

Notice Regarding Revision to Remuneration System for Officers

March 5, 2020 – Sekisui House, Ltd. (the “Company”) hereby announces that, at the meeting of Board of Directors held today, it decided to revise the remuneration system for officers as follows and submit a proposal for the revision to the system to the 69th Ordinary General Meeting of Shareholders scheduled in April 23, 2020 (the “General Shareholders’ Meeting”).

1. Purpose of the revision to the remuneration system for officers

The Company engaged in continued deliberations in the Personnel Affairs and Remuneration Committee and other with “Drastic revision in officers’ remunerations” as a key theme in the governance reforms. At the meeting of the Board of Directors held today, the Company resolved to implement a revision on the remuneration system (the “Revision”) for its Directors excluding Outside Directors (the “Eligible Directors”) in line with the basic policy below. In addition, the Revision shall become effective subject to the approval at the General Shareholder’s Meeting.

[Basic Remuneration Policy]

- [1] In accordance with the Corporate Philosophy espousing the underpinning philosophy of “Love of Humanity”, the Company shall ensure the objectivity and transparency of and adequately fulfill its accountability for a remuneration system through high standards of remuneration governance, in order to be fair to all stakeholders including shareholders, investors, customers and employees.
- [2] Aiming to be a leading company in ESG management, the Company shall establish a remuneration system that works as a healthy incentive for a long-term and sustainable enhancement of the corporate value by clarifying its commitments to steadily executing innovative growth strategies focused on social significance.
- [3] The Company shall deliver a long-term improvement in the Group-wide organizational vitality by placing an emphasis on aligning a remuneration system with development and evaluation of senior management and motivating the next generation of managerial human resources to grow.

2. Remuneration governance

In order to ensure the objectivity and transparency, the Company shall deliberate on the remuneration system for Directors and Executive Officers, the total amount of remuneration and individual amounts to be paid, and the performance indicator targets and evaluation of achievements for performance-related remuneration in the meetings of the Personnel Affairs and Remuneration Committee, a consultative body to the Board of



Directors, and resolve the matters at a meeting of the Board of Directors with due regard for the opinions of said committee.

3. Outline of the Revision

- (1) Review of remuneration composition ratio and establishment of adequate remuneration levels

By reducing the percentage of bonuses (related to short-term performance) to the total remuneration and increasing the percentage of stock remuneration (related to medium- and long-term performance) to the total remuneration of Eligible Directors so as to make it work as a healthy incentive not only to achieve performance targets for a single fiscal year but also to enhance the corporate value in a long-term and sustainable way.

The remuneration composition shall be adequately determined according to the roles and responsibilities of each position. The composition ratio of basic remuneration to bonuses to stock remuneration for Representative Directors shall be approximately 1:1:1 when their standard KPI (Key Performance Indicator) targets are met.

In addition, the Company shall establish adequate levels of remuneration in light of the Sekisui House Group's performance scale by reference to objective market research data on remuneration obtained from an external professional organization.

- (2) Introduction of Performance-related Bonuses

Bonuses to Directors are calculated based on the business performance of each fiscal year and paid following the annual resolution of Ordinary General Meeting of Shareholders. From the fiscal year ended January 2021 onward, performance-related bonuses will be introduced and the amount of bonuses will be calculated by multiplying the consolidated Ordinary income for each fiscal year by a coefficient for each Director's position.

The outline of performance-related bonuses is as follows. Other matters concerning performance-related bonuses shall be determined by the Board of Directors.

- ① The total amount of Remuneration (upper limit of total amount)

The total amount of remuneration shall be 0.18% or less of consolidated Ordinary income for each fiscal year.

- ② Conditions for payment

The allowance will be paid when Net income attributable to owners of parent for each fiscal year concerned is 100 billion yen or more.

- ③ Method for calculating the amount paid to each Eligible Director

The amount to be paid to each of the Eligible Directors shall be calculated by multiplying a predetermined bonus coefficient according to their positions by consolidated Ordinary income (any fraction less than 1 million yen resulting from the calculation shall be rounded off to the nearest million). In addition, if the sum

of the payments to the Eligible Directors exceeds the total amount of remuneration, the amount shall be reasonably adjusted.

(3) Introduction of performance-related stock remuneration and revision to the limit of remuneration for restricted stock remuneration

The Company will newly introduce a performance-related stock remuneration (performance share unit) system, under which the number of shares that is to be granted after the evaluation period ends varies depending on the achievement of predetermined KPIs in addition to the restricted stock remuneration plan that was introduced at the 68th Ordinary General Meeting of Shareholders in April 25, 2019, to have a two-layered stock remuneration system, and revise to the limit of remuneration for restricted stock remuneration, in order to further enhance value sharing with shareholders. (Please refer to Appendix 1,2 for the details of the stock remuneration system.)

(4) Clarification of KPIs and calculation methods for performance-related remuneration

The Company shall clarify KPIs and calculation methods for performance-related bonuses and performance-related stock remuneration in order to ensure the objectivity and transparency of and to adequately fulfill its accountability for the remuneration system.

In addition, bonuses and part of performance-related stock remuneration (the financial index-related portion) are intended to be performance-based salary under the Corporation Tax Act, and KPIs and calculation methods will be disclosed in the Annual Securities Report.

(5) Introduction of Shareholding Guidelines

The Company shall set forth the Shareholding Guidelines for Directors of the Company and make them hold, in principle, at least the number of the Company's shares equivalent to the basic amount for each position so as to enhance sustainable value sharing with shareholders. The basic amounts for Representative Directors and other Eligible Directors are twice and one time as much as the amount of annual basic remuneration, respectively.

(6) Introduction of stock remuneration return regulation (so-called malus and clawback provisions)

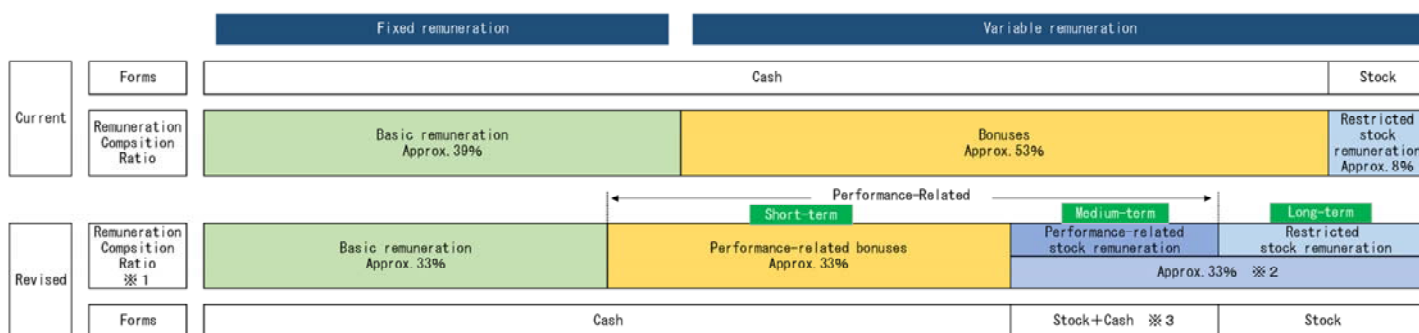
On the occasion of the Revision, the Company shall include in the regulations of remuneration so-called malus and clawback provisions that require officers to effectively return their stock remuneration in full or in part before vesting if certain events occur for the purposes of controlling excessive risk-taking to ensure the soundness of the management.

[Outlines of remuneration composition for the Eligible Directors, KPIs and calculation methods]

Type of remuneration, etc.		KPI	Outline of the calculation methods
Fixed	Basic remuneration	—	The amount shall be determined according to the position and paid on a monthly basis. (43 million yen or less per month (including Outside Directors, as before))
Variable	Performance-related bonuses (short-term)	Consolidated Ordinary income	The amount of payment shall be calculated by multiplying the coefficient for each position by consolidated Ordinary income for each fiscal year. The total amount to be paid shall be capped at 0.18% of consolidated Ordinary income for each fiscal year. Provided, however, that no payment shall be made if Net income attributable to owners of parent for each fiscal year is less than 100 billion yen.
	Performance-related stock remuneration (Medium-term)	ROE and ESG management indicators (*)	In accordance with the position of the Eligible Director, the basic number of share units for each Eligible Director shall be determined, and after the end of the evaluation period consisting of three consecutive fiscal years, the payment rate shall be determined according to the achievement of the predetermined performance evaluation indicators. The number of shares to be granted and the amount of Cash for tax payment shall be determined based on the said payment ratio. The total number of base share units for the Eligible Directors shall not exceed 270,000 shares per year, the total number of shares to be delivered to the Eligible Directors shall not exceed 135,000 shares per year, and the limit of the total amount of monetary remuneration claims and Cash for tax payment to the Eligible Directors shall be the amount obtained by multiplying the limit of the total number of base share units by the share price at the time of issuance.
	Restricted stock remuneration (Long-term)	—	Common shares of the Company with a fixed transfer limitation period (3 to 30 years) will be paid corresponding to the base amount for each position. The total amount of remuneration shall not exceed 180 million yen per year, and the number of common shares paid shall not exceed 180,000 shares per year.

* The Company shall deliberate on KPIs for the performance-related stock remuneration in the meetings of the Personnel Affairs and Remuneration Committee and resolve the matters at a meeting of the Board of Directors with due regard for the opinions of said committee. The Company intends to use ROE and ESG management indicators as KPIs for the performance-related stock remuneration in the initial evaluation period.

[Remuneration Composition ratio (image)]





- *1 Remuneration composition ratio varies depending on the position and achievement of the Company's performance and KPIs.
Remuneration composition ratio of Representative Directors at the base performance is shown.
- *2 The composition ratio of performance-related stock remuneration and restricted stock remuneration is approximately 1:1 (at the base performance).
- *3 50% of performance-related stock remuneration will be paid in cash for the purpose of appropriation to funds for tax payment.

(Reference)

When this proposal is approved, we plan to revise our remuneration system for our Executive Officer (excluding Executive Officer who is also a director) in the same manner as the Revision.

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Appendix 1: Details of the Performance-Related Stock Remuneration (Performance Share Unit) System

The performance-related stock remuneration system is an ex-post stock remuneration system under which KPIs are set in advance during the evaluation period consisting of three consecutive fiscal years (the "Evaluation Period") and monetary remuneration claims for the delivery of a number of shares of the common shares of the Company (the "Shares") according to the achievement of the KPIs and money intended to be appropriated for the payment of taxes resulting from the delivery of the Shares (the "Cash for tax payment") are paid as remuneration, etc.

Accordingly, monetary remuneration claims and the Cash for tax payment to the Eligible Directors for the delivery of the Shares shall be made after the expiration of the Evaluation Period in principle. Since, in the performance-related stock remuneration system, monetary remuneration for the delivery of the Shares and the Cash for tax payment will be paid in accordance with the achievement of the above KPIs, at the time of the introduction of the Performance-related stock remuneration system, neither the payment of such remuneration nor the number of the Shares to be delivered (the "Delivery shares number") nor the amount of monetary remuneration claims for the delivery of the Shares or the amount of the Cash for tax payment has been determined for each of the Eligible Directors.

The first fiscal year subject to the system ("subject fiscal year") is FY2020, and the Evaluation Period is the three fiscal years from the fiscal year ending in January 2021 to the fiscal year ending in January 2023. Subsequently, to the extent approved by general meeting of shareholders, the Company plans to implement performance-related stock remuneration systems that covers the relevant fiscal year and that covers three consecutive fiscal years from that fiscal year as the new Evaluation Period.

The specific structure of the performance-related stock remuneration system is as follows. The Board of Directors determines others with respect to the performance-related stock remuneration after deliberation by Personnel Affairs and Remuneration Committee respecting the opinions.

- ① The Board of Directors shall determine goals of KPIs and evaluation of achievement of KPIs used in the Performance-related stock remuneration system (ROE and ESG management indicators are used for the initial Evaluation Period), as well as the number of the Shares and indicators required for calculating monetary remuneration claims, etc. to be granted to each Eligible Director and others, after deliberation by Personnel Affairs and Remuneration Committee, respecting the opinions.
- ② The Board of Directors determines the basic number of share units to be paid to the Eligible Director in accordance with the position of the Eligible Director. After the expiration of the Evaluation Period, the Company determines the payment

rate according to the achievement of each KPI during the said Evaluation Period. The Company will determine the Delivery share number to each Eligible Director and the amount of Cash for tax payment based on the said payment rate.

- ③ In accordance with the Delivery share number to each Eligible Director as determined in above, the Company will pay to each Eligible Director a monetary remuneration claim as remuneration, etc. for the performance-related stock remuneration system based on the Board of Directors resolution, and each Eligible Director will receive the delivery of the said number of the Shares by delivering the said monetary remuneration claim as whole in kind. The amount to be paid for the Shares shall be the closing price of the Shares on the Tokyo Stock Exchange on the business day immediately preceding the day of the resolution of the Board of Directors relating to the issue of the Shares or disposal of treasury stock (or the closing price on the trading day immediately prior thereto if there is no transaction concluded on the relevant business day).

- (1) Calculation method of the Delivery share number, monetary remuneration claims, and the amount of Cash for tax payment

The Company will calculate the number of the Shares to be delivered to each Eligible Directors based on the following formula ① (provided, however, that any fraction of less than one hundred shares shall be rounded down) and calculate the monetary remuneration claims and the amount of Cash for tax payment to be paid to each Eligible Directors based on the following formula ② and ③. In the event of resignation, etc. during the Evaluation Period, the Company may reasonably adjust the number of the Shares or the amount of cash to be delivered to the Eligible Director or his/her heir, etc. in accordance with the provisions of the Board of Directors.

In addition, the total number of basic units of shares to be delivered to the Eligible Director shall not exceed 270,000 shares per year (provided, however, that in the event of any stock split (including the gratis allotment of the common shares of the Company) or consolidation of shares in the common shares of the Company after the date of the approval of this proposal, or any other event that requires an adjustment in the total number of the common shares of the Company to be issued or disposed of as the Shares, such total number shall be adjusted to the extent reasonable. The same applies hereafter). The total number of the Shares to be delivered to the Eligible Director shall not exceed 135,000 shares per year, and the limit of total amount of monetary remuneration claims and Cash for tax payment to be paid to the Eligible Director shall be as shown in ④ below.

- ① Number of the Shares to be delivered to each Eligible Director

Basic number of share units(*1) × Payment rate(*2) × 50%

- ② Amount of monetary remuneration claim to be paid to each Eligible Director

Number of the Shares as calculated in ① × Share price at the time of delivery(*3)

③ Amount of Cash for tax payment to be paid to each Eligible Director
 (Basic number of share units(*1) × Payment rate(*2) - Number of the Shares as calculated in ①) × Share price at the time of delivery(*3)

④ Upper limit of the total amount of monetary remuneration claims and Cash for tax payment to be paid to each Eligible Director per year

Upper limit of the total of basic number of share units (270,000 shares per year or less) × Share price at the time of delivery (*3)

*1 The Board of Directors will annually determine after deliberation by Personnel Affairs and Remuneration Committee respecting the opinions in accordance with the position of each Eligible Director.

*2 The Board of Directors will determine within the range of 0% to 150%, after deliberation by Personnel Affairs and Remuneration Committee with respect to each KPIs and evaluation of the achievements, etc. in Evaluation Period respecting the opinions.

*3 The closing price of the Shares on the Tokyo Stock Exchange on the business day prior to the date of the resolution on the issue of the Shares or disposal of treasury stock in respect of the delivery of the Shares under the performance-related stock remuneration system after the end of the Evaluation Period (or the closing price on the trading day immediately prior thereto if there is no transaction concluded on the relevant business day).

(2) Conditions for delivery

Upon the expiration of the Evaluation Period and fulfillment of the following conditions for delivery of the shares, monetary remuneration claims and Cash for tax payment shall be paid to each Eligible Director and the common shares of the Company shall be delivered to each Eligible Director by causing all of such monetary remuneration claims to be contributed in kind. The Company delivers the Shares by issue of the Shares by the Company or disposal of treasury stock and determine the Eligible Director to be paid the Shares and the terms of the offer for issue of shares or disposal of treasury stock in the Board of Directors after each Evaluation Period has elapsed.

① Held the position of the Director or other positions as determined by the Board of Directors during the applicable fiscal year.

② None of the certain misconduct

③ Other requirements determined in the Board of Directors

(3) Treatment in Organizational Restructuring, etc.

If, during the Evaluation Period, matters relating to merger agreements to which we become a dissolving company, share exchange agreements or share transfer plans to which we become a wholly owned subsidiary, or other organizational restructuring, etc. are approved by the general meeting of shareholders of the Company (provided, however, that in the event that such organizational restructuring, etc. is not required



to be approved by the general meeting of shareholders, the Board of Directors), we may, by a resolution of the Board of Directors, pay the amount of money calculated based on the above monetary remuneration claims and the amount of Cash for tax payment for the Performance-related stock remuneration with the Shares reasonably determined the number based on the period from the commencement date of the Evaluation Period to the date of the approval of such organizational restructuring, etc. prior to the effective date of such organizational restructuring, etc.

Appendix 2 Details of Revision to the Total Amount of Remuneration for Restricted Stock Remuneration System

At the 68th Ordinary General Meeting of Shareholders held on April 25, 2019, it is approved that the Company introduces restricted stock remuneration system, and pays monetary remunerations for allotment of the restricted stocks to the Eligible Directors, and that the amount of monetary remuneration shall be no more than 90 million yen per annum, and that the total number of common shares issued or disposed of to the Eligible Directors shall be no more than 90,000 shares per annum.

In order to further share value with shareholders by increasing the ratio of stock remuneration (medium- and long-term performance-related), the Company will revise the total amount of remuneration for monetary remuneration claims for allotment restricted stock to 180 million yen per annum or less. In addition, the total number of shares of the common shares of the Company to be issued or disposed of to the Eligible Directors shall not exceed 180,000 per annum (provided, however, that in the event of any stock split (including the gratis allotment of the common shares of the Company) or consolidation of shares in the common shares of the Company after the date of the approval of this proposal, or any other event that requires an adjustment in the total number of the common shares of the Company to be issued or disposed of as the Shares, such total number shall be adjusted to the extent reasonable).

The details of others has not changed from those approved at the 68th Ordinary General Meeting of Shareholders held on April 25, 2019, but are as follows.

(1) Period and content of transfer restriction

The Eligible Directors may not transfer to any third party, create a pledge or a security interest on, grant as advancement before death, devise or otherwise dispose of the shares of the Company's common stock ("Transfer Restriction") allotted (the "Allotted Shares") during a period predetermined in advance by the Company's Board of Directors(the "Transfer Restriction Period"), which shall be from 3 years up to 30 years from the date when the allotment was received due to the allotment agreement(the allotment agreement entered into between the Company and each Eligible Director in the issue of the common shares of the Company or disposal of treasury stock, including the described below. Same as below.)

(2) Treatment in cases of loss of position

If, prior to the expiry of the Transfer Restriction Period, the Eligible Director loses a position as either a Director or an Executive Officer of the Company (including an Executive Officer(shikkoyaku) in the case in which the Company makes the transition to a company with nomination committee, etc. in the future), the Company shall make a gratis acquisition of the Allotted Shares as a matter of course, with the exception of expiration of term of service, death or other reasons which the Board of Directors judges to be legitimate for the loss of position.

(3) Lifting of transfer restriction

The Company shall lift the Transfer Restriction on all of the Allotted Shares at the expiry of the Transfer Restriction Period on the condition that the Eligible Director was in the position of either Director or Executive Officer (including an Executive Officer in the case in which the Company makes the transition to a company with nomination committee, etc. in the future) of the Company continuously during the Transfer Restriction Period. However, if such the Eligible Director loses a position as either a Director or an Executive Officer of the Company prior to the expiry of the Transfer Restriction Period due to the expiration of the term of service, death or other legitimate reason, the Company shall adjust to a reasonable extent as necessary the number of Allotted Shares on which to lift the Transfer Restriction and the timing of the lifting of the Transfer Restriction. Further, in accordance with the above provisions, the Company shall, as a matter of course, make a gratis acquisition of the Allotted Shares on which the Transfer Restriction has not been lifted immediately after the Transfer Restriction has been lifted.

(4) Handling in case of reorganization, etc.

If, during the Transfer Restriction Period, a merger agreement in which the Company becomes a non-surviving company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly owned subsidiary of another company or any other matters related to reorganization, etc. is approved at a General Meeting of Shareholders (provided, however, at a meeting of the Board of Directors of the Company if the approval of the General Meeting of Shareholders for said reorganization, etc. is not required) of the Company, the Company shall, prior to the effective date of said reorganization, etc., lift the Transfer Restriction on a number of Allotted Shares determined in a reasonable manner by resolution of the Board of Directors based on the period from the date of commencement of the Transfer Restriction Period to the date of approval of said reorganization, etc. In addition, in accordance with the above provisions, the Company shall, as a matter of course, make a gratis acquisition of the Allotted Shares on which the Transfer Restriction has not been lifted immediately after the Transfer Restriction has been lifted.

(5) Other matters

Other matters concerning the allotment agreement shall be determined at meetings of the Board of Directors of the Company.