People are born to be happy.
People can help others find happiness, too.
At Sekisui House, we embrace that truth in everything we do.
Our extensive track record in the housing sector, where we have built more homes than any other company across the globe, speaks for itself: we have the ability—and responsibility—to make home the happiest place in the world.
We strive to help people find happiness, be it enriching families’ lives through housebuilding projects and services or connecting people across the globe through business and procurement efforts.
In pursuing that aim, we look forward to finding solutions to social issues and making the world we inhabit a better, more sustainable place.

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The content of this report was decided by the CSR Committee, taking into account social conditions and the responses to a survey of the FY2018 report. This report conforms to the Core items of the GRI Standards; general disclosures (topics that must be disclosed in compliance with the Core items) and 17 itemized standard material topics have been disclosed mainly within the pages concerning Putting Value Creation into Practice (ESG). As an annual report, this document organizes and discloses the results of initiatives implemented in FY2018. It also publishes achievements and self-evaluations regarding our targets. This report discloses the key performance indicators (KPIs) of important areas, such as the progress of our Eco-First Promise.

Features of the Sustainability Report 2019

The purposes of this report are to educate the general public about the Sekisui House Group’s initiatives to help build a sustainable society, and to encourage communication with the community as a means to improve these initiatives going forward.

We referred to the 2018 Environmental Reporting Guidelines of Japan’s Ministry of the Environment when selecting topics to be reported and formulating our editing policy and layout; the selected topics are disclosed in accordance with ISO 26000, an international standard providing guidance on social responsibility.

Furthermore, this report has been prepared in accordance with the Core items of the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards (GRI Standards).
This report covers the business operations of the Sekisui House Group, which include custom detached houses, rental housing, remodeling, real estate management fees, houses for sale, condominiums, urban redevelopment, overseas business, and others (e.g. exterior construction work).

The energy usage, waste and greenhouse gas emissions, water used in factory production, and social reporting (accidents resulting in lost worktime and job-related illness frequency rates) disclosed in the Sustainability Report 2019 are assured by third-party institutions to heighten reliability (see the Independent Third-Party Assurance Report on page 88).

Furthermore, the symbol on the right indicates that this report meets the greenhouse gas reporting examination and registration mark standards established by The Japanese Association of Assurance Organizations for Sustainability Information in terms of the reliability of the greenhouse gas emissions data disclosed herein.

Scope of business activities
This report covers the business operations of the Sekisui House Group, which include custom detached houses, rental housing, remodeling, real estate management fees, houses for sale, condominiums, urban redevelopment, overseas business, and others (e.g. exterior construction work).

- Period covered: FY2018 (February 1, 2018 to January 31, 2019)
- Date of publication: This report is published annually in Japanese in May; versions in English and in Chinese are published annually in July.
- Direct inquiries about this report to: Corporate Social Responsibility Department; tel: +81-6-6440-3440 Environment Improving Department; tel: +81-6-6440-3374

WEB https://www.sekisuihouse.co.jp/mail/
Tackling social challenges head-on with an eye to the global context

How our collective diversity of strengths can transform the Japanese housing sector

The dynamism of the world, on full display at COP24

Japan is currently dealing with myriad social challenges: falling birthrate and aging population, climate change, large-scale natural disasters, and increasing numbers of unoccupied houses, to name a few. As a Japanese company, we at the Sekisui House Group have to address the challenges through our business pursuits and keep on growing amid the adversity. We also need to make steady, step-by-step progress on efforts to solve the problems at hand. One of the most pressing issues is the state of the environment. With typhoons, torrential rains, and other natural disasters wreaking havoc around the world at a startling frequency, extreme weather is quickly becoming an everyday occurrence—a disaster could strike anywhere, anytime. The prevailing discourse on global warming frames the environmental threat as an issue for the “future of our planet,” a concern for the “next generation.” That future, however, is now; the effort to control global warming simply cannot wait.

The risks are real and present today, impending the world we inhabit at this very moment. The need for action is an urgent one.

At the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP24) in Katowice, Poland, in December 2018, I gave presentations on Sekisui House’s net-zero energy housing (ZEH) and other initiatives. As I took in my surroundings at the event, I got a real sense of how dynamically the global community is taking action.

Countries around the world are tackling climate change in many practical, progressive ways, but Japan is starting to fall behind. A look at the Climate Change Performance Index, a report that a leading international NGO releases at yearly COP meetings, shows that Japan sits in the “Very Low” rating category. At the top of the list, meanwhile, are Sweden, the United Kingdom, and other European nations; India is one of the higher-performing Asian countries on the list.

Up until the mid-1990s, when the Kyoto Protocol was adopted, Japan was a world leader in the movement to cut greenhouse-gas emissions. Sekisui House blazed trails, too, releasing its “Environmental Future Plan”—a bold vision for a housing manufacturer—in 1999. Things have changed dramatically in the two decades since. I recognized our mission as a housing manufacturer and knew that we needed to accelerate our efforts with a real sense of urgency.

In 2008, the Sekisui House Group announced its “2050 Vision” aiming to eliminate CO2 emissions from housing and quickly shift development focus to deconstruction. ZEH currently accounts for 79% of our newly built detached houses, with total cumulative sales of roughly 40,000 units—both world-leading figures. In October 2017, we became the first construction company in Japan to join the RE100 initiative, committing to using 100% renewable energy for all business activities.

With the purchase period under the Japanese government’s feed-in tariff (FIT) system for renewable energy gradually drawing to a close, we are also planning to launch the “Sekisui House Owner Denki” in November 2019. This is a framework through which we buy surplus power from home owners at competitive prices and use the electricity for our group activities. Countries and corporations abroad are setting ambitious numerical targets and timelines for renewable energy, embodying a dynamic attitude. Japan has to be in the thick of it all. For Japan to do its part amid that constant rush of activity, climate-change countermeasures in the housing sector can play a crucial role. Now is the time for the Sekisui House Group to showcase its true value.

Having balanced industry-propelling advances in low-carbon technology and comfortable living, we are in prime position to seize business opportunities and drive further progress forward.

Tackling social challenges through stronger group solidarity

The Sekisui House Group has gradually expanded from a foundation in built-to-order housing into a structure encompassing supplied housing, development business, and overseas business. That breadth speaks to what we can do as a housing manufacturer in realizing a sustainable society, which goes beyond just building new ZEH units. We create top-quality housing and do the proper maintenance, remodeling, and renovations to keep the structures performing well—and better—for generations to come.

Our mission is to extend housing life, provide long-term support to customers, form markets where housing constitutes a meaningful social asset, and minimize the impact of housing on the global environment, all in hopes of making a circular economy a reality. Vital to that process are the capabilities of the Sekisui House Group—the diversity of strengths that group companies like Sekisui Construction, Sekisui House Remodeling, and Sekiwa Real Estate possess.

From my perspective, synergies that diversity of strengths will open doors to new business approaches, such as customer-asset management, and pave the way for ongoing growth.

The plethora of existing houses in Japan presents a wealth of new roles and a world of new possibilities for housing manufacturers. In that area, the Sekisui House Group is proactively promoting “SumStock”—an initiative to help customers pass their homes on to the next generation. At the core of the effort is the Provision of Quality Housing Stock Association, which Sekisui House and nine other leading housing manufacturers created as a joint project. Through SumStock, the member companies get access to a housing history database that facilitates the process of evaluating and selling their high-quality existing houses in accordance with clear, well-defined appraisal standards. Besides providing that valuable framework, the Japanese housing market has traditionally served as the core of the effort is the Provision of Quality Housing Stock Association, which Sekisui House and nine other leading housing manufacturers created as a joint project. Through SumStock, the member companies get access to a housing history database that facilitates the process of evaluating and selling their high-quality existing houses in accordance with clear, well-defined appraisal standards. Besides providing that valuable framework, the Japanese housing market has traditionally served as the

Without those radical breakthroughs, new answers will lie out of reach.

Step-by-step progress toward governance reforms

Last but not least is governance reform, a crucial issue for the Sekisui House Group. Our efforts to tackle the six items for strengthening the corporate governance system that we laid out in 2018, the first year of the governance-improvement drive, have made solid progress and a sizable impact. In working toward the establishment of the Management Meeting and transparency and invigoration of Board of Director meeting operations, a new standard process has taken root: the Board of Directors deliberates on matters after the Management Meeting has discussed the topics, with outside officers present to diversify the talks. Forward progress has been made on clarifying directors’ responsibilities for the various departments, thereby facilitating the evaluation of Director efficacy—another of the six items. These initiatives are open-ended; there are always improvements to make and deeper levels to probe.

We have also added new efforts to our action plan ensuring independence and strengthening internal checks of chief managers in charge of general affairs, in sales administration headquarters and branches, as well as improving the integrity of branch managements.

As we work to enhance training programs and make personnel evaluations more rigorous, we will also strive to foster future branch managers. The whole group will follow the Plan, Do, Check, Action (PDCA) cycle, just like our business activities do. On top of that, we plan to iron out new reform guidelines by 2020.

The Sekisui House Group’s corporate philosophy encapsulates our beliefs. Our fundamental philosophy is “love of humanity,” and our stance is “truth and trust.” Those elements all play into our governance initiatives. Truth, for example, captures the sincere, high-minded morality of integrity that is at the crux of our governance reforms. Trust, meanwhile, represents an interpersonal ideal: connections where individuals can be true sakes, make the most of their abilities, and have their individual worth recognized.

Value Creation Vision and Strategy

In driving SumStock forward, the Sekisui House Group is leveraging its impressive track record in supplied housing to stand at the industry forefront and accelerate the overall effort. Social problems are growing more diverse and increasingly complex as we march into the future. In the process of formulating solutions to those changing issues, individual companies and industries can only do so much. Making problem-solving a concerted, society-wide effort hinges on all-encompassing standpoints and bold, revolutionary ideas.

With those radical breakthroughs, new answers will lie out of reach.

Creating new standards with an eye to the world, our goal is clear, but our reforms—and evolution—are still works in progress. As we keep aiming higher, always training our sights on social issues, we continue to march on toward sustainable growth as a company.
Tackling social challenges head-on with an eye to the global context

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In driving SumStock forward, the Sekisui House Group is leveraging its impressive track record in supplied housing to stand at the industry forefront and accelerate the overall effort. Social problems are growing more diverse and increasingly complex as we march into the future. In the process of formulating solutions to those changing issues, individual companies and industries can only do so much. Making problem-solving a concerted, society-wide effort hinges on all-encompassing standards and bold, revolutionary ideas. Without those radical breakthroughs, new answers will lie out of reach.

Step-by-step progress toward governance reforms

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Creating new standards with an eye to the world, our goal is clear: but our reforms—and evolution—are still works in progress. As we keep aiming higher, always training our sights on social issues, we continue to march on toward sustainable growth as a company.
Happiness: Our core concept for a bright future of ongoing business growth

Forming business strategies around social impact to create new value and make Sekisui House a leader in ESG management

The turning point of 2020: Charting a new course for sustainable growth into the future

The Fourth Medium-Term Management Plan, rooted in the core policy of building the foundation for the residential-related business toward BEYOND 2020, is set to wrap up in 2019. For Sekisui House, the year 2019 also represents the 60th anniversary of the company’s founding. As we move closer and closer to 2020, which could prove a pivotal turning point for Japan as a whole, Sekisui House is constantly fostering innovations to drive sustainable growth and steadily expanding its business scope.

For us, innovation means expanding our strengths in the built-to-order business into non-housing areas and creating value with bold, forward-thinking concepts for housing.

Sekisui House has spent its entire history as a company striving to create safe, secure housing of exceptional quality—shelters for families’ lives and property. Since releasing our Environmental Future Plan in 1999, we have concentrated on maximizing comfort and aimed to be a pioneering force in creating environmentally friendly housing. We want to stride onward along that path, translating our vision of “making home the happiest place in the world” into extraordinary housing. Our fundamental philosophy is a love of humanity. Operating from that foundation, we are now delving deeper into realizing customer happiness in a society where people will have a 100-year lifespan. That means creating new value as a partner in nourishing happiness through housing. In August 2018, we began to concretize that vision with the opening of the Human Life R&D Institute: Japan’s first-ever corporate research institution to specialize in happiness. Aiming to propose houses where happiness grows the longer you live there, the Institute is a hub of progressive inquiry. In October 2018, for example, we released the “Family Suite” concept model, which draws on institute research to break away from the conventional “LDK” (living-dining-kitchen) concept and propose a new mode of living. We also showcased our brand-new Platform House Concept at CES 2019, the world’s largest consumer electronics show, in Las Vegas (US) in January 2019. The Platform House, a conception of home as a platform for happiness, will utilize resident data to foster intangibles like health, connections, and learning through technologies and services that fuse the physical and the immaterial. The concept is moving along the pipeline, nearing its release in the spring of 2020.

Our first initiative centers on health. With health-related services in three areas—emergency response, health monitoring over time, and preventative care—we can provide new value to residents in the forms of houses that make
health. Environmental controls and a bevy of sensing technologies will help users monitor day-to-day changes in their physical conditions, enabling early detection of sudden-onset diseases and life-threatening conditions, particularly those with a high likelihood of occurring at home (strokes and heart attacks, for example). By facilitating prompt medical care, our homes will not only help residents live healthier lives on an individual level but also benefit communities through reductions in medical expenses and other social costs. We look forward to forging alliances with outside partners, pursuing research backed by science and logic, and shaping those results into new services with roots in the home—offerings that will broaden our business domains and fuel sustained business growth.

### Housing expertise as a difference-maker outside the housing sphere, benefiting communities on multiple levels

In the non-housing sector, we launched a community-development project. The initiative makes use of resources like our original Flexible β System, which extends design freedom, expands our options for space proposals, and shortens construction times through the use of factory-shipped materials. Building on Sekisui House’s prowess in delivering quality physical housing at quick turnaround times, the project also lets our proposal capabilities shine by foregrounding comfort, eco-consciousness, and other elements of the livability expertise we have gained.

An effort along those lines began in November 2018, when Sekisui House joined forces with Marriott International, Inc., a hospitality-focused accommodation provider with locations in 130 countries and regions around the world, to create the Trip Base Michi-no-Eki* Project. With local governments across Japan offering their assistance, the collaboration will open hotels to showcase a “journey through the attractions of each region” and empower roadside Michi-no-Eki areas as travel hubs. The plan is to have 15 hotels in 5 prefectures up and running by the fall of 2020, with nationwide expansion to follow. Sekisui House will offer high-quality accommodation experiences at lodging-only roadside hotels, and guests will visit Michi-no-Eki locations and local establishments for food, shopping, and more. As inbound demand continues to grow, modes of travel—both domestic and international—are bound to diversify. Working in tandem with regional communities will make the Sekisui-Marriott tie-up a palpable force in benefiting people, economies, regional development, and community revitalization.

I look forward to seeing Sekisui House’s track record expand in other areas outside the accommodation sphere, as well, including medical facilities, educational institutions, and commercial establishments.

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### Stable, balanced business growth abroad

We have now been active in overseas business for nine years since our initial foray in Australia, and we are finally starting to reap benefits in valuable know-how. Business is on a solid trajectory, too, with the debut of our “SHAWOOD” wooden-frame houses in the Australian market and our acquisition of Woodside Homes in the United States. As we take overseas business to a new stage, we will foster our development business and start applying all the environmental technologies, production and construction systems, expertise, and real-estate management fee background that we have amassed. The goal is to use those assets to foster balanced growth in the industry—from development business to built-to-order and supplied housing—from a medium- and long-term perspective.

### Nurturing a culture of innovation and communication, two key elements of leading the way in ESG management

To accelerate sustainable growth on a company level, we need to enable growth on an individual employee level. Innovation and communication are our goals in that regard. We want our workplaces to encourage and rejuvenate communication through day-to-day interpersonal contact and free, candid dialogue—key ingredients in cultivating the ideas that spark innovation. Welcoming, open environments lay the groundwork for effective information sharing and, as a result, stronger governance. If we want to make home the happiest place in the world, we need to make our systems, offices, and worksites conducive to happy, healthy work. That effort spans a broad range of activities, including diversity-oriented measures to help women thrive professionally, workforce reforms, and health management. In September 2018, we instituted a special program that encourages male employees with children under the age of three to take month-long parental leave. Leave gives people time off, of course, but how employees use that extra time is a key factor. If people take those opportunities to spend more time engaging with their families, communities, and others both within and outside the company organization, the resulting value can be extraordinary—and the encounters and discoveries that emerge can even help shape new proposals to customers. With that awareness and a long-term perspective, we will strive to cement our status as a leading force in ESG management.

To keep growing into the future, we need to be a company capable of contributing to society through our business activities. The Sekisui House Group is determined to create new value via business strategies that align with the international community’s shared Sustainable Development Goals (SDGs), hold true to our long-standing legacy, and know when to break from convention in favor of fresh ideas. Our initiatives will continue to focus on steady, innovative progress.

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* Michi-no-Eki are highway rest areas where drivers and passengers can take breaks, get information on roads and the local community, buy local specialties at shops, try local eats, and even stay overnight at on-site accommodation.
Our growth strategy in four business domains

<table>
<thead>
<tr>
<th>FY2018 Consolidated Sales by Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Custom detached houses</td>
</tr>
<tr>
<td>Rental housing</td>
</tr>
<tr>
<td>Remodeling</td>
</tr>
<tr>
<td>Real estate management fees</td>
</tr>
</tbody>
</table>

| Other businesses (exterior business, etc.) | 3.4% (73.0) |
| Overseas business | 11.4% (245.9) |
| Urban redevelopment | 8.0% (173.3) |
| Condominiums | 4.1% (89.5) |
| Houses for sale | 6.9% (148.8) |

Overseas subsidiaries
- Sekisui House Australia Holdings Pty Limited
- Sekisui House Australia Pty Limited
- Sekisui House US Holdings, LLC
- North America Sekisui House, LLC
- SH Residential Holdings, LLC
- Woodside Homes Company, LLC
- Sekisui House Singapore Pte. Ltd.
- Sekisui House-China Co., Ltd.
- Sekisui House Construction Engineering (Beijing) Co., Ltd.
- Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.
- Sekisui House-China (Shenyang) Co., Ltd.
- Sekisui House-No.1 (Shenyang) Co., Ltd.
- Sekisui House-Changcheng (Suzhou) Real Estate Development Co., Ltd.
- Sekisui House-Changcheng (Suzhou) Real Estate Development Co., Ltd.
- Sekisui House-No.2 (Taicang) Co., Ltd.
- Sekisui House (Wuxi) Co., Ltd.
- Sekisui House Financial Services Co., Ltd.
- Sky Rail Service Co., Ltd.
- Sumainotoshokan, Ltd. (Housing Library, Ltd.)
- Sekisui House Asset Management, Ltd.
- Sekisui House Trust, Ltd.

Group companies

Trade, brokerage and lease of real estate
- Sekiwa Real Estate Tohoku, Ltd.
- Sekiwa Real Estate Kanto, Ltd.
- Sekiwa Real Estate, Ltd.
- Sekiwa Real Estate Chubu, Ltd.
- Sekiwa Real Estate Kansai, Ltd.
- Sekiwa Real Estate Chugoku, Ltd.
- Sekiwa Real Estate Kyushu, Ltd.
- Sekiwa Grand Mast, Ltd.
- Sekisui House Umeda Operation Co., Ltd.

Remodeling
- Sekisui House Remodeling East, Ltd.
- Sekisui House Remodeling Central, Ltd.
- Sekisui House Remodeling West, Ltd.

Housing construction, remodeling and exterior business
- 18 companies under Sekiwa Construction, Ltd.
- Sapporo, Tohoku, Kita-Kanto, Saitama, Higashi-Kanto, Higashi-Tokyo, Nishi-Tokyo, Kanagawa, Shizuoka, Chubu, Nippon, Shinyu, Hokuriku, Kinki, Kansai, Chugoku, Shikoku, Kyusyu

Corporate profile (as of January 31, 2019)

<table>
<thead>
<tr>
<th>Corporation name</th>
<th>Sekisui House, Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head office</td>
<td>1-1-88 Gyodonaka, Kita-ku, Osaka 551-0076, Japan</td>
</tr>
<tr>
<td>Date of establishment</td>
<td>August 1, 1960</td>
</tr>
<tr>
<td>Capital stock issued</td>
<td>¥202,591,200,000</td>
</tr>
<tr>
<td>Employees</td>
<td>24,775 (consolidated); 14,616 (non consolidated)</td>
</tr>
<tr>
<td>Total number of houses built</td>
<td>2,425,372</td>
</tr>
</tbody>
</table>

Sales and service offices (as of January 31, 2019)

| Branch and sales offices: | 115 |
| Customer service centers: | 29 |
| Model homes: | 370 |
| Factories: | 5 |
| R&D Institute: | 1 |
| Consolidated subsidiaries: | 264 |
| Companies accounted for under the equity method: | 33 |
**Strategy and Core Competencies**

- **Built-to-order business**
  - Custom detached houses, rental housing

- **Supplied housing business**
  - Remodeling, real estate management fees

- **Development business**
  - Houses for sale, condominiums, urban redevelopment

- **Overseas business**
  - Condominium and building complex business, sales of ready-built detached houses and residential land, and detached housing business in overseas markets

- **Other businesses**
  - Exterior construction work, etc.
  - Remodeling and renovation of houses, etc.

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**Custom detached houses**
Design, construction, and contracting of detached houses
- Main affiliates:
  - 18 Sekisui Construction companies (housing construction, etc.)

**Rental housing**
Design, construction, and contracting of rental housing, medical and nursing care facilities, and non-housing such as commercial facilities and hotels.
- Main affiliates:
  - 18 Sekisui Construction companies (housing construction, etc.)

**Remodeling**
Remodeling and renovation of houses, etc.
- Main affiliates:
  - 3 Sekisui House Remodeling companies (remodeling and extension of housing and condominium, etc.)
  - 18 Sekisui Construction companies (remodeling and extension of rental housing, etc.)
  - 7 Sekisui Real Estate companies (remodeling and extension of rental housing, etc.)

**Real estate management fees**
Subleasing, management, operation, and brokerage of real estate, etc.
- Main affiliates:
  - 7 Sekisui Real Estate companies (trade, brokerage and lease of real estate)
  - Sekiwa Grand Mast, Ltd. (operation and management of rental housing for senior citizens)

**Houses for sale**
Sale of houses and residential land; design, construction, and contracting of houses on residential land for sale
- Main affiliates:
  - 7 Sekisui Real Estate companies (purchase/sale of real estate, etc.)
  - 18 Sekisui Construction companies (housing construction, etc.)

**Condominiums**
Sale of condominiums
- Main affiliates:
  - 7 Sekisui Real Estate companies (purchase/sale of real estate, etc.)

**Urban redevelopment**
Development of office buildings and commercial facilities; management and operation of real estate in possession

---

**Overseas business sales**
141.4 billion yen
- Main affiliates:
  - Sekisui House Australia Holdings Pty Ltd.
  - Woodside Homes Company, LLC

**Remodeling business sales**
141.4 billion yen
- Main affiliates:
  - 7 Sekisui Real Estate companies (trade, brokerage and lease of real estate)
  - Sekiwa Grand Mast, Ltd. (operation and management of rental housing for senior citizens)

**Houses for sale**
Sale of houses and residential land; design, construction, and contracting of houses on residential land for sale
- Main affiliates:
  - 7 Sekisui Real Estate companies (purchase/sale of real estate, etc.)
  - 18 Sekisui Construction companies (housing construction, etc.)

**Condominiums**
Sale of condominiums
- Main affiliates:
  - 7 Sekisui Real Estate companies (purchase/sale of real estate, etc.)

**Urban redevelopment**
Development of office buildings and commercial facilities; management and operation of real estate in possession

---

**Exterior business sales**
65.5 billion yen
- Main affiliates:
  - 18 Sekisui Construction companies (exterior construction, landscaping, etc.)

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Note: Data on ranking in Japan or the world is based on Sekisui House’s survey of disclosure documents and other materials.
Built-to-Order Business
Custom detached houses, rental housing

We are engaged in design, construction, and contracting of custom detached houses and rental housing. We seek to take on fresh challenges in non-housing areas and other new fields, while leading the industry as a top brand.

Business Focus 1
Providing high-value-added houses that balance comfort and eco-friendliness

We seek to expand orders in the custom detached houses business through high-value-added products, such as ZEH Green First ZERO, which ensure energy zero by saving energy using increased insulation and other features and generating energy using photovoltaic systems, fuel cells and other methods.

We are steadily working toward a target ZEH ratio of 80% by 2020 and will continue to accelerate activities to spread ZEH by harnessing our strength of balancing comfort and eco-friendliness. We will focus on increasing sales of IS Series steel-frame houses, SHAWOOD wooden-frame houses and eco-friendliness. We will endeavor to achieve sales of IS Series houses, SHAWOOD houses, and eco-friendliness.

We are engaged in design, construction, and contracting of custom detached houses

We seek to expand orders in the custom detached houses business through high-value-added products, such as ZEH Green First ZERO, which ensure energy zero by saving energy using increased insulation and other features and generating energy using photovoltaic systems, fuel cells and other methods.

We are steadily working toward a target ZEH ratio of 80% by 2020 and will continue to accelerate activities to spread ZEH by harnessing our strength of balancing comfort and eco-friendliness. We will focus on increasing sales of IS Series steel-frame houses, SHAWOOD wooden-frame houses and eco-friendliness. We will endeavor to achieve sales of IS Series houses, SHAWOOD houses, and eco-friendliness.

Growing through area marketing and high-value-added rental housing

In our rental housing (Sha Maison) business, we seek to expand orders, mainly of three- to four-story rental houses, by proposing high-value-added rental housing based on thorough area marketing in urban and other areas and leading to long-term stable management. The order price per rental house has also been rising steadily. We will strive to respond to varied needs and resolve social issues with our new construction method, Flexible B System, which expands design freedom and expands our options for space proposals, and aim for further growth in the non-housing field, including houses used as commercial properties, hotels, childcare centers, medical facilities and assisted-living complexes for senior citizens.

Launched the Platform House Concept that considers “home” as a platform for “happiness”

Sekisui House exhibited its new project, the Platform House Concept, which is based on the concept of making home the platform for happiness, at the consumer electronics show CES2019 held in Las Vegas, USA in January 2019. We seek to utilize the home as a base to expand our business by creating new services that assist the resident’s lifestyle.

The Platform House will use resident data as a base to develop and propose services for creating intangible assets such as health, connections and learning. In line with our vision to “make home the happiest place in the world,” the Platform House will assist the happiness of the homeowners belonging to a society where people will have a 100-year lifespan. The first step in our efforts is health. We will provide three kinds of services: emergency response, health monitoring over time, and preventive care. At CES2019, we presented our efforts towards emergency response. If the house can help in early detection of certain conditions, like drowning in bathtub, tumbling or falling, appendicitis or acute myocardial infarction, which have a high probability of occurring at home, and other domestic accidents, and lead to early treatment, then societal cost can be reduced and quality of life can be improved. We will make wide alliances with specialized high-end companies to develop and provide services. Our efforts towards health will be continued together with NEC, NIT Comsere, Faculty of Science and Technology at Keio University, Keio University Hospital, Konica Minolta, AIST and Hitachi. We will continue to expand our range of partners and complete various verification tests and clinical trials in line with our plan to launch the services of the Platform House by Spring 2020.
Built-to-Order Business
Custom detached houses, rental housing

We are engaged in design, construction, and contracting of custom detached houses and rental housing. We seek to take on fresh challenges in non-housing areas and other new fields, while leading the industry as a top-brand.

**Strategies for the custom detached houses business**

Providing high-value-added houses that balance comfort and eco-friendliness

We seek to expand orders in the custom detached houses business through high-value-added products, such as ZEH Green First ZERO, which ensure energy zero by saving energy using increased insulation and other features and generating energy using photovoltaic systems, fuel cells and other methods. We are steadily working toward a target ZEH ratio of 80% by 2020 and will continue to accelerate activities to spread ZEH by harnessing our strength of balancing comfort and eco-friendliness. We will focus on increasing sales of IS Series steel-frame houses, SHAWOOD wooden-frame houses and other products and selling three- to four-story houses catering to various needs, such as multigenerational households, in cities with heavy steel-frame houses that offer higher flexibility in floorplans. We will strive to increase the order price per house and achieve sustainable growth by promoting high-value-added houses using original technologies.

**Business Focus 1**

Launched the Family Suite with a spacious living room using our happiness research and advanced technologies

The Family Suite concept proposes the concept of a new kind of living room that breaks away from the conventional “LDK” (living-dining-kitchen) concept to enable the family to spend an exciting time together in any way they like. This model draws on the results of research on happiness as well as on providing a spacious area under the eaves in addition to a spacious living room that connects the family.

* The proportion of customers who adopted Family Suite among all the IS ROY+E contracts made from October 2018 to February 2019 (five months)

**Vision and Goals**

*Environmental*  *Social*  *Governance*  *Management*

In our rental housing (Sha Maison) business, we seek to expand orders, mainly of three- to four-story rental houses, by proposing high-value-added rental housing based on thorough area marketing in urban and other areas and leading to long-term stable management. The order price per rental house has also been rising steadily. We will strive to respond to varied needs and resolve social issues with our new construction method, Flexible B System, which extends greater design freedom and expands our options for space proposals, and aim for further growth in the non-housing field, including houses used as commercial properties, hotels, childcare centers, medical facilities and assisted-living complexes for senior citizens.

**Strategies for the rental housing business**

Growing through area marketing and high-value-added rental housing

**Strategies for the rental housing business**

Growing through area marketing and high-value-added rental housing

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**Business Focus 2**

Launched the Platform House Concept that considers “home” as a platform for “happiness”

Sekisui House exhibited its new project, the Platform House Concept, which is based on the concept of making home the platform for happiness, at the consumer electronics show CES2019 held in Las Vegas, USA in January 2019. We seek to utilize the home as a base to expand our business by creating new services that assist the resident’s lifestyle.

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Sekisui House and Marriott International have teamed up with various regional communities throughout Japan to propose and provide a journey through the attractions of each region by empowering the Michi-no-Eki* stations as travel hubs under the Trip Base Michi-no-Eki Project. In the first stage, 15 roadside hotels across five prefectures and offering a total of about 1,000 rooms are expected to open beginning in fall 2020. More properties are subsequently planned throughout the country. This project proposes a new experiential-traveling style that is conceptualized on a quest for unexplored Japan. It will provide a taste of the resources rooted in the community, as such as culture, customs, lifestyle and food, in collaboration with the local people. It aims to provide a higher level of satisfaction to travelers by enabling them to feel the connection between the region and its people, while traveling by cars, bikes, or cycles to hotels located near popular Michi-no-Eki stations across the country. These roadside hotels, which form the core of the project, will belong to the hotel brand Fairfield by Marriott and introduce the high usability Marriott International to Japan. The construction will be carried out by Sekisui House. The hotels will specialize in providing accommodation where travelers can enjoy a simple and comfortable relaxing time. They can also buy food and souvenirs from the Michi-no-Eki station and other shops in the region, enabling maximum interaction with the local community while cooperating with it.

We expect further increase in inbound visitors and diversification in domestic and foreign travel styles. We will leverage Sekisui House’s strength of technologies that can build high-quality accommodations in short construction periods and Marriott International’s strength of superior hospitality and global networking to help promote regional revitalization through new traveling styles while closely working with alliance partners who share our cause.

**Features of the Trip Base Michi-no-Eki Project**

- **Working with various regional communities throughout Japan**, Sekisui House and Marriott International propose to develop a journey through the attractions of each region, empowering the Michi-no-Eki areas as travel hubs.
- This project will utilize Michi-no-Eki stations, which have been so far a place to rest and pass by for tourists, as hubs to create a network of dispersed regional tourist attractions, maximizing their potential and empowering regional revitalization.
- Fairfield by Marriott is a global brand available across the US and offering over 900 properties worldwide. Sekisui House will expand further into the non-housing sector by introducing this brand to Japan, combined with the superior quality and short construction period associated with proven technologies developed through Sekisui House’s housing business.
- Sekisui House will be responsible for the project management. SPC’s dedicated to this project funded by Sekisui House, Mizuho Financial Group and other tourism specialized funds will own the properties which will be operated by Marriott International.
- A Sekisui House subsidiary will be responsible for the hotel business management and will attract the growing numbers of inbound tourists by catering to overseas tourist needs and leveraging the strengths of the Marriott International’s brand.
- The Trip Base project aims to become a platform for regional revitalization by working together with local governments and proactively developing alliances with partners.
- Watch the concept movie for the Trip Base Michi-no-Eki Project Sekisui House official channel: https://www.youtube.com/watch?v=Es-Ffl883A4

*Michi-no-Eki Stations are highway rest areas where drivers and passengers can take breaks, get information on travel and the local community, buy local specialties at shops, try local eats, and even stay overnight at on-site accommodations.

**Locations scheduled for first stage operations**

Tottori 3 * Kinsai 3
Gifu 4 * Wakayama 3
Ma 2

**Locations scheduled for second and third stage operations**

Hokkaido Obayama Yamaguchi
Shizuoka Higashi Kikuyama
Nara Nara Eihe Kaga
Hyogo

In the first stage, we will open roadside hotels at 15 locations in five prefectures, with about 1,000 rooms in total, from fall 2020 onwards. We also plan to same hotels in 15 other prefectures in the second and third stages.
Business Focus 3

Started the Trip Base Michi-no-Eki Project under the regional revitalization business

Sekisui House and Marriott International have teamed up with various regional communities throughout Japan to propose and provide a journey through the attractions of each region, empowering the Michi-no-Eki* stations as travel hubs under the Trip Base Michi-no-Eki Project. In the first stage, 15 roadway hotels across five prefectures and offering a total of about 1,000 rooms are expected to open in beginning in fall 2020. More properties are subsequently planned throughout the country.

This project proposes a new experience-based traveling style that is conceptualized on a quest for unexplored Japan. It will provide a taste of the resources rooted in the community, such as culture, customs, lifestyle and food, in collaboration with the local people. It aims to provide a higher level of satisfaction to travelers by enabling them to feel the connection between the region and its people, while traveling by car, bikes, or cycles to hotels located near popular Michi-no-Eki stations across the country. These roadside hotels, which form the core of the project, will belong to the hotel brand Fairfield by Marriott and introduce the high usability Marriott International to Japan. The construction will be carried out by Sekisui House. The hotels will specialize in providing accommodation where travelers can enjoy a simple and comfortable relaxing time. They can also buy food and souvenirs from the Michi-no-Eki station and other shops in the region, enabling maximum interaction with the local community while cooperating with it.

We expect further increase in inbound visitors and diversification in domestic and foreign travel styles. We will leverage Sekisui House’s strength of technologies that can build high-quality accommodations in short construction periods and Marriott International’s strength of superior hospitality and global networking to help promote regional revitalization through new traveling styles while closely working with alliance partners who share our cause.

Features of the Trip Base Michi-no-Eki Project

• Working with various regional communities throughout Japan, Sekisui House and Marriott International propose and provide a journey through the attractions of each region, empowering the Michi-no-Eki areas as travel hubs.
• This project will utilize Michi-no-Eki stations, which have been so far a place to rest and pass by for tourists, as hubs to create a network out of dispersed regional tourist attractions, maximizing their potential and empowering regional revitalization.
• Fairfield by Marriott is a global brand available across the US and offering over 900 properties worldwide. Sekisui House will expand further into the non-housing sector by introducing this brand to Japan, combined with the superior quality and short construction period achievable with pre-engineered technologies developed through Sekisui House’s housing business.
• Sekisui House will be responsible for the project management. SPC’s dedicated to this project funded by Sekisui House, Mizuho Financial Group and other tourism specialized funds will own the properties which will be operated by Marriott International.
• A Sekisui House subsidiary will be responsible for the hotel business management and will attract the growing numbers of inbound tourists by catering to overseas tourist needs and leveraging the strengths of the Marriott International’s brand.
• The Trip Base project aims to become a platform for regional revitalization by working together with local governments and proactively developing alliances with partners.
• Visit the concept movie for the Trip Base Michi-no-Eki Project Sekisui House official channel: https://www.youtube.com/watch?ab_channel=IFEBAAS

Locations scheduled for first stage operations

Tochigi 3, Kiyos 2
Gifu 4, Wakayama 3
Mie 2

Locations scheduled for second and third stage operations

Hokkaido: Obayama, Yamaguchi
Shizuoka: Hikone, Futtsu
Nara: Echizen, Koganehama
Hiroshima: Aki

In the first stage, we will open roadway hotels at 15 locations in five prefectures, with about 1,000 rooms in total, from fall 2020 onwards. We also plan to open hotels at 10 other prefectures in the second and third stages.

Business Strategies

Improving investments for future growth and rate of turnover, and enhancing exit strategies

Our development business carefully selects profitable land, focusing on development that will increase our asset turnover rate. We are also promoting the development of townscapes that will increase asset value in the future. We lead our industry by actively making use of environmental technologies in our development projects.

In addition to engaging in exhaustive area-based strategies focused on Tokyo, Nagoya, Osaka, and Fukuoka, our condominium business makes use of the environmental technology that we have cultivated through constructing detached houses in order to actively develop environmentally-friendly condominiums. In FY2018, our developments included Grande Maison Kakinouen, Fukuoka, the first condominium in Japan to meet the criteria for a complete net-zero energy housing (ZEH), and Grande Maison Uemachidai, Osaka, in which all the units are equipped with Ene-Farms, residential fuel cells.

Our urban redevelopment business is pursuing enhanced investor value through cooperation with REITs and developing high-quality offices and rental housing. We are also developing buildings for which we predict inbound demand, such as hotels and long-term stay service apartments.

Sekisui House Asset Management, Ltd. signs the Principles for Responsible Investment (PRI)

Sekisui House Asset Management Ltd., which is responsible for the management of Sekisui House Real Estate’s assets, signed the Principles for Responsible Investment (PRI) in March, 2019. The PRI involve incorporating ESG issues in investment analysis and decision-making processes, with the aim of improving long-term investment performance and ensuring that the fulfillment of fiduciary responsibilities to beneficiaries is of a higher standard than is conventional.

* Michi-no-Eki Stations are highway rest areas where drivers and passengers can take breaks, get information on travel and the local community, buy local specialties at shops, try local eats, and even stay overnight at on-site accommodations.
The Sekisui House Group has formed an alliance with TOKYO interior to expand our business. TOKYO interior has opened renovation booths in their Osaka, Kobe, and Fukuoka Shingu stores.

These booths enable visitors to experience facilities and housing layouts after remodeling. They also function as showrooms that can support general property remodeling as well as the remodeling of buildings constructed by Sekisui House.

Renovation showrooms

We have grown to have renovation showrooms in 21 locations* around the country, where visitors can experience examples of the latest remodeling available for buildings constructed by Sekisui House. Visitors can see housing constructed around 25 years ago that has been renovated by three of Sekisui House's remodeling companies and has now been reborn, appearing as a new build. We expect to open showrooms in five further locations.*

* As of May 1, 2019

Strategies

Environmental

Achieving business growth through the creation of a new market that makes use of existing housing

Our real estate management fees business maintains high occupancy rates through business development that corresponds to the occupancy needs of our high-quality rental housing. Thanks to collaboration between Sekiwa Real Estate companies and the group, bulk leasing of Sha Maison rental housing and the number of rooms we manage are steadily increasing. We are aiming to strengthen our profitability by making use of a price leader strategy for the rents we charge. Moving forward, we will enhance our real estate brokerage business, including SumiStock, and contribute to the realization of a recycling-oriented society.

Changes in occupied housing net sales (billion yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>154.3</td>
<td>156.7</td>
<td>158.6</td>
<td>162.6</td>
<td>185.4</td>
</tr>
</tbody>
</table>

Changes in occupied housing net sales and the operating profit margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>134.1</td>
<td>134.4</td>
<td>133.4</td>
<td>136.8</td>
<td>141.4</td>
<td>157.0</td>
</tr>
<tr>
<td>Profit</td>
<td>14.4</td>
<td>13.3</td>
<td>12.7</td>
<td>12.6</td>
<td>12.0</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Sekisui House Sustainability Report 2019
Achieving business growth through the creation of a new market that makes use of existing housing

Our real estate management fees business maintains high occupancy rates through business development that corresponds to the occupancy needs of our high-quality rental housing. Thanks to collaboration between Sekiwa Real Estate companies and the group, bulk leasing of Sha Maison rental housing and the number of rooms we manage are steadily increasing. We are also aiming to strengthen our profitability by making use of a price leader strategy for the rents we charge. Moving forward, we will enhance our real estate brokerage business, including SumStock, and contribute to the realization of a recycling-orientated society.

Changes in the number of rooms we manage and occupancy rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of rooms</th>
<th>Occupancy rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>550,790</td>
<td>96.0%</td>
</tr>
<tr>
<td>2015</td>
<td>565,471</td>
<td>97.0%</td>
</tr>
<tr>
<td>2016</td>
<td>598,096</td>
<td>98.0%</td>
</tr>
<tr>
<td>2017</td>
<td>601,582</td>
<td>98.0%</td>
</tr>
<tr>
<td>2018</td>
<td>619,494</td>
<td>98.0%</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Changes in supplied housing business net sales (Billion yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>552.3</td>
</tr>
<tr>
<td>2015</td>
<td>582.2</td>
</tr>
<tr>
<td>2016</td>
<td>602.6</td>
</tr>
<tr>
<td>2017</td>
<td>626.7</td>
</tr>
<tr>
<td>2018</td>
<td>655.4</td>
</tr>
<tr>
<td>2019</td>
<td>750.0</td>
</tr>
</tbody>
</table>

Real estate management fees business strategies

Our remodeling business engages in remodeling and renovating housing, while our real estate management fees business is expanding real estate subletting and subleasing, management, operations, brokerage, and more. Both businesses are optimizing the entire housing lifecycle and contributing to the creation of a recycling-orientated society.

Changes in remodeling net sales and the operating profit margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (Billion yen)</th>
<th>Operating profit margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>134.1</td>
<td>10.0%</td>
</tr>
<tr>
<td>2015</td>
<td>134.4</td>
<td>10.0%</td>
</tr>
<tr>
<td>2016</td>
<td>134.4</td>
<td>10.0%</td>
</tr>
<tr>
<td>2017</td>
<td>138.8</td>
<td>10.0%</td>
</tr>
<tr>
<td>2018</td>
<td>141.4</td>
<td>10.0%</td>
</tr>
<tr>
<td>2019</td>
<td>152.0</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Business Focus

Expanding the business by developing a hands-on facility for people to experience the Before and After

An alliance with TOKYO interior

The Sekisui House Group has formed an alliance with TOKYO interior to expand our business. TOKYO interior has opened renovation booths in their Osaka, Kobe, and Fukuoka Shingu stores. These booths enable visitors to experience facilities and housing layouts after remodeling. They also function as showrooms that can support general property remodeling as well as the remodeling of buildings constructed by Sekisui House.

Renovation showrooms

We have grown to have renovation showrooms in 21 locations around the country, where visitors can experience examples of the latest remodeling available for buildings constructed by Sekisui House. Visitors can see housing constructed around 25 years ago that has been renovated by three of Sekisui House’s remodeling companies and has now been reborn, appearing as a new build. We expect to open showrooms in five further locations.*

* As of May 1, 2019

Sekisui House Sustainability Report 2019
In the overseas business too, Sekisui House views housing value from the multidimensional perspectives of its four key values: environmental value, economic value, social value and homeowner value, and strives to increase the value of each. When developing business overseas, we thoroughly research the climate, natural features, culture and lifestyles in each country or region and aim to create sustainable houses and communities based on the specific requirements of the region. We will continue to respect the unchanging universal value of housing while responding to the needs of the changing times with advanced technologies to help achieve the SDGs by carrying out development (sustainable development) that will serve as an asset for the country or region.

Our goals
Contributing to sustainable development in every country and region from the perspective of the four key values

In the overseas business too, Sekisui House views housing value from the multidimensional perspectives of its four key values: environmental value, economic value, social value and homeowner value, and strives to increase the value of each. When developing business overseas, we thoroughly research the climate, natural features, culture and lifestyles in each country or region and aim to create sustainable houses and communities based on the specific requirements of the region. We will continue to respect the unchanging universal value of housing while responding to the needs of the changing times with advanced technologies to help achieve the SDGs by carrying out development (sustainable development) that will serve as an asset for the country or region.

Business strategies
Resolving social issues in each country by leveraging the technology and expertise developed in Japan

Sekisui House’s overseas business has been growing each year, and in our ongoing Fourth Medium-Term Management Plan (FY2017-FY2019), we have positioned it as the fourth pillar of our growth strategy along with our built-to-order, supplied housing and development businesses.

We operate our business in Australia, USA, China and Singapore and expect future expansion in sustainable and stable demand for housing in all the four countries. We aim to make full use of the strengths we have developed as a leading Japanese industrialized housing company to offer highly satisfying housing suitable for each country’s culture, lifestyle habits, and natural environment.

We believe that our environmental technologies—including net-zero energy housing (ZEH), which take global warming and other issues into consideration, and advanced community-building know-how, represented in the GoHon no ki project that considers the ecosystem around the house—can contribute to resolving social issues faced by each country.

In our overseas business, we have mainly focused on development business. However, we now seek to explore the possibilities of the built-to-order (e.g., custom detached houses, rental housing), and supplied housing (e.g., property management, rental housing management) businesses as well. In other words, our growth strategy for our overseas business here on involves applying our domestic strategy—expanding and strengthening these three areas: development, supplied housing and built-to-order—to expand these diverse businesses on a global scale, we will continue to focus on building trusting relationships with excellent local partners and promoting global training and education of superior local human resources that understand Sekisui House’s principles and ideas to further promote localization of our business.

Our overseas business

In the overseas business too, Sekisui House views housing value from the multidimensional perspectives of its four key values: environmental value, economic value, social value and homeowner value, and strives to increase the value of each. When developing business overseas, we thoroughly research the climate, natural features, culture and lifestyles in each country or region and aim to create sustainable houses and communities based on the specific requirements of the region. We will continue to respect the unchanging universal value of housing while responding to the needs of the changing times with advanced technologies to help achieve the SDGs by carrying out development (sustainable development) that will serve as an asset for the country or region.

Business strategies
Resolving social issues in each country by leveraging the technology and expertise developed in Japan

Sekisui House’s overseas business has been growing each year, and in our ongoing Fourth Medium-Term Management Plan (FY2017-FY2019), we have positioned it as the fourth pillar of our growth strategy along with our built-to-order, supplied housing and development businesses.

We operate our business in Australia, USA, China and Singapore and expect future expansion in sustainable and stable demand for housing in all the four countries. We aim to make full use of the strengths we have developed as a leading Japanese industrialized housing company to offer highly satisfying housing suitable for each country’s culture, lifestyle habits, and natural environment.

We believe that our environmental technologies—including net-zero energy housing (ZEH), which take global warming and other issues into consideration, and advanced community-building know-how, represented in the GoHon no ki project that considers the ecosystem around the house—can contribute to resolving social issues faced by each country.

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Our goals

Contributing to sustainable development in every country and region from the perspective of the four key values

Our business strategy

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Australia

Further improving the quality of houses and services to expand business

In Australia, we strive to create value for society and the region through our business. For this, we offer a high-value-added housing environment for the homeowners, while building townscapes with rich natural environments, innovating the regions, saving energy and contributing in other ways.

We are currently engaged in developing and selling residential land and condominiums, mainly in New South Wales (Sydney) in the southeastern part and Queensland (Brisbane) in the northeastern part of Australia. Apart from development of residential land, the custom detached houses business is also picking up in the suburbs of Sydney.

The high quality of the intrinsic basic performance of our houses and their environmental performance, as well as the high quality of our services, have been well received in the market and our brand recognition has been rising every year. With these achievements as stepping stones, we will focus on further improvement in quality and expansion in services to work toward sustainable business growth in the Australian market.

Business Focus 1

SHAWOOD Shinka House based on ZEH specifications

In the residential land sales project, the Hermitage (320ha, about 1,880 plots), which is under development in the suburbs of Sydney, we are promoting sales of the Australian version of our ready-built SHAWOOD houses that meet local needs to spread the original SHAWOOD rezoned-Fame houses in the market.

We will maintain Japanese quality in all aspects of design, technology, construction and sales. Our standard specifications will significantly surpass the standard sustainability indicators expected in local houses, including high insulation and air tightness. We will also add photovoltaic systems and other features to the standard specifications to build Shinka House, a SHAWOOD model based on ZEH specifications, and work toward the commercialization of ZEH in Australia.

We will continue to strengthen the SHAWOOD brand in collaboration with the company’s and other domestic research institutions, local suppliers and the Product Design & Development Department.

Business Focus 2

Strengthening human resource development as a growth strategy

The employee turnover rate in Australia far exceeds that of Japan. With the working conditions of the country in mind, we not only disseminate information from Sekisui House in Japan, but also focus on encouraging communication within the company in our offices in Australia. We constantly share Sekisui House’s ideas on the housing business, the four key values to achieve them, details on our CSR activities and other information through emails. We hold quarterly events in the company to nurture the Sekisui House mindset and business vision to across various departments, including those at our Japan headquarters. This has ingrained communication between employees, and employees and management, and expanded mutual understanding. The turnover rate has fallen significantly since we began operations.

Moreover, as part of our efforts to develop human resources recruited locally, we also started an education and training program in entire Australia. We design and offer local training programs for human resource development and skill improvement based on surveys about the needs of each department.

Economic value

Human resource

Chemical resource

Resource

Value

Residential land sales project, the Hermitage, Sydney

Changing the World Through Living

What Home Can Bring to the World

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United States—Community business, multifamily business and homebuilding business

**Business strategies**

We are operating our master-planned community business and multifamily business in the US market in collaboration with excellent local partners. In 2017, we also entered the homebuilding business. We are contributing to raising housing value, in addition to promoting energy-saving and environmentally conscious development.

In the community business, we offer community building and houses for sale in suburbs from which people can easily commute to work for areas where workplaces are concentrated in the country. We are working on various projects by leveraging our rich experience.

In the multifamily business, we are developing rental apartments in city centers and easily accessible locations for working members of the family who wish to live close to their workplaces in big cities. Many projects are underway in the western parts of the US.

We also entered the homebuilding business with the acquisition of Woodside Homes, a major home builder with housing sales records of more than 40,000 units in western US. Amid advancement in environment-related regulations and growing interest in sustainable housing environment in the US, we will strive for further expansion in the country by developing and spreading the US version of ZEH using our strength in technology for eco-friendly homes and introducing prefab housing suited to local needs.

In the community business, multifamily business and homebuilding business, we strive for further expansion in the country by developing and spreading the US version of ZEH using our strength in technology for eco-friendly homes and introducing prefab housing suited to local needs.

**Areas of operation**

- USA
- California
- Florida
- Washington D.C.
- Oregon
- Arizona
- Texas
- Nevada

**We offer Woodside Homes at locations marked with ● (four sales, six locations)**

**Business Focus 1**

Promoting development of housing and residential land in response to climate change

The global impact of climate change (extreme weather) in recent years has increased people’s expectations for measures against natural disasters in houses and residential land. In our business in the US, we have been developing residential land where damage from natural disasters like heavy rainfall or hurricanes can be minimized. This has enabled us to limit damage to communities that comprise our houses, even in areas directly affected by the long spells of rainfall and hurricanes that occurred in recent years in the southern regions facing the Atlantic Ocean.

- Cinco Ranch, Houston

**Business Focus 2**

We received the Best Community Award in Florida and became the most trusted brand in all of US

We received the Grand Aurora Award for Best Community in the southeastern region for Bexley, which is in Tampa, Florida. Our community business has also been highly praised for Bexley Club, which serves as an oasis for the residents. Launched in 1st 2016, this business offers various lifestyles, from townhouses to luxury homes. Woodside Homes featured among the top four brands in the US in the home builder category as the most trusted brand in the country. This has contributed to maintaining employee motivation and skill improvement in services.

- Bexley, Tampa

**Singapore—Condominium business and building complex business**

**Business strategies**

We are engaged in the building complex business, including retail malls and offices, centered on condominium development, in collaboration with leading local developers. We will share our ideas on community and house building with local partners and offer them as added value.

We are working on three building complex projects – Woods Square, which are characterized by offices of unique designs and building complexes with commercial facilities; Seaside Residences, which incorporates our design ideas such as living room closet; and One Holland Village, a housing design that incorporates the idea of slow living. Water Town, which includes houses for sale, and Waterway Point, a commercial facility, are part of our building complex business in which we have sold out all houses and own or rent out commercial facilities with partner companies.

We will strive to create new value in Singapore by sharing our ideas, which focus on the homeowners’ perspective, with local partners.

**Areas of operation**

- Singapore
- Woods Square
- Waterway Point
- Seaside Residences

**Project in Singapore**

- Woodlands
- Woodlands

**Vision and Goals**

- Generating new value in society along with local partners

**China—Townhouse and condominium business**

**Business strategies**

In China, we operate our townhouses and condominiums business under the brand “Yuqin” in the cities of Taicang, Suzhou and Wuxi on the outskirts of Shanghai and in the northeastern city of Shenyang. It is common in the Chinese housing market to sell just the skeleton of the house. We provide houses with high-quality interiors and storage because we thought it essential for housebuilding to take care of the interior design as well.

China has been focusing on environmental issues in recent years. Therefore, we are striving to reduce harmful chemicals, such as formaldehyde, using building materials that have cleared strict standards and technology for better ventilation to provide healthy and safe living environments. We design projects from the homeowners’ perspective, using the strengths developed in Japan, such as high-quality construction, environmental technology and after-sales services, while respecting local culture and customs. Our brand is gradually gaining recognition in the local market for living comfort and high quality.

We will continue to offer safe, reliable and comfortable housing to protect the resident’s lifestyle and the buildings forever.

**Areas of operation**

- China
- Taicang
- Zhuji
- Shanghai
- Suzhou
- Wuxi
- Shenyang

**Business Focus**

Generating new value in society along with local partners

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We are contributing to raising housing value, in addition to strengthening housing proposals for highly environment-oriented customers.

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Promoting development of housing and residential land in response to climate change

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Analyzing risks and opportunities from a sustainability perspective

The external environment surrounding businesses is becoming increasingly complex, with the speed of technical innovation and social system change accelerating. In these circumstances, a company’s existing and potential ability to create value is subject to a variety of influences. Having analyzed the risks and opportunities should these megatrends be accepted as part of the business environment, we are formulating measures from the perspective of sustainability and the SDGs, and focusing our efforts on these. In addition, in relation to climate change, in FY2018 we promptly endorsed the TCFD*, and analyzed scenarios according to its recommendations and are taking concrete steps to evaluate risks and opportunities, and reflect their impact on our business activities.

### Risks and Opportunities relating to the environment, and the economy and society

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<td>Increased need for regional revitalization</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decline of labor force due to worker shortage</td>
<td>Increased need for regional revitalization</td>
<td>Rental housing area strategy, Trip Base McN-no-Eki Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decline in demand for new housing</td>
<td>Increased need for regional revitalization</td>
<td>Rental housing area strategy, Trip Base McN-no-Eki Project</td>
<td></td>
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</tr>
<tr>
<td><strong>Technological innovation</strong></td>
<td>Premature completion over advanced health-related technology</td>
<td>Promoting the sale of housing that contributes to health</td>
<td>Platform House concept, alliances, deepening technological development</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Loss of business opportunity, rising necessity for security measures</td>
<td>Promoting the sale of housing that contributes to health</td>
<td>Platform House concept, alliances, deepening technological development</td>
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</tr>
<tr>
<td></td>
<td>Development of robotics technology</td>
<td>Providing highly convenient housing</td>
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<td></td>
</tr>
<tr>
<td></td>
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<td>Improving construction efficiency</td>
<td>Promoting the sale of housing that contributes to health</td>
<td></td>
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</tr>
</tbody>
</table>

* TCFD

The TCFD (Task Force on Climate-related Financial Disclosures) is a subordinate organization of the Financial Stability Board (FSB), made up of the governors of central banks and Finance Ministers from different countries. It is a private-sector-led task force that recommends effective climate-related financial disclosures to companies to encourage investors to make appropriate investment decisions; the TCFD seeks to ensure that companies understand the scale of the impact of climate change risk, and the financial impact it will have on corporate management. When carrying out TCFD scenario analysis, we have constructed an internal, cross-organizational project and are clarifying high priority areas with the cooperation of outside experts (marked with ▲ below).
Analyzing risks and opportunities from a sustainability perspective

The external environment surrounding businesses is becoming increasingly complex, with the speed of technical innovation and social system change accelerating. In these circumstances, a company’s existing and potential ability to create value is subject to a variety of influences. Having analyzed the risks and opportunities should these megatrends be accepted as part of the business environment, we are formulating measures from the perspective of sustainability and the SDGs, and focusing our efforts on these. In addition, in relation to climate change, in FY2018 we promptly endorsed the TCFD, and analyzed scenarios according to its recommendations and are taking concrete steps to evaluate risks and opportunities, and reflect their impact on our business activities.

### Risks and opportunities relating to the environment, and the economy and society

<table>
<thead>
<tr>
<th>Megatrend</th>
<th>Business environment</th>
<th>Risks</th>
<th>Opportunities</th>
<th>Policies and initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate change</td>
<td></td>
<td>Impact on lifestyles caused by extreme heat ●</td>
<td>Promoting the popularization of net-zero energy housing (ZEH) ●</td>
<td>Strengthening the Green First ZER product strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Impact on business (production and construction sites, etc.) caused by extreme heat ●</td>
<td>Promoting the popularization of net-zero energy buildings (ZEB)</td>
<td>Promoting ZEH in the non-housing sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Impact of increasingly severe natural disasters ●</td>
<td>Popularizing highly durable homes, etc.</td>
<td>Strengthening the weather resistance capabilities of housing (rainfall assumed in designs, etc.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Introducing carbon pricing</td>
<td>Introduction of carbon tax</td>
<td>Inclusive, safe and strong community development</td>
</tr>
<tr>
<td>Ecosystem conservation</td>
<td></td>
<td>Changes in vegetation regions and adaptive areas for plants used for afforestation</td>
<td>Proposals for effective arrangements for shrubs and trees</td>
<td>Launching Sekisui House Owner Denki</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Demand for the introduction of water conservation business and facilities</td>
<td>Popularization of water-saving housing facilities</td>
<td>Introducing internal carbon pricing</td>
</tr>
<tr>
<td>Resource recycling</td>
<td></td>
<td>Demand to realize higher quality recycling</td>
<td>Promotion of recycling business through the use of high-level, thorough sorting and “wide-area certification”</td>
<td>Expanding Zero Emissions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increased processing costs for plastic waste materials derived from fossil fuels</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economy and society</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion of workstyle reforms</td>
<td></td>
<td>Reduced workforce due to declining employee satisfaction, turnover, and working-hour regulations should reforms not go ahead</td>
<td>Improved productivity due to better employee satisfaction, recruitment of talented personnel</td>
<td>Introducing IT, improving working environment by offering leave for men who wish to care for their children</td>
</tr>
<tr>
<td>Accepting foreign workers</td>
<td></td>
<td>Turnover and reduced productivity due to worsening working conditions</td>
<td>Ensuring a good-quality workforce due to improvements in working environment</td>
<td>Workstyle reforms, promoting diversity</td>
</tr>
<tr>
<td>Extension of loan deduction, expansion of housing benefit</td>
<td></td>
<td>End of support measures to buy housing</td>
<td>Increased orders due to appropriate funding advice</td>
<td>Business strategy via four business domains</td>
</tr>
<tr>
<td>Increase in consumption tax</td>
<td></td>
<td>Reationaly fall due to rush demand, move away from home-working</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acceleration of business globalization</td>
<td></td>
<td>Internationization of competition</td>
<td>Development of international business</td>
<td>Overseas business strategy</td>
</tr>
<tr>
<td>Increase in foreign visitors to Japan</td>
<td></td>
<td>Lost opportunities due to an inability to respond to the needs of the new generation</td>
<td>Capturing overseas visitor demand</td>
<td>Development business strategy, Trip Base-related business</td>
</tr>
<tr>
<td>Inadequate number of hotel rooms</td>
<td></td>
<td>Lost opportunities due to an inability to respond to the needs of the new generation</td>
<td>Expanding digital marketing opportunities</td>
<td>Technological innovation and alliances</td>
</tr>
<tr>
<td>Social participation of the millennial generation</td>
<td></td>
<td>Lost opportunities due to an inability to respond to the needs of the new generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Globalization</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Coming of a super-aged society</td>
<td></td>
<td>Accidents in the home, lack of care support</td>
<td>Expanding Platinum Business, providing health-conscious housing</td>
<td>Associationed complexes for senior citizens, smart universal design</td>
</tr>
<tr>
<td>Total population reduction</td>
<td></td>
<td>Decline in the number of new home starts, decline in the occupancy ratio of properties, under management, increased severity of the problem of unoccupied houses</td>
<td>People selecting good-quality housing</td>
<td>High-value-added built-to-order business, supplied housing business</td>
</tr>
<tr>
<td>Concentration of population in urban areas</td>
<td></td>
<td>Decline of rural areas</td>
<td>Increased need for regional revitalization</td>
<td>Rental housing area strategy, Trip Base McN-no-Edi Project</td>
</tr>
<tr>
<td>Population of the issue of daycare waiting lists</td>
<td></td>
<td>Delay in employees returning to work</td>
<td>Increased opportunities for preschool intake, improved child support systems</td>
<td>Both-to-order business in non-housings, promoting diversity</td>
</tr>
<tr>
<td>Coming of a long-lived/high death rate society</td>
<td></td>
<td>Increasing complications and trouble with asset inheritance</td>
<td>Increased distribution of existing housing and need for real estate management funds</td>
<td>Cooperation with Sekisui Real Estate and Sekisui House Trust, promoting FurniShare</td>
</tr>
<tr>
<td>Rising health consciousness</td>
<td></td>
<td>Premature retirement competition over advanced health-related technology</td>
<td>Promoting the sale of housing that contributes to health</td>
<td>Platform House concept, alliances, deepening technological development</td>
</tr>
<tr>
<td>Coming of an IoT/5G age</td>
<td></td>
<td>Loss of business opportunity, rising necessity for security measures</td>
<td>Providing highly convenient housing</td>
<td>Developing HASKAI, creating new security measures</td>
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<td>Development of robotics technology</td>
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Note: TCFD (Task Force on Climate-related Financial Disclosures)
Maximizing value for customers using our core competences

Unlike general consumable goods, the value sought from houses varies significantly from one customer to another. Sekisui House itself must continue to exist by engaging in sustainable management if it wishes to provide “comfortable living—now and always” to its customers in response to changes in housing environment, changes in the needs and mental or physical conditions of the homeowners and changes in buildings due to age. To this end, it must incorporate a business mechanism that can continue to provide services. All companies of the Sekisui House Group will strive to maximize value for customers by leveraging the group’s core competences (unique strengths) throughout the value chain. We will demonstrate the merits of in-group alliances, while dividing functions efficiently and working flexibly.

Technical Capabilities

Housing innovation

Japan faces numerous natural disasters. Therefore, houses serve as shelters that protect our customers’ lives and properties and must be equipped with various basic features such as earthquake resistance, durability, shock resistance, and fireproofing. At Sekisui House, we constantly predict future trends and develop various features at our advanced research facilities to increase safety, reliability, and comfort for our customers. We develop technologies required for housing from all angles. These include safety in the event of major earthquakes, durability (carried out by checking the housing components), features that ensure a healthy and comfortable lifestyle, and universal design that is verified by ergonomic experiments. We also focus on building eco-friendly housing. For this, we have developed the Green First ZERO net-zero-energy housing and the Arkis high-quality indoor air system. We actively propose the Zero no ki indigenous landscaping concept to contribute toward protecting eco-systems.

Project accountability from wholly owned subsidiary Sekiwa Construction and partner building contractors

Controlling the quality of onsite construction is an extremely important process to ensure that our characteristic detached housing is designed, manufactured, and constructed to match each customer’s taste. Therefore, we created a project accountability structure to ensure proper construction quality. The Sekisui House Association, which includes the wholly owned 18 Sekiwa Construction companies and partner building contractors, constantly strive to improve their skills through training and other activities. The Sekisui House Group’s proprietary IT system helps plan construction schedules and visualize information on inspections as well as progress in construction works. These are continually shared with the Sekisui House Association to thoroughly manage quality.

Customer Base

Lifelong support for homeowners through post-handover services

Many housing companies consign after-sales services to an outside contractor after handing over a property. However, Sekisui House considers appropriate after-sales services that ensure security, safety and comfort for customers to be an intrinsic part of a house’s value. For this reason, we have established Customer Service Centers throughout Japan where 1,450 employees, about 10% of the total number, take care of after-sales services. We also centrally manage information related to customer housing in our company-wide system. We use questionnaires and other tools to solicit customer feedback after they move in and harness the responses as an important source of information for product development and service improvements. We also provide a wide range of services from small-scale remodeling to large-scale renovations to deal with aging buildings and changes in customer lifestyles. These services are provided for detached houses by the three companies that comprise Sekisui House Remodeling and for rental housing Sha Maison by the seven companies that make up Sekiwa Real Estate. We also respond to customer needs during rebuilding and relocation through in-group alliances.

Technical Capabilities

Tangibles

Predicting future trends with the basic features important for housing

We have been conducting universal design research based on lifelong housing, a concept we initiated more than 30 years ago. This research helps produce a safe and comfortable living environment for everyone, underpinned by the achievements of ergonomic experiments. Our KidsDesign Kodomo idororo houses were born from research to foster children’s healthy growth by considering space from their perspective. We are also looking into offering other new lifestyle concepts, such as Oshiki365, which proposes interior designs centered around happy dining; Shuumo J Dimali that attempts to resolve storage problems in houses; Dear One for those who live with pets; Tomoie for families where both husband and wife work; and Otoba House away for elderly couples. Additionally, we opened the Human Life R&D Institute in August 2018, becoming the first Japanese company to study happiness. The institute began research on houses where happiness grows the longer you live there and strives to raise the intangible value of feeling happy, manifested in familial bonds, health, life purpose, individuality and enjoyment.

Intangibles

Pursuing happier homes through research and proposals on new lifestyles

Exploring the SHOQAS wastes control system

An example of KidsDesign Kodomo idororo

Sekisui House Association Visit from after-sales service in-charge

Explaining the SHOQAS wastes control system
Maximizing value for customers using our core competences

Unlike general consumable goods, the value sought from houses varies significantly from one customer to another. Sekisui House itself must continue to exist by engaging in sustainable management if it wishes to provide “comfortable living—now and always” to its customers in response to changes in housing environment, changes in the needs and mental or physical conditions of the homeowners and changes in buildings due to age. To this end, it must incorporate a business mechanism that can continue to provide services. All companies of the Sekisui House Group will strive to maximize value for customers by leveraging the group’s core competences (unique strengths) throughout the value chain. We will demonstrate the merits of in-group alliances, while dividing functions efficiently and working flexibly.

Technical Capabilities

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**Housing innovation**

**Tangibles** Predicting future trends with the basic features important for housing

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**Intangibles** Pursuing happier homes through research and proposals on new lifestyles

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Construction Capabilities

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**Unique project accountability system through alliances between group companies**

**Project accountability from wholly owned subsidiary Sekisua Construction and partner building contractors**

Controlling the quality of onsite construction is an extremely important process to ensure that our characteristic detached housing is designed, manufactured, and constructed to match each customer’s taste. Therefore, we created a project accountability structure to ensure proper construction quality. The Sekisui House Association, which includes the wholly owned 18 Sekisua Construction companies and partner building contractors, constantly strive to improve their skills through training and other activities. The Sekisui House Group’s proprietary IT system helps plan construction schedules and visualize information on inspections as well as progress in construction works. These are continually shared with the Sekisui House Association to thoroughly manage quality.

Customer Base

---

**Lifelong support for homeowners through post-handover services**

Long-term support to maintain and improve asset value of houses

Many housing companies consign after-sales services to an outside contractor after handing over a property. However, Sekisui House considers appropriate after-sales services that ensure security, safety and comfort for customers to be an intrinsic part of a house’s value. For this reason, we have established Customer Service Centers throughout Japan where 1,450 employees, about 10% of the total number, take care of after-sales services. We also centrally manage information related to customer housing in our company-wide system. We use questionnaires and other tools to solicit customer feedback after they move in and harness the responses as an important source of information for product development and service improvements. We also provide a wide range of services from small-scale remodeling to large-scale renovations to deal with aging buildings and changes in customer lifestyles. These services are provided for detached houses by the three companies that comprise Sekisua House Remodeling and for rental housing Sha Maison by the seven companies that make up Sekkua Real Estate. We also respond to customer needs during rebuilding and relocation through in-group alliances.
Creating economic and social value with unique business models

The Sekisui House Group is building business models to create value for various stakeholders. We invest the profits and value we generate by collaborating with group companies for future growth using our core competencies, which are our unique strengths, and the expertise of each company. We seek to create further value for society and stakeholders in each aspect of ESG. We believe that we can achieve sustainable development by brushing up this business model.

Investment and activities aimed at value creation

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount ($)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>¥6,041,000,000</td>
<td>Figures show FY2018 results</td>
</tr>
<tr>
<td>Technical and construction capabilities</td>
<td>¥15,892,000,000</td>
<td>Invested in IT environment upgrades to improve productivity and associate workplaces. The group constructed a system based on the usage of big data to centralize the management of residence information related to customer proposals, construction, and after-sales services. As a result, we have shortened construction time, substantially reduced cost and trained human resources. We are also informing workstyles by enabling employees to carry out major operations on smart devices. This has led to greater work-life balance by increasing productivity and widening the range of operations that can be completed on the go. We are also visualizing our capabilities using IT for design, site supervision and other purposes.</td>
</tr>
<tr>
<td>Employee training</td>
<td>¥720,000,000</td>
<td>Approximately 10% of Sekisui House employees—1,450 people—work at the customer service center in the after-sales division. The service center dispatches customer support desks and service in-charges to 95 sites across Japan, conducting periodic inspections and responding promptly to requests and consultations from customers. We also make various proposals on maintenance and other matters and conduct monthly “CGMAs visits” during the first year after detached housing customers move in. This is to provide information on seasonal care so that customers can enjoy a long stay and experience “comfortable living—now and always.”</td>
</tr>
<tr>
<td>Employee training</td>
<td>¥848,000,000</td>
<td>The Sekisui House believes that its mission is to develop the skills of diverse human resources, harness those to create high added value and become a corporate group needed by the world. To cultivate professionals having a deep sense of humanity who understand what customers want from housing and make their wishes a reality, we systematically conduct a variety of trainings for all levels and positions.</td>
</tr>
</tbody>
</table>

Business model

- Providing houses and building of value
  - We achieve high customer satisfaction by providing high value-added housing (such as Green First ZERO) that deliver comfort, economy and eco-friendliness.
- Building a solid customer base
  - We have been leading the housing industry for more than half a century, developing businesses specialized in housing and building a solid customer base by delivering the largest number of detached and rental housing units in the world.
- Supplied housing business expansion
  - We are expanding real estate management fee, remodeling and other supplied housing businesses in response to societal changes by applying our strengths of a solid customer base and in-group collaborations.
- Investment for future profits
  - We invest profits earned from business activities in human resource development, IT (for operational efficiency and cost reductions), overseas business and other forward-looking activities.

Primary value creation and impact on society

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount ($)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value creation and impact on society</td>
<td>¥73.5 billion</td>
<td>Worth of nonhousing refers to help resolve social issues. We are receiving an increasing number of orders for constructions that contribute to resolving social issues. These include accommodations for the homeless, assisted-living complexes for senior citizens, group housing to support the daily life of persons with disabilities, kindergartens for waitlisted children and medical facilities to support residents returning to Fukushima. We responded to such needs through increased design freedom levels, space proposal capabilities, and environmental technologies. Additionally, our original construction method Flexible B System, with shorter construction time and lower costs as compared to RC constructions, got us orders worth ¥50 billion out of the ¥73.5 billion worth of orders received.</td>
</tr>
</tbody>
</table>

Rate of insulation reforms 13.1% | Sekisui House has about 405,000 existing houses that were constructed before 1996 and fall short in insulation capabilities. These houses do not have adequate insulation. Improving the insulation function in these houses is not only important to increase comfort but also for deurbanization. We have conducted a total of 133,000 insulation reforms, achieving an insulation reforms rate of 13.1% (0.8-point increase year-over-year) for existing houses. We are promoting proposals such as “Idokoro Dan-netsu (location-based heating)” and seek to achieve the target rate of 15% set for 2020. |

Customer satisfaction level 95.9% | In questionnaires submitted one year after moving in, the total ratio of very satisfied 42.3%, satisfied and somewhat satisfied homeowners has hovered around 95% for the past several years. The questionnaire results are analyzed in detail and incorporated into the FOCUS cycle. |

Number of employees acquiring qualification 2,821 | We are focusing on fostering professionals by establishing in-house standards for chief architect, chief constructor, platform specialist, building and design specialist and others, in addition to first-class architect and other public qualifications, and encouraging employees to acquire them. |
Creating economic and social value with unique business models

The Sekisui House Group is building business models to create value for various stakeholders. We invest the profits and value we generate by collaborating with group companies for future growth using our core competencies, which are our unique strengths, and the expertise of each company. We seek to create further value for society and stakeholders in each aspect of ESG. We believe that we can achieve sustainable development by brushing up this business model.

Value Creation Process

Creating economic and social value with unique business models

The Sekisui House Group is building business models to create value for various stakeholders. We invest the profits and value we generate by collaborating with group companies for future growth using our core competencies, which are our unique strengths, and the expertise of each company. We seek to create further value for society and stakeholders in each aspect of ESG. We believe that we can achieve sustainable development by brushing up this business model.

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<th>Business model</th>
<th>Investment activities aimed at value creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing houses and building of value</td>
<td>¥6,041 million spent on research and development to further strengthen technical and construction capabilities.</td>
</tr>
<tr>
<td>Building a solid customer base</td>
<td>¥15,892 million invested in IT environment upgrades to improve productivity and associate workplaces.</td>
</tr>
<tr>
<td>Supplied housing business</td>
<td>About 720,000 reservations and reservations handled annually to ensure customer satisfaction.</td>
</tr>
<tr>
<td>Overseas business</td>
<td>Approximately 10% of Sekisui House employees—1,450 people—are at the customer service center in overseas business.</td>
</tr>
<tr>
<td>Built-to-order business</td>
<td>Approximately 25,000 man-hours reduced by streamlining construction.</td>
</tr>
<tr>
<td>Development business</td>
<td>¥73.5 billion worth of nonhousing reforms to help resolve social issues.</td>
</tr>
<tr>
<td>Group collaboration</td>
<td>We are expanding real estate management fee, remodeling and other supplied housing businesses in response to societal changes by applying our strengths of a solid customer base and in-group collaborations.</td>
</tr>
<tr>
<td>Technical capabilities</td>
<td>We are also reforming workstyle by enabling employees to carry out major operations on smart devices.</td>
</tr>
<tr>
<td>Customer base</td>
<td>We are striving to increase productivity at construction sites to cope with expected shortages of construction workers and diversifying workstyles on-site.</td>
</tr>
<tr>
<td>Strengthen management foundation</td>
<td>We drastically reduced man-hours in comparison to FY2017. We will continue to focus on reducing man-hours to achieve shorter construction periods and greater customer satisfaction.</td>
</tr>
<tr>
<td>Social</td>
<td>We are also visualizing our capabilities using IT for design, site supervision and other purposes.</td>
</tr>
<tr>
<td>Governance</td>
<td>About 720,000 reservations and reservations handled annually to ensure customer satisfaction.</td>
</tr>
<tr>
<td>Investment for future profits</td>
<td>We achieve high customer satisfaction by providing high value-added housing (such as Green First ZERO) that deliver comfort, economy and eco-friendliness.</td>
</tr>
<tr>
<td>Primary value creation and impact on society</td>
<td>We have been leading the housing industry for more than half a century, developing businesses specialized in housing and building a solid customer base by delivering the largest number of detached and rental housing units in the world.</td>
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</table>

We invest the profits and value we generate by collaborating with group companies for future growth using our core competencies, which are our unique strengths, and the expertise of each company. We seek to create further value for society and stakeholders in each aspect of ESG.
Financial and Non-Financial Performance

Improving financial Indicators by creating value sought by society

We established four key values in 2005: environmental value, economic value, social value and homeowner value. We have continued to grow ever since through business activities that pursue these values by creating products and services that solve the issues of the times and respond to customer needs. The company’s growth trajectory in recent years is presented below in the form of major financial and non-financial data. It shows that our efforts to create environmental and social values have led to improvements in financial indicators. We will continue to generate values sought by society by striving for a balanced business with sustained growth.

<table>
<thead>
<tr>
<th>Financial and Non-Financial Performance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vision and Goals</strong></td>
<td><strong>Strategy and Core Competencies</strong></td>
</tr>
<tr>
<td><strong>Business performance</strong></td>
<td><strong>Environmental</strong></td>
</tr>
<tr>
<td>Financial status</td>
<td>Non-financial data</td>
</tr>
<tr>
<td>Business performance</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>Total market value (yen per share)</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity ratio</td>
<td>Operating income ratio to net sales</td>
</tr>
<tr>
<td>Dividends per share</td>
<td></td>
</tr>
<tr>
<td>Total dividends</td>
<td></td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td></td>
</tr>
<tr>
<td>Shared value</td>
<td></td>
</tr>
<tr>
<td>Total market value (yen per share)</td>
<td></td>
</tr>
<tr>
<td>Average sales price of detached houses (10,000 yen)</td>
<td></td>
</tr>
<tr>
<td>Average sales price of rental housing (10,000 yen)</td>
<td></td>
</tr>
<tr>
<td>Non-financial data</td>
<td></td>
</tr>
<tr>
<td>CO2 emissions reduction rate of the daily energy consumption of sold detached houses (%)</td>
<td></td>
</tr>
<tr>
<td>Grants through the Sekisui House Matching Program (Million yen)</td>
<td></td>
</tr>
<tr>
<td>Number of women in managerial positions in the group (persons)</td>
<td></td>
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<tr>
<td>Financial data</td>
<td></td>
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<tr>
<td>Net sales (billion yen)</td>
<td></td>
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<tr>
<td>Operating income (billion yen)</td>
<td></td>
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<tr>
<td>Net income attributable to owners of parent (billion yen)</td>
<td></td>
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<tr>
<td>Transition of dividends (yen per share)</td>
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</tbody>
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</thead>
<tbody>
<tr>
<td>1,483,369</td>
<td>1,530,577</td>
<td>1,613,816</td>
<td>1,805,102</td>
<td>1,912,721</td>
<td>1,556,879</td>
<td>2,026,931</td>
<td>2,159,363</td>
<td>2,160,316</td>
</tr>
<tr>
<td>56,354</td>
<td>70,897</td>
<td>86,196</td>
<td>131,930</td>
<td>146,359</td>
<td>149,645</td>
<td>184,164</td>
<td>195,540</td>
<td>189,223</td>
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<tr>
<td>56,271</td>
<td>70,075</td>
<td>91,767</td>
<td>137,794</td>
<td>156,426</td>
<td>160,589</td>
<td>190,989</td>
<td>203,678</td>
<td>195,190</td>
</tr>
<tr>
<td>30,421</td>
<td>28,962</td>
<td>46,458</td>
<td>79,801</td>
<td>90,224</td>
<td>84,302</td>
<td>121,853</td>
<td>133,224</td>
<td>128,502</td>
</tr>
<tr>
<td>45,02,000</td>
<td>42,90,000</td>
<td>69,1,700</td>
<td>118,63,000</td>
<td>130,91,000</td>
<td>120,16,000</td>
<td>175,48,000</td>
<td>193,06,000</td>
<td>186,53,000</td>
</tr>
<tr>
<td>* Program for joint donations with employees</td>
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<tr>
<td>* Rate of men taking childcare leaves* (%)</td>
<td></td>
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<tr>
<td>* Grants through the Sekisui House Matching Program* (Million yen)</td>
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<td>* Number of women in managerial positions in the group (persons)</td>
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(FY2010)
Financial and Non-Financial Performance

Improving financial Indicators by creating value sought by society

We established four key values in 2005: environmental value, economic value, social value and homeowner value. We have continued to grow ever since through business activities that pursue these values by creating products and services that solve the issues of the times and respond to customer needs. The company’s growth trajectory in recent years is presented below in the form of major financial and non-financial data. It shows that our efforts to create environmental and social values have led to improvements in financial indicators. We will continue to generate values sought by society by striving for a balanced business with sustained growth.

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</tr>
</thead>
<tbody>
<tr>
<td>Total market value (billion yen)</td>
<td>1,123,050</td>
<td>2,413,053</td>
<td>2,160,316</td>
<td>2,159,363</td>
<td>2,160,316</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Non-financial data

1. CO2 emissions reduction rate of the daily energy consumption of sold detached houses (%) | 73.4 | 75.5 | 80.1 | 83.6 | 82.6 |

2. Rate of men taking childcare leaves* (%) | 19 | 23 | 20 | 25 | 100 |

3. Grants through the Sekisui House Matching Program* (10,000 yen) | 3,430 | 3,618 | 3,744 | 4,105 | 4,504 |

4. Number of women in managerial positions in the group (person) | 181 | 114 | 141 | 158 | 176 |

Financial data

1. Net sales (billion yen) | 1,912.7 | 1,858.8 | 2,026.9 | 2,159.3 | 2,160.3 |

2. Operating income (billion yen) | 146.5 | 149.6 | 184.1 | 195.5 | 189.2 |

3. Net income attributable to owners of parent (billion yen) | 90.2 | 84.3 | 121.8 | 133.2 | 128.5 |

4. Transition of dividends (yen per share) | 90.0 | 54.0 | 64.0 | 77.0 | 75.0 |

*(FY)
Our Four Key Values and SDGs

Promoting sustainable management through

The Sekisui House Group creates and provides value in response to societal changes and needs based on its corporate philosophy. Our value creation has always been based on our Sustainable Vision, which was established in 2005.

With management that balances our four key values—environmental value, economic value, social value and homeowner value—based on the 13 guidelines that embody them, we confidently make use of synergies to generate a major driving force.

Corporate Philosophy

4 Key Values and 13 Guidelines

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

Our four key values

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

The direction of the 4 Key Values and 13 Guidelines established in our Sustainable Vision in 2005 corresponds with the SDGs*1, which are common goals for the international community, including both developed and developing nations, that aim for sustainable development with respect to society, the economy and the environment, adopted by the General Assembly of the United Nations in September 2015.

*1 SDGs: Acronym for Sustainable Development Goals

*2 Society 5.0 refers to a future-oriented society that optimizes people’s lives and entire society by making the most of new technologies, such as IoT, AI and robots.

[Diagram showing the relationship between the four key values, 13 guidelines and SDGs]
Our Four Key Values and SDGs

Promoting sustainable management through

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Corporate Philosophy

Our stance
Truth and trust

Our fundamental philosophy:
Love of humanity

Our objective
Superior quality and leading technology

Our business focus
Comfortable housing and ecologically sound communities

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

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

4 Key Values and 13 Guidelines

4 Key Values

- Environmental value
- Social value
- Economic value
- Homeowner value

13 Guidelines

- Longevity
- Comfort
- Prosperity
- Fair profits and social sharing
- Human resource development
- Knowledge and technology
- Regional economy
- Ecosystems
- Relationships with local culture
- Energy
- Resources
- Chemical substances
- Environment

Our four key values

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

The direction of the 4 Key Values and 13 Guidelines established in our Sustainable Vision in 2005 corresponds with the SDGs*, which are common goals for the international community adopted by the UN in 2015. We were one of the pioneering companies to deal with “sustainability” head on at the time and have been advancing it ever since.

Social issues are expected to become even more global and complex in times to come. It will be increasingly important to achieve the SDGs and Society 5.0 to resolve those issues. We will continue to achieve the targets set in the SDGs through our businesses by carrying out steady and innovative activities to add value.

* SDGs: Agenda for Sustainable Development Goals

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Truth and trust

Our fundamental philosophy:
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Our objective
Superior quality and leading technology

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Comfortable housing and ecologically sound communities

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* SDGs: Agenda for Sustainable Development Goals
Toward 2050: Creating Environmental and Social Value, Leading the Way to Sustainable Societies

In 2008, the Sekisui House Group announced its 2050 Vision that aimed to eliminate CO₂ emissions from housing and we quickly shifted management focus to decarbonization. Amid changing social systems and rapid technological innovations, we laid down a long-term vision in FY2016 to gear up for 2050, preparing for future environmental changes and being aware of the timeline of a wider range of business domains.

In FY2017, we announced medium-term initiatives for 2030 to share our path of progress with customers, employees, long-term investors, suppliers and other stakeholders who are interested in the group’s achievements of long-term value.
Toward 2050: Creating Environmental and Social Value, Leading the Way to Sustainable Societies

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Sustainability Vision 2050

<table>
<thead>
<tr>
<th>Our Goals</th>
<th>Main Actions Taken</th>
<th>2030 Goals</th>
<th>Corresponding SDGs</th>
<th>2050 Challenge Objectives</th>
<th>Measures for ESG</th>
</tr>
</thead>
</table>
| Leading the Way to a Decarbonized society | • Announced the Eco-First Promise (2008)  
• Launched the Green First model of eco-friendly homes (2009)  
• Launched Net Zero Energy House Green First ZERO (2013)  
• Paris Agreement Compliance Declaration (2015)  
• Joined CE 100 international initiative and announced commitment (2017) | Achieving SBT Goals  
With the goal of achieving zero CO2 emissions throughout the housing lifecycle, we aim to reduce emissions by 45% for Scope 1 & 2 and 35% for Scope 3 (category 1, 2, Housing) compared to FY2013 (SBT goal). Also, as a RE 100 member company we will ensure that 50% of the electric power consumed by our business activities is from renewable energy sources. | Goal Energy | Goal Zero CO2 Emissions within the Housing Lifecycle | As a leading company in housing products, we will eliminate CO2 emissions from the entire housing lifecycle, from the purchase of materials to manufacturing, sales, occupancy and demolition, including renewable energy usage. |
| Leading the Way to Societies in which humans and nature coexist | • Launched Gohon no ki indigenous landscaping project (2001)  
...total number of trees planted: 15 million (2018)  
• Formulated Wood Procurement Guidelines (2007) | Leading the Mainstreaming of Biodiversity | Goal Water and sanitation | Goal Maximizing Ecosystem Networks through Business | We will procure 100% FairWood products to realize Zero Deforestation, which is linked to the destruction of ecosystems. We also aim to become Japan’s number one corporation in terms of urban greening contributions, intelligently utilizing green infrastructure functions such as ecosystem conservation, disaster prevention/hinduction and comfort through green housing construction and community development. |
| Leading the Way to a Circular economy | • Initiated the Zero Emissions Project (2000)  
• Achieved zero waste emissions at all our factories (2011)  
• Achieved zero waste at each stage of production, including new home construction, and after-sales maintenance to remodeling (2009–2007)  
• Transitioned to a next-generation system compatible with big data utilization (2017) | Recycling Business System Development Acceleration | Goal Sustainable cities  
Goal Consumption and production  
Goal Life below water  
Goal Life on land  
Goal Partnerships | Goal Expanding Zero Emissions Initiatives within the Housing Lifecycle | To cultivate housing as a quality asset, the Sekisui House Group provides remodeling and renovation services that are matched to lifestyle and societal changes. To deal with the waste generated from these activities, we will establish industry-leading zero-emissions initiatives to realize zero emissions at the social infrastructure level through industry alliances. |
| Leading the Way to Society with advanced longevity and diversity | • Built Japan’s first model house for people with disabilities (1981)  
• Defined lifelong housing as the ideal for Sekisui House housing construction (1989)  
• Established Sekisui House Universal Design (2002)  
• Announced Human Resource Sustainability (2006)  
• Began proposing Smart Universal Design in pursuit of comfort (2010)  
• Launched the Airiks high-quality indoor air system (2011)  
• Began research on happy living (2018) | Provision of New Value in Housing  
We will focus on tangible assets such as structure, interior and eco-friendliness as well as intangible assets including health, connections and learning, by providing happiness well into the 100th year of life through the creation of homes that support a long and healthy life. Specifically, we will tackle the prevention of injuries and disease by preventing in-home accidents, providing support in times of emergency, monitoring lifestyle diseases and enabling stress reduction. | Goal Good health  
Goal Education  
Goal Gender  
Goal Decent work  
Goal Innovation  
Goal Sustainable cities  
Goal Consumption and production  
Goal Partnerships | Goal Maximizing Abundance in Housing and Communities | Positioning the abundance of safety, security and comfort, enjoyment of new technologies, health, longevity, happiness and a familial bond as a positive element of people’s lifestyles, we will pursue the potential for these elements from every angle. We will keep striving to develop new technologies and carry out open innovation that maximize the richness of our lives and create happiness. |
Aiming to be a leading company in ESG management, and creating a sustainable society

The Sekisui House Group has specified that ESG (environmental, social, and governance) initiatives are important management topics. They have been incorporated in our Medium-Term Management Plan, and we are striving to create and develop a sustainable society as a management foundation.

In addition, our long-term goal for ESG management is the realization of our Sustainability Vision 2050. This vision also establishes our medium-term goals for 2030, taking into account the 17 Sustainable Development Goals adopted by the United Nations, and we are making steady progress towards creating our ideal society.

<table>
<thead>
<tr>
<th>Main ESG Themes</th>
<th>Material Topics</th>
<th>Main Corresponding SDGs</th>
<th>ESG Incorporated in the Fourth Medium-Term Management Plan (FY2017–2019)</th>
</tr>
</thead>
</table>
  • Global warming prevention  
  • Ecosystem conservation  
  • Resource recycling  
  • Joined the RE100 global initiative  
  • Launched Sekisui House Owner Denki  
  • Recognized by the SBT Initiative for greenhouse gas reduction |
| Circular economy | Effluents and waste | 7. Clean water and sanitation 8. Affordable and clean energy |  |
| Pursuing customer satisfaction through our value chain | Environmental assessments of suppliers | 9. Industry innovation and infrastructure 10. Responsible consumption and production |  |
| Promoting diversity | Diversity and equal opportunities | 11. Sustainable cities and communities 12. Responsible consumption and production |  |
| Workstyle reforms | Employment | 13. Peaceful and inclusive societies |  |
| Human-resource development | Training and education | 14. Responsible consumption and production 15. Peaceful and inclusive societies |  |
| Respect for human rights | Human rights assessment | 16. Peaceful and inclusive societies 17. Partnerships for the goals |  |
| Contributing to society | Biodiversity Atmospheric emissions |  |  |

<table>
<thead>
<tr>
<th>Medium- and Long-Term Initiatives</th>
<th>Sustainability Vision 2050</th>
</tr>
</thead>
</table>
| The four key values and SDGs (2030) that we will continue to pursue | Decarbonized society  
  Society in which humans and nature coexist  
  Society with advanced longevity and diversity  |

E: Environmental Management
Net-Zero energy housing  
Promotion of Green First ZERO

- Global warming prevention
- Ecosystem conservation
- Resource recycling
- Joined the RE100 global initiative
- Launched Sekisui House Owner Denki
- Recognized by the SBT Initiative for greenhouse gas reduction

S: Improvement in Sociability
Diversity driving growth

[Workstyle reforms]
Creating exciting workplaces
  • Fair evaluations and visualization
  • Higher operational efficiency using IT
  • Achieving a work-life balance
  • Introducing a childcare leave system for men

[Innovation and communication]
  • Promotion of active female participation
  • Support for people childrearing while working
  • Support for people providing nursing care while working
  • Creation of pleasant workplaces for people with disabilities

G: Governance
Innovation and communication

- Ranking corporate governance as an important management issue and promoting reforms
- Further strengthening governance based on our Basic Policy on Corporate Governance

The Sekisui House Group has specified that ESG (environmental, social, and governance) initiatives are important management topics. They have been incorporated in our Medium-Term Management Plan, and we are striving to create and develop a sustainable society as a management foundation.

In addition, our long-term goal for ESG management is the realization of our Sustainability Vision 2050. This vision also establishes our medium-term goals for 2030, taking into account the 17 Sustainable Development Goals adopted by the United Nations, and we are making steady progress towards creating our ideal society.
Aiming to be a leading company in ESG management, and creating a sustainable society

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