympathy toward the Sekisui House brand.

Meanwhile, our rental business has advanced a thorough area marketing strategy, with Sha Maison ZEH setting the tone for expansion by connecting photovoltaic power generation systems to every house. With a societal demand to make it mandatory for all new houses to conform to energy-saving standards by 2025, this system for residents to sell electricity will undoubtedly be a domain which enables us to demonstrate our corporate strengths more and more.

Going forward, we will strengthen new services using blockchain technology, property-viewing and contracts, and introduce one-stop handling of procedures when moving in or out of a property. This will lead to the creation of new business opportunities.

In the development business, the real estate buying and selling business of Sekisui House Real Estate Group has delivered results

exceeding expectations through group cooperation and strengthening of governance.

The business environment surrounding the housing industry in Japan can by no means be said to be smooth sailing. Since the increased demand for housing during the COVID-19 pandemic, there has been a reversal to decreased demand, high prices, and building material inflation. Even in the face of these headwinds, we are advancing business operations in line with a scenario of stable growth based on an approach from all angles, including internal efforts and cost reduction leading to increased profitability. At the same time, the total working hours corresponding to these improving business results are decreasing year by year, and this increased productivity is also a point I want to bring to your attention.

Switching our attention to the overseas business, our US subsidiary, Woodside Homes, conducted an M&A transaction. Hubble Homes (Idaho) became a member of the Group. Consequently, our annual supply of detached houses in the overseas market is heading toward 10,000 in 2025, and this will be the 8th state into which we have expanded. In addition, with the US detached house market recovering better than expected, we also plan to accelerate marketing for sales of the wooden house,

Shawood, in earnest.

We have established the foundation for proactive growth. So please expect steady progress toward a global enterprise in which we transfer our unique technologies and sales methods into overseas markets.

We put forward new proposals and measures one after another toward the creation of high-quality housing stock.

Sekisui House always makes proposals for housing and ways of living that are one step ahead, while dealing with social changes. In September, we started a joint construction method, the SI (Skeleton & Infill) Project, in which Sekisui House constructs the skeleton part of the house (the foundations and the structural skeleton), and local builders who are our business partners are responsible for the infill part (exterior and interior).

Currently, 29% of Japan's housing stock was built before the new seismic standards, and there are even reports of some of the houses that conformed to the standards collapsing in large-scale earthquakes in recent years. Meanwhile, conformance to the thermal insulation standards is a mere 11%. Increasing earthquake resistance and energy-saving capabilities are national issues that must be tackled as a nation. This is the first attempt in Japan for a house-maker to open up their



proprietary technology and team up with local builders. Sekisui House will release its technology externally, and spread it nationwide with a sense of mission and urgency.

In addition, in June, we announced a new design proposal system, *life knit design*, based on the concept of a happy home in the era of 100-year lifetimes.

By increasing homeowners' attachment to high-quality housing stock, we will move from houses in which people can live for a long time to houses in which people want to continue living for a long time. For both the interior and exterior, by presenting proposals that resonate with each individual customer's sensibility, we achieve happy homes that the customer is attached to for a long time.

Now, as we usher in a recycling-oriented society, an important theme is the feeling and

Top Message

state of mind of cherishing our homes and wanting to continue to live comfortably. “The family’s large, happy space is a ‘vessel of their sensibilities’ that provides a rich life.” This is the image that I have in mind.

Because the customer and the Sekisui House staff share this sensibility, we can arrive at the ideal space without taking any detours. As a result, planning is more efficient and the time to build the home is reduced.

Running our business based on human capital

Under the slogan of “Innovation and Communication,” I want to increase the value of human resources as a driver of business growth. We have defined the value of Sekisui House Group’s human resources as arising from the multiplication of employee



The final screening meeting of SHIP

autonomy and vector alignment. This is because we believe that career autonomy consists of the employees acting proactively while making use of the resource that is Sekisui House Group, and vector alignment consists of sharing and disseminating a vision and strategy to create an environment and structure that enable sustainable growth.

For example, our emergent type award system (known as SHIP) in which all employees participate and which was established in 2021, is becoming more active. The Innovation Section of SHIP invites ideas for new businesses, technologies, and in-house systems, while the Performance Section focuses on contributions to increasing corporate value. Ideas are submitted via an online platform. This setup realizes communication across departments within the company, such as exchange of opinions with other employees who have viewed a submitted idea, or team participation of employees who have viewed and agree with an idea. “We will provide a budget for a good idea to turn it into a project.” I make this promise to employees in my own words. The 1st SHIP award-winning ideas are being prepared as projects, and because of the high awareness across the company, the number of applications for this year’s 2nd SHIP have risen significantly compared to last year.

Meanwhile, based on the material issue of diversity and inclusion, we are actively promoting the creation of an environment and system in which the activities of women are of course supported, and anyone can work in a manner that fits them regardless of their age, their nationality, whether or not they have a disability, and so on, and can demonstrate their abilities. We will continue to aim to introduce and operate a highly flexible system that enables diverse working styles.

Recently, Sekisui House Construction coordinated a plan in May to more proactively recruit skilled housing engineers, or Crafters, aimed particularly at those planning to graduate from high school. Construction site workers are aging, and the number of young workers is decreasing. In facing this kind of social issue, this is one specific measure to maintain and increase the construction capabilities that are our core competence. Since the announcement, we have received a huge reaction from the high school students, their guardians, and related groups.

In order to support building as much high-quality housing stock as possible, we will train young workers and superior multi-skilled workers, and join forces with local builders through the SI Project. Then there is the era of 100-year lifetimes and the move toward a



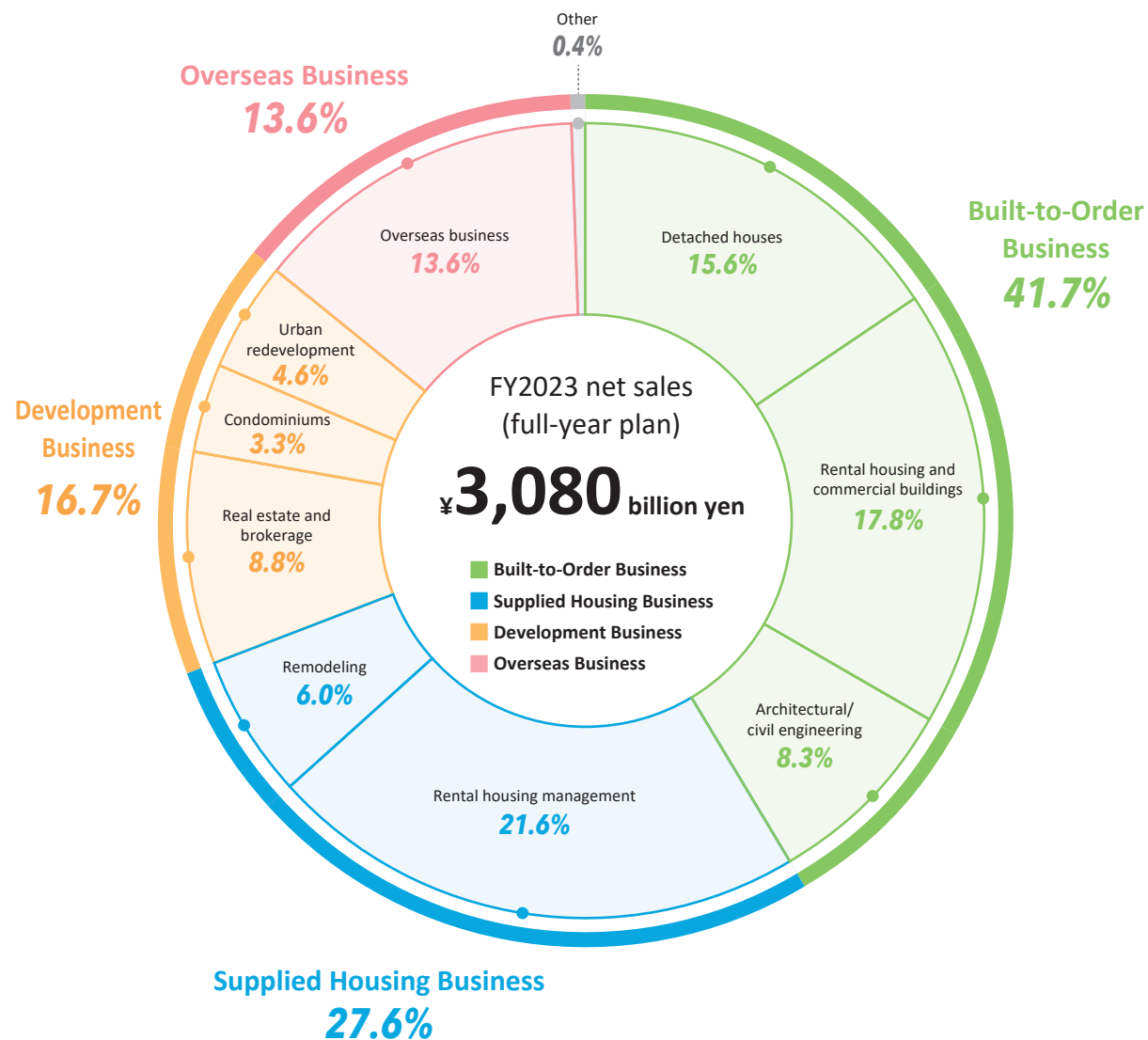
recycling-oriented society. We will propose new living spaces based on an approach drawn from the sensibility of wanting to continue to live in a house. All the business measures of Sekisui House go hand in hand with solving social issues. Our business rationale is to continue to create innovation in support of great causes.

In addition, as a company that aims to be a leader in the ESG fields, more than anything we will be sensitive to the environment and we will pay close attention to employee satisfaction. In that sense, Sekisui House’s ambidextrous business management can be considered to be management that balances both growth and great causes.

While proposing happiness through the integration of technologies, lifestyle design and services, we aim to achieve our Global Vision. I appreciate your continuing support.

Sekisui House Group Business Portfolio

FY2023 net sales (full-year plan) composition ratio



The overview of each business and Q2 net sales and full-year plan progress rate



Built-to-Order Business

We provide high value-added housing and commercial buildings on land held by the customer. We contribute to the formation of high-quality social capital.

Q2 FY2023

Net sales **618.8 billion yen** Progress rate **48.0%**



Supplied Housing Business

We plan to maintain and grow asset values through high-quality management of rental housing and through remodeling houses, and we will promote construction of a recycling-oriented society.

Q2 FY2023

Net sales **409.4 billion yen** Progress rate **50.1%**

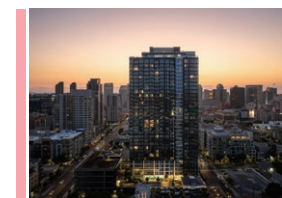


Development Business

We plan to build high-quality towns by developing residential land, high-quality condominiums, office buildings, etc. in attractive areas.

Q2 FY2023

Net sales **248.5 billion yen** Progress rate **48.5%**



Overseas Business

With the top quality and leading-edge technology which we have cultivated in Japan, we will explore overseas housing needs. We will spread the Sekisui House brand by adapting to the real estate circumstances in each country.

Q2 FY2023

Net sales **201.7 billion yen** Progress rate **41.8%**

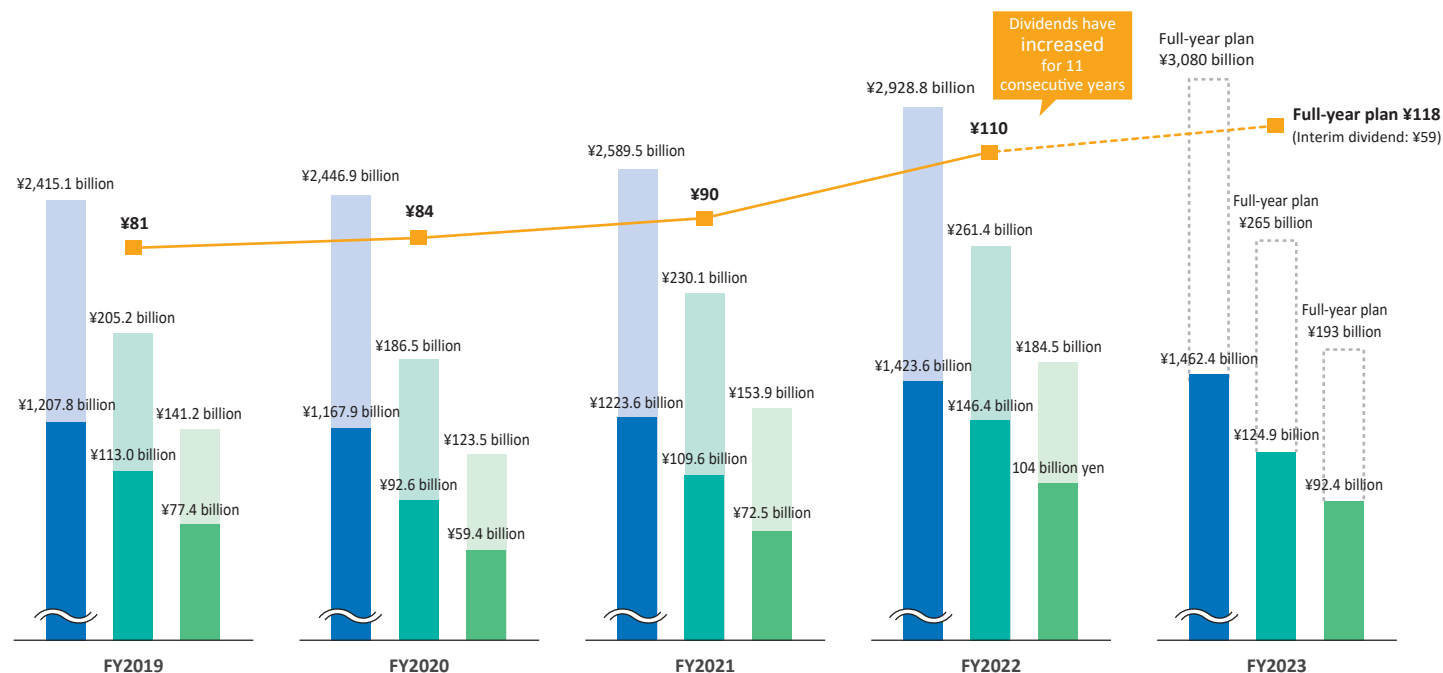
Performance Report

Consolidated Financial Results Highlights

Net sales	Operating profit	Ordinary income	Profit attributable to owners of parent	Total number of houses built (Japan)	Total number of houses built (Overseas)
YoY +2.7%	YoY (14.7%)	YoY (15.2%)	YoY (11.1%)	YoY +17,231 units	YoY +2,174 units
1 trillion 462.4 billion yen	124.9 billion yen	125.2 billion yen	92.4 billion yen	2,600 thousand 1,209 units	40 thousand 941 units

The settlement of accounts for the second quarter in FY2023, the initial year of the Sixth Mid-Term Management Plan, was impacted by the continuation of the financial tightening policy in countries around the world and by inflation of material costs due to inflationary pressures globally. However, we achieved record net sales of ¥1,462.4 billion by implementing our fundamental policy of “stable growth in Japan and proactive growth overseas” and by proactively promoting a variety of high value-added proposals, etc., combining hard and soft services with the aim of realizing our Global Vision to “Make home the happiest place in the world.” The operating profit fell, but progress was as planned, and we are steadily driving toward achieving record income in the full year. The full-year plan is net sales of ¥3,080 billion and an operating income of ¥265 billion, and we are planning a dividend of ¥118 over the full year.

Net sales (■ Q2/■ Full-year) Operating profit (■ Q2/■ Full-year) Current term net profit (■ Q2/■ Full-year) ■ Full-year dividend



Balance sheet

(Billions of yen)

	As of January 31, 2022	As of the end of Q2 FY2023
Current assets	2,093.8	2,372.3
Non-current assets	913.6	904.2
Total assets	3,007.5	3,276.6
Current liabilities	1,044.6	1,099
Non-current liabilities	295.3	417.1
Total liabilities	1,339.9	1,516.1
Net assets	1,667.5	1,760.4
Total liabilities and net assets	3,007.5	3,276.6

Cash flow

(Billions of yen)

	Q2 FY2022	Q2 FY2023
Cash and cash equivalents at beginning of period	515.1	332.7
Cash flows from operating activities	61.6	(49.8)
Cash flows from investing activities	(99.0)	(37.7)
Cash flows from financing activities	(19.4)	52.6
Effect of exchange rate changes on cash and cash equivalents	14.6	6.6
Cash and cash equivalents at the end of period	472.8	304.4

Performance Report by Segment

Built-to-Order Business

(Billion yen)

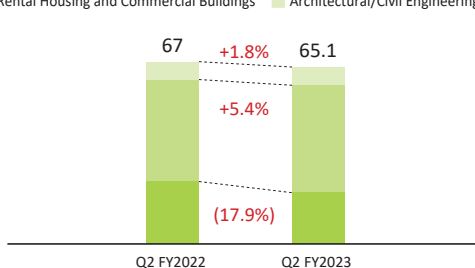
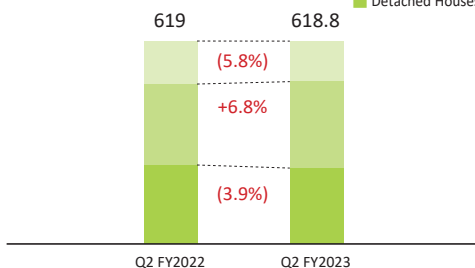
Net sales

In the Detached Houses Business, sales have decreased. In the Rental Housing and Commercial Buildings Business, sales have increased due to steady construction progress, and orders continue to perform well due to high value-added housing proposals. Architecture/Civil Engineering Business is the same as last year, but orders are steady.

Operating profit

In the Detached Houses Business, although profits decreased due to the impact of inflation in material costs, profit margin increased. In the Rental Housing and Commercial Buildings Business, profits increased due to increased sales and a rise in the unit cost per building. In the Architecture/Civil Engineering Business, profits increased due to the increase in profit margin.

■ Detached Houses ■ Rental Housing and Commercial Buildings ■ Architectural/Civil Engineering



Supplied Housing Business

(Billion yen)

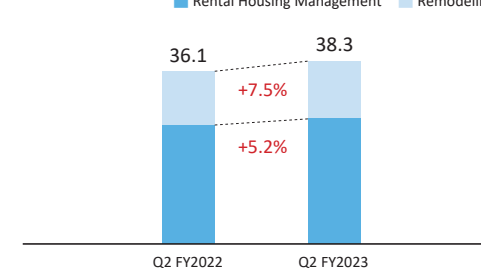
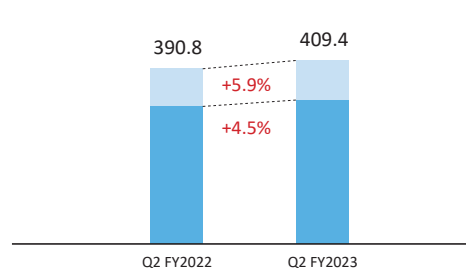
Net sales

The Rental Housing Management Business and the Remodeling Business both continue to grow stably. In the Rental Housing Management Business, the number of units under management is steadily increasing. Proposal type remodeling and environmental type remodeling with energy-saving, etc. are performing well.

Operating profit

In the Rental Housing Management Business, the number of units under management is trending upward and the occupancy rate is trending at a high level, so profits are increasing. In the Remodeling Business, the increase in profit margin is continuing due to the increase in the proportion of orders that are for large projects, so profits are increasing.

■ Rental Housing Management ■ Remodeling



Development Business

(Billion yen)

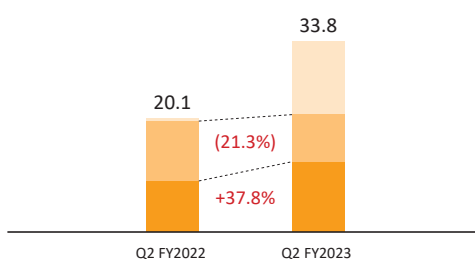
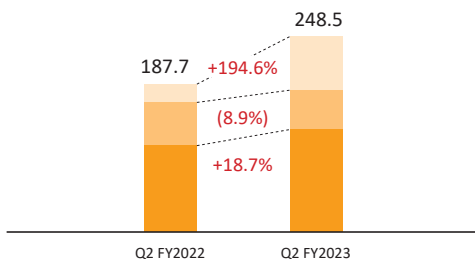
Net sales

In the Real Estate and Brokerage Business, proactive purchase of excellent land is continuing, and good performance in real estate sales has contributed to the increased profits. The Condominiums Business progressed as planned. In the Urban Redevelopment Business, sales have significantly improved due to property sales.

Operating profit

In the Real Estate and Brokerage Business, in addition to an increase in sales, the profit margin significantly increased due to the increase in profitability. In the Condominiums Business, we have achieved a stable supply of properties and progress is as planned. In the Urban Redevelopment Business, we have sold commercial and office properties.

■ Real Estate and Brokerage ■ Condominiums ■ Urban Redevelopment



Overseas Business

(Billion yen)

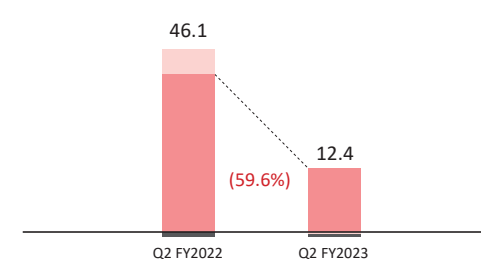
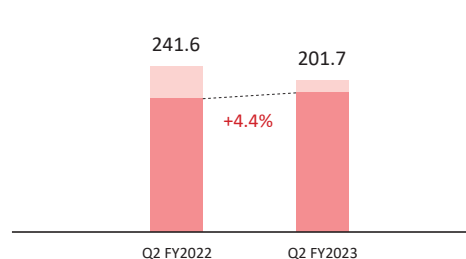
Net sales

In the US, profits increased as a consequence of purchasing a builder in Texas in order to expand our sales area for detached houses, and community development, rental housing development, and our Australian business are progressing as planned.

Operating profit

In the US, despite the decline in profit due to the property sales difference for rental housing development and decrease in detached houses due to the high interest rate in the previous year, orders are on a recovery trend. In Australia, profits fell due to the property sales offseason, though progress is as planned.

■ US ■ Australia ■ Other





Special Feature

A home interweaved with time and affection

**Toward houses in which people want to continue living
for a long time that will last for a 100-year lifetime**

We have started *life knit design*, house-building based on a new design concept.

In this issue, we introduce new initiatives to match the sensibilities of our customers.

The floor material greatly affects the impression and comfort of the house High added-value product appeal satisfies the need for authenticity

When considering living in a home long-term, what is most important about the interior is the base materials of the floor, wall, and ceiling. In particular, for the floor material, among the solid woods cut from logs and floor material with several layers of planks pasted together, there are sawn boards with thickly ground woods pasted on to the surface, and veneer boards with thinly sliced wood pasted on. While wood is a simple raw material, diverse customer needs can be answered through the tree type and the paint used. In addition, as the grain varies with the cutting position, each cut piece is individual, and enjoying this in one's everyday life is also an attraction of using wood. In particular, solid wood, which uses the natural materials as is, has the property of expanding and contracting, but it is a material that is comfortable to step on, feels good on the skin, and is rich in design. Thanks to its humidity control effect, it is also considered to have a relaxing effect. Floor material whose aging you can enjoy over time is one of the important materials in house building by Sekisui House as a provider of high-quality housing stock.

Malhon Co., Ltd., which became a subsidiary of Sekisui House in September 2022, is a manufacturer that, since its founding in 1934, has imported, designed, manufactured, and sold interior materials for floors, walls, ceilings, counters, and stairs. In particular, they deal with a wide range of high-quality and well-designed solid woods from 40 to 50 types of trees. They supply over 400 products with painting techniques that exploit the wood's characteristics and offer a wide range of sizes. In addition, the employees themselves head out to the manufacturing areas in various countries around the world, where they scrutinize and select the material, and strive for sustainable procurement. We are moving into an era in which social values like the company's consideration for the environment and sensibility values like the wood's connection to comfort and relaxation, will be increasingly sought after going forward.

The mainly wood interior materials are an indispensable element in houses in which people want to continue living for a long time that will last for a 100-year lifetime. At Sekisui House, we have started *life knit design*, house-building based on a new design concept, and we are aiming to improve our proposal capabilities to match the sensibilities of our customers.



Elegant flooring that uses solid flooring material and is laid out in a herringbone pattern. Regnum Court Omiya Exhibition Hall

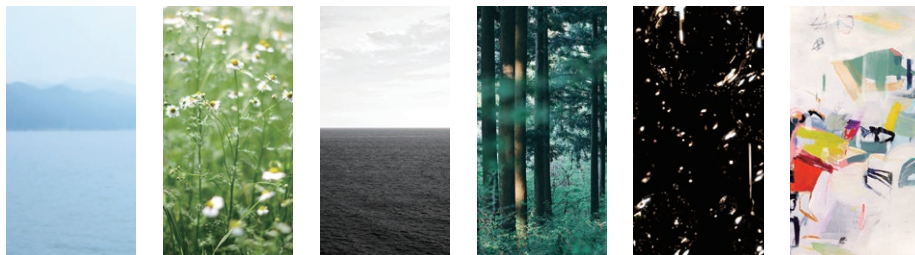


The Malhon Showroom where you can view a wide variety of woods.



life knit design

life knit design's six sensibility fields



Peaceful

Tender

Spirit

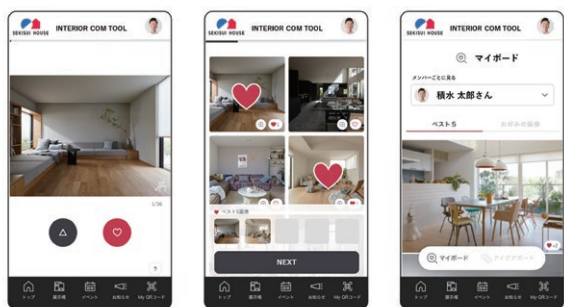
Cozy

Luxe

Playful

Instead of tastes such as Japanese, modern, and European, six sensibility fields are set out to deepen the dialogue that fits the customer's sensibilities from the initial meeting.

life knit design communication tools



Our interior design communication tool enables a family to discover and share their desired interior design and space. Favorite images and the reasons for liking them can be organized, so it is easy to communicate preferences, and so on, to our staff.



The "material buffet" allows you to experience the quality of the materials with your own hand, and learn about the manufacturing story of the materials.



The sensibility collage box allows the customer to touch the material images of six sensibility fields.

life knit design, a new design concept that fits with each individual customer's sensibilities, is born.

In the *life knit design* interior design proposal, in order that a universal, beautiful proposal materializes which the customer is attached to and will want to live in long-term, we break away from proposing tastes that match trends such as Japanese, Western, or modern, and instead we verbalize the impression obtained from beautiful interior design visual images, and we transform it into the six unique sensibility fields that we have derived. For the development of *life knit design*, we analyzed as many as 6,600 images of actual customer properties and images in interior design magazines, and so on. By doing so, we discovered that beautiful spaces and interiors are organized by a space made up of simple structures and materials. By combining a simple and beautiful space, furniture, and accessories, we propose interior designs that fit each individual customer through this new system that reflects the customer's sensibilities.

Also, we have developed various tools for drawing out the customer's sensibilities and progressing dialogue with the customer. With the interior design communication tool, from the 36 Sekisui House interior space images, families can share their respective favorite images and the reasons for their choices with the staff, and with the sensibility collage box in which the six sensibility fields are expressed through a combination of materials, the customer and staff can discuss the colors and textures while the customer touches the actual material, so the customer sensibilities can be drawn out. In addition, through the "material buffet" in which the customer can feel carefully selected materials, the customer can learn about environmental initiatives, the story behind the manufacturing of the materials, and so on.

In addition, *life knit atelier* has opened in 84 locations nationwide. Until now, SHIC Room has been used as a place for the meeting to decide the specifications after the contract has been agreed. Going forward, however, using the contents described above, by using *life knit atelier* prior to the contract agreement as the place for designing the home with preferences that resonate with customer sensibilities, we will target the



This place is where homes are designed with preferences that resonate with customer sensibilities.

life knit atelier Sendai

creation of a sense of expectancy and increased brand awareness.

For the transfer from the previous SHIC interior system to life knit design, we narrowed down the materials from around 3,000 items to around 2,200 items. Doing this enabled us to restrict the impact of prices rise to a minimum. In addition, instead of PVC cloth, the elimination of whose use we pioneered in the industry, we use the environmentally-friendly olefin cloth for wallpaper as standard. We will promote the use of solid wood and sawn board flooring which have long-term appeal, and so on, but we will also positively appeal to their value, which we have failed to explain sufficiently so far.

Thanks to the creation of *life knit design*, we can make proposals that offer a high degree of satisfaction from the initial meeting by fitting with the customer's sensibilities and strengthening in-house cooperation. From the viewpoints of emotional value, namely heart and authenticity, and social value, namely consideration of the global environment, we propose house building that fits the customer.

* SHIC Room: SHIC stands for Sekisui House Interior Coordination. This has functioned as a place for selecting interiors and as a showroom, but now it has been unified as a life knit atelier.



Naoko Yano

Operating Officer, Design and Planning Department

In addition to the technology and functions, we nurture emotional value and social value.

I transferred to the design department three years ago to help strengthen it. The history and track record of Sekisui House indicate that it has the capabilities to lead the housing industry in terms of technology and functions. If emotional value and social value are added, we can undoubtedly provide a design that evokes affection together with the customer. Based on this thinking, we arrived at life knit design.

However, we did not create this concept from zero. It represents the culmination of the content cultivated in Sekisui House for 63 years since the foundation, re-edited and organized into a clearly stated design system.

For the *life knit design* floor boards, sawn boards are employed as standard because the warmth of the wood can be felt when walking barefoot, so affection for the material builds up with the passing of many years. In addition, now that Malhon, who provide excellent woods, has joined our group, we can not only conduct joint development of materials, but also we can contribute to the global environment through the use of surplus materials, for example.

Going forward, too, across the whole of Sekisui House Group, we will pour our efforts into building houses that will last for human lifespans of 100 years.



TOPICS

We aim to be a leading company in ESG management, and are conducting a variety of actions to contribute to the realization of customer happiness and a sustainable society.

In the face of the "2024 issue," we will promote workstyle innovations and increased compensation packages to strengthen recruitment of Crafters, who are skilled housing construction technicians in Sekisui House Construction.

Sekisui House Construction in Sekisui House Group is planning a significant increase in recruits centered on those planning to graduate from high school, such that the company entrants in April 2024 will number 95 (2.4 times this year's intake), while the company entrants in April 2025 will number 133 (3.4 times the same). In the new human resources system, the skilled house construction technicians have been renamed Crafters, and it is now also possible to change the job type to construction supervisor. As well as planning to train staff in multiple skills enabling them to take responsibility for building from the foundations and for the interior design in a whole building, we will significantly increase the Chief Crafter's (section manager class) annual income up to 1.8x. Against this background, construction site workers are aging, the number of young workers is decreasing, and, furthermore, we are facing the "2024 issue."*

The same group company has also put efforts into workstyle innovations, such as 8 days off in 4 weeks, 120 days off annually, a complete two-day weekend system, and 100% of fathers acquiring childcare leave. Making use of the number of the group's large-scale construction jobs, we aim to improve the working environment by leveling out work peaks.



Sekisui House Construction's young Crafters.



Initiatives to make skilled house construction technician jobs more appealing

Strengthening recruitment	Company entrants in April 2024 will number 95, 2.4 times this year's intake, while in April 2025, there will be 133 entrants, 3.4 times this year's intake.
New human resources system	Skilled house construction technicians are to be known as "Crafters." Introduced objective evaluation through the new evaluation system. Evaluation and training for multi-skilled human resources through the skill matrix.
Significant increase in the compensation package	From April 2023, the starting salary will be increased by up to 11% based on monthly/annual income. The chief crafter's (foreman) compensation package has been significantly increased, with an annual income of as much as 9 million yen for those in their 30s (up to approximately 1.8x)
Training multi-skilled workers	Strengthened the training of multi-skilled workers by providing education from the fundamentals to applications at three education and training centers / training schools nationwide.
Promoting welfare benefits	Continuation of the complete two-day weekend system, 120 days off annually, and 100% of fathers acquiring childcare leave.
Uniform	Created a new uniform that all Crafters will wear.



We have introduced the new uniform created by the uniform brand of Beams Co., Ltd.. We aim to improve the construction site image and increase employee satisfaction.



* 2024 Issue: The issues arising from the strengthening of regulations concerning overtime work from April 2024. This is increasing concerns about the labor shortage in the construction industry.

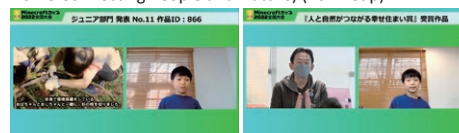
Supporting programming education for children, who will be responsible for society in the future Contributing to awareness of SDGs while having fun building houses and planning towns

The building video game, Minecraft, is hugely popular with children all around the world. The player destroys or combines blocks in a 3D space, and its characteristic is to encourage logical thinking while creating buildings and furniture with the materials obtained.

The Minecraft Cup is a contest to create a piece of work using Minecraft: Education Edition that is utilized on education sites in countries around the world. Sekisui House is participating as a gold partner for the third year. In the Fifth Minecraft Cup that is currently being held, we are accepting submissions of work pieces on the theme of “A sustainable society in which anyone can live healthily and with peace of mind ~ Towns in which we can continue to live with clean energy ~.” It will be a society in which people of different genders, ages, nationalities, and races mutually recognize each other, and can demonstrate their individuality and ability. Also, it will be a society which does not rely on fossil fuels such as oil and gas, and in which there is no global warming or atmospheric pollution. Finally, it will be a society in which house building and town planning that fit the regional culture and climate are realized. We hope that the Minecraft Cup will be a trigger for increasing the interest of children in social issues and SDGs.

Award-winning teams

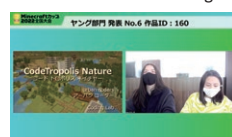
The Grand Prize (a double award with the Award for a Happy Home Connecting People and Nature) (2022 Cup)



Sekisui House Award (2021 Cup)



Sustainable Town Planning Award (2022 Cup)



* The image shows the tournaments up to last time's.

Topics (2)

Participating in the Minecraft Cup



The 73rd Interim Topics

第5回 Minecraftカップ

Work theme

A sustainable society in which anyone can live healthily and with peace of mind

~ Towns in which we can continue to live with clean energy ~





SEKISUI HOUSE