

Section

6

ESG Management

—Sekisui House's Initiatives for Sustainability

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Roundtable Discussion on ESG

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

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



Toshiya Chikada

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

Miwa Yamada

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

Atsushi Yoshida

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

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

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

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

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

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

promoting ESG management, it is very important to explain it in a way that is easily understandable, rather than simply disseminating our beliefs.

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

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

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

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

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

Yamada: In terms of forward-thinking initiatives, Sekisui House has always generated results effectively based on consideration of the essence of what must be done. In 2005, the Company began to actively hire female sales representatives as a management strategy. At that time,

a front-line workplace environment that made women feel comfortable had not yet been adequately established. However, management felt strongly that the Company would not grow without the active participation of women and has since led the improvement of support for work-life balance and the workplace environment, and continuing support tailored to the issues faced in each job type. As a result, we have fostered a corporate culture of respect for diversity, which has since led to more forward-thinking initiatives than at other companies. I regard 2005 as our first step toward diversity. The second step was in 2014 when not just women, but a greater range of diverse human resources started playing more active roles, and the third step was in 2018 when we started encouraging all eligible male employees to take childcare leave.

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

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

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

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

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

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

Chikada: The Environmental Subcommittee is conducting various initiatives with a long-term view to achieve carbon zero by 2050. We are particularly emphasizing reducing Sekisui House Group's CO₂ emissions at the stage of product use (during occupancy), which accounts for most of the Group's emissions. In other words, we are focused on promoting net zero energy houses (ZEH). ZEH contributes significantly not only to decarbonization but also to residents' comfort and the Company's business, making it a representative example of the ESG management many of our employees are already involved in. It is an easily understood example of ESG management, and it involves the entire Group. Since 2021, we have been focusing on decarbonization of suppliers. CO₂ emitted during the manufacturing of materials and components also accounts for a significant proportion of emissions. We have told our suppliers about this and have held study sessions to generate opportunities for them to work with us to decarbonize. As a result, the number of suppliers who have now obtained SBT* accreditation has increased. The initiative to decarbonize suppliers is also leading to other positive impacts. For example, since our suppliers do business with other builders, it is contributing to the decarbonization not just of Sekisui House, but the housing industry as a whole. Moreover, in 2021 we were able to quantitatively evaluate the contribution to urban biodiversity from our *Gohon no Ki* (five trees) Project. This project, which promotes the use of indigenous species in



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

Roundtable Discussion on ESG



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

Yamada: The initiatives of the Social Improvement Subcommittee are wide-ranging. We mainly deal with Company-wide issues that should be addressed cross-departmentally. To achieve health, connectedness and learning, which are factors for realizing the happiness

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

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

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

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

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

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

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

Editorial Policy

Editorial Policy

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

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

- Environmental report: The Environmental Reporting Guidelines 2018, published by the Ministry of the Environment
- CSR report: Guidance on Social Responsibility ISO 26000

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



[GRI Content Index / SASB Index / Recommended disclosures from the TCFD](#)

Report Content and Topic Boundaries

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

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

Third-Party Assurance

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

ESG Management Promotion Structure

ESG Promotion Committee

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

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

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

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

Main Agenda of the ESG Promotion Committee for FY2021

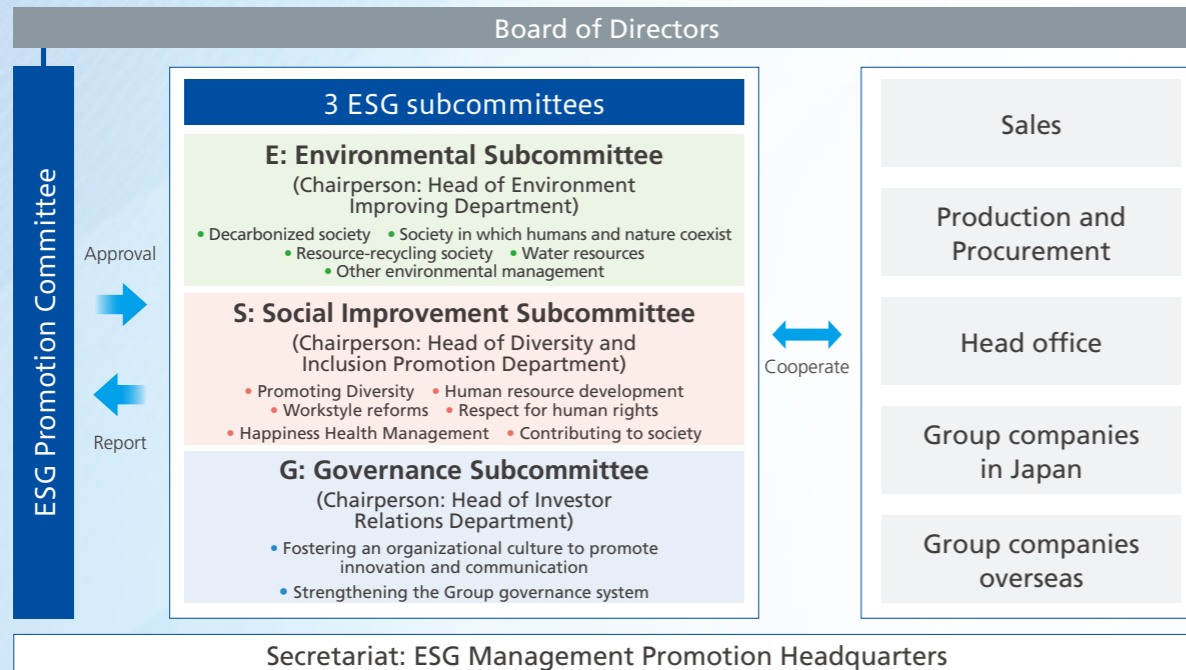
Schedule			Main agenda	
4th session	2021	May 26	<ul style="list-style-type: none"> • Report before the issuance of the <i>Integrated Report</i> and the <i>Sustainability Report 2021</i> • Initiatives for Governance Reform 	<ul style="list-style-type: none"> • Initiatives to improve external evaluations • Reform of the Sekisui House Matching Program, a joint donation system • Health management initiatives
5th session		July 13	<ul style="list-style-type: none"> • Creating a framework for an emergent organization • Report on the implementation of a Well-Being Survey for employees 	<ul style="list-style-type: none"> • Supply chain decarbonization initiatives
6th session		October 5	<ul style="list-style-type: none"> • Creating a platform for the participation of all employees • Report on the progress of the Happiness Health Project 	<ul style="list-style-type: none"> • Policy for creating information disclosure report 2022 • How to incorporate sustainability into management strategies
7th session	2022	January 12	<ul style="list-style-type: none"> • Systematization of dialogue participated in by all employees • Report on verification of the biodiversity effectiveness of the <i>Gohon no ki</i> Project • Report on the progress of the Happiness Health Project 	<ul style="list-style-type: none"> • Report on compliance with the revised Corporate Governance Code • Human rights due diligence initiatives and roadmap

ESG Management Promotion Structure

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

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

ESG Management Promotion Structure



Environmental Subcommittee

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

Social Improvement Subcommittee

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

Governance Subcommittee

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

ESG Management at the Sekisui House Group



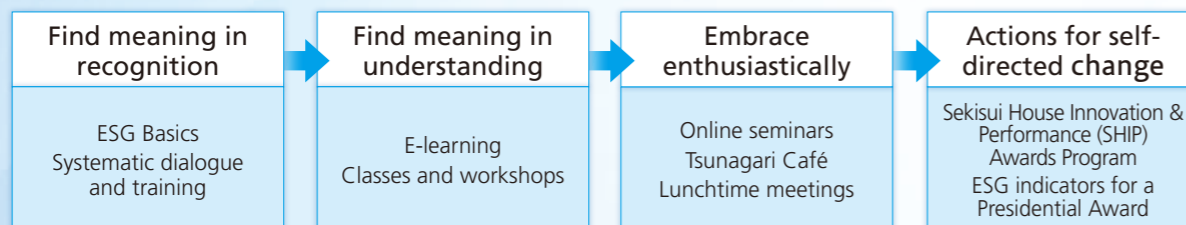
Three Elements of ESG Management Promotion

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

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

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

A Platform That Links Recognition and Action



ESG Management Basics: The Starting Point for ESG Implementation

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

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



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

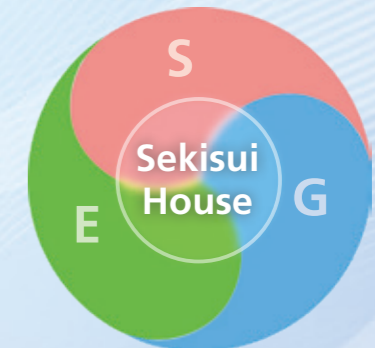
Implementing ESG dialogue, one of the ESG Basics, is an important initiative that creates opportunities for employees to recognize that what Sekisui House does as a company is but one facet of ESG management, and to internalize ESG as members of that company. We launched initiatives in October 2020 by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

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

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

Vision of ESG in Which Employees Take Part









An enterprise exists within ESG concept



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

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

Major Initiatives We Support

Name	Logo	Activities
United Nations Global Compact (UNGC)		An initiative advocated by the United Nations that requires companies to comply with and implement 10 principles addressing human rights, labor, the environment, and corruption. We joined in September 2018 and participate in a subcommittee of the Global Compact Network Japan (GCNJ).
RE100 Initiative		An international initiative of major companies around the world, pledging to use only 100% renewable energy in their business operations. We joined in October 2017, becoming the second Japanese company to do so.
TCFD Consortium		The Task Force on Climate-related Financial Disclosures (TCFD) is a framework for disclosing financial information on corporate climate change initiatives and impacts. The TCFD Consortium was organized by companies supporting the TCFD. We joined in July 2018, with an expression of support for the TCFD.
SBT Initiative		An evidence-based initiative requiring companies to adopt CO ₂ emissions reduction targets. We acquired certification in April 2018.
Japan Climate Initiative (JCI)		A network of non-governmental organizations encompassing enterprises, local governments, and organizations working actively on climate change countermeasures. We have participated in the network since its establishment in July 2018.
Japan Climate Leaders' Partnership (JCLP)		A group of corporations aiming to achieve a carbon-free society committed to sustainability. We joined in August 2016.
Global Alliance for Buildings and Construction (GlobalABC)		An organization of numerous companies, local governments, organizations, NGOs, and others aiming for zero emissions, high efficiency, and resilience in the fields of architecture and construction. We have participated since May 2016.
Japan Business Initiative for Biodiversity (JBIB)		An initiative of highly motivated companies committed to biodiversity conservation and sustainability. We have participated in this initiative since its beginning in April 2008.

Newly Joined Initiatives, etc.

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

Association with Government-led Initiatives

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

Association with Industrial Group-led Initiatives

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

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

E

Environment

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

E Contributing to a Decarbonized Society

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

Overview of Initiatives

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

Promote ZEH¹ through Green First ZERO detached houses

The largest proportion of the Sekisui House Group's CO₂ emissions, at 53%, is in the residential stage of supplied housing (Scope 3, Category 11). In order to reduce these emissions, we are working to promote ZEH, which is more effective in reducing CO₂ emissions. ZEH homes are also highly disaster resilient, with high thermal insulation performance for superior comfort, and solar power generation as standard equipment so that electricity is available even during power outages, allowing people to live with peace of mind amid an increasing number of natural disasters associated with climate change.

In FY2021, 92% of Sekisui House's detached houses were ZEH buildings.² This far exceeds Japan's overall ZEH ratio of 16.8%.³ In addition, the cumulative number of ZEH buildings we have constructed since the launch of this product

in FY2013 is 69,163 (as of March 31, 2022). The Japanese government's 6th Strategic Energy Plan, which was announced in 2021, sets the goals of having new houses built from 2030 meet the ZEH standard for energy efficiency and installing solar power generation equipment in 60% of new detached houses by 2030, both of which are targets that we have met.

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

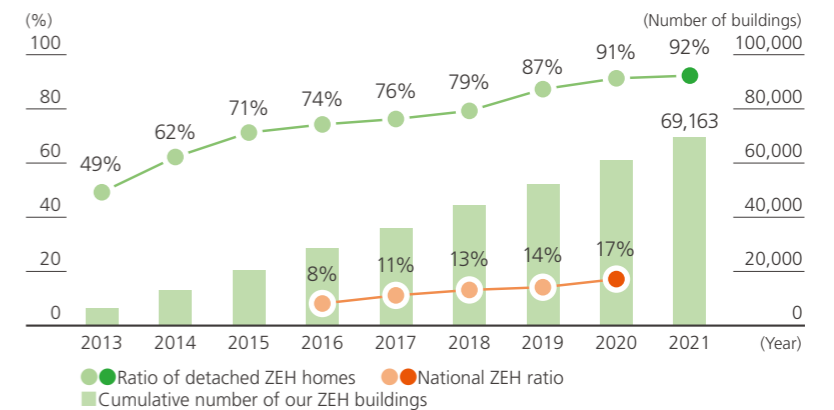
As for solar panels, our standard feature of proprietary tile-shaped solar panels allows us to install high-capacity panels, even on structures with complex roof shapes. Tile-based solar panels are inconspicuous when viewed from the outside, allowing for both ZEH and the beautiful appearance desired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

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

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

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

Growth in the Number of Detached ZEH Homes



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



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

Sekisui House proprietary tile-based solar power generation system

Contributing to a Decarbonized Society

• Disaster resilience of Green First ZERO

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

In 2004, Sekisui House Group became the first house builder in Japan to

launch an energy-saving, disaster-resistant house that can provide a week's supply of energy, water, and food so that people can remain in their homes in the event of a disaster. Green First ZERO+R is an evolution of this concept, further enhancing both the mitigation and adaptation required in response to climate change.

Going forward, we will continue to lead the housing industry by evolving Green First ZERO, and developing and spreading the value of ZEH, which contributes to the happiness of residents and society at large.

• Expansion to Group companies

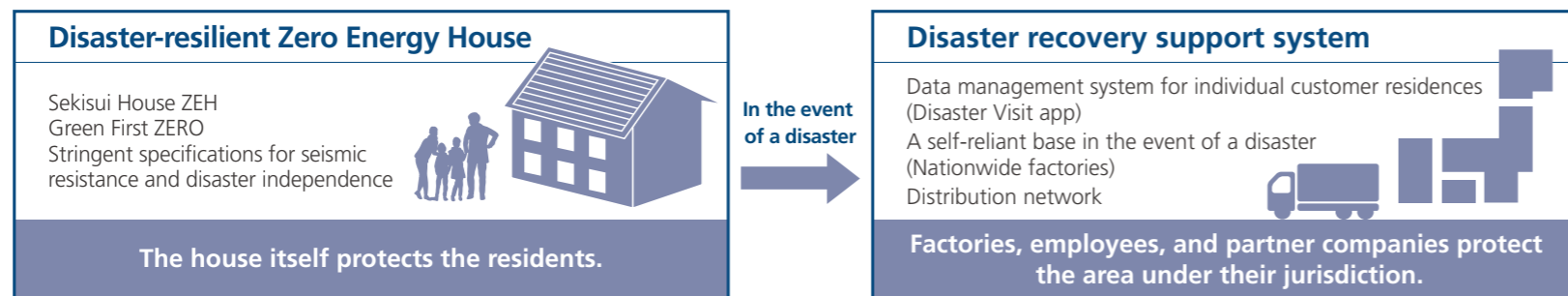
In order to expand our business domain in housing construction, our Group is working on conventional wooden housing in addition to our mainstay industrialized housing. While Group companies, Sekisui House noie and Sekiwa Construction are developing the noie brand and the *ki no ie* brand, respectively, the commitment to low carbon emissions through zero energy houses is common to all Group companies. In FY2021, 124 of the 490 buildings sold under the noie brand, and 16 of the 118 buildings sold under the *ki no ie* brand were ZEH. We are making efforts to match each of these brands, which propose simple and just-right home building, though means such as using third-party ownership schemes for solar power generation.

Promotion of ZEH in Sha Maison rental housing

Approximately 30% of the CO₂ emissions attributable to the residential sector in Japan come from multi-unit housing complexes. Out of this, rental housing accounts for a large fraction, at 23%. Therefore, the conversion of rental housing to ZEH is essential for decarbonization. We have designated ZEH in our rental housing brand Sha Maison as Sha Maison ZEH, and have been promoting its full-scale popularization since FY2020. In FY2021, we received orders for 8,501 ZEH dwelling units, which is more than twice the number in the previous fiscal year.

Two types of ZEH standards apply to multi-unit housing complexes: ZEH-M, which applies the net zero energy standard to the entire residential building, including common areas; and ZEH, which applies the net zero energy standard to the individual housing units.¹ In ZEH-M, although the entire building is zero-energy, the dwelling units are not necessarily ZEH. For this reason, from a resident-first perspective, we first work to promote ZEH in dwelling units where residents can enjoy the benefits of ZEH, including comfort and reduced utility costs. By making as many units as possible ZEH, we are working to popularize rental housing that also meets the ZEH-M standard as a result.

In order to promote ZEH in rental housing, which entails higher costs, it is also important to create business benefits for the owners. We believe that as we move toward a decarbonized society, the need for ZEH will eventually increase in rental housing, as well. ZEH in dwelling units, which present benefits for residents, will prevent occupancy rates and rents from declining, and should lead to long-term stable management. According to a survey we conducted in FY2021 among young people, who are the main users of rental housing, it was clear that they are familiar with the effects of climate change, and we were able to discern an ethical orientation among them, in terms of choosing to live in an environmentally friendly manner in order to stop it. Because this type of thinking is expected to increase in the near future, the conversion of rental housing to ZEH can be considered a good investment.



Contributing to a Decarbonized Society

In order to popularize Sha Maison ZEH, it is necessary to properly inform prospective tenants of the benefits of ZEH. For this reason, the role of an intermediary will be important. In FY2021, we established a ZEH Subcommittee consisting of members of each company of Sekisui House Real Estate, a Sekisui House Group company, to discuss how to recruit and manage tenants for Sha Maison ZEH, so that it can be properly operated as ZEH rental housing after construction. We are engaged in popularization efforts that utilize our Group's strengths, in which we appeal to owners, while Sekisui House Real Estate appeals to prospective tenants.

1. For a multi-unit housing complex, four types of ZEH standards are defined, depending on the difference in energy efficiency. ZEH is capable of reducing primary energy consumption by 100% or more on balance, while Nearly ZEH represents a reduction in CO₂ emissions of more than 75%, ZEH Ready represents a reduction of more than 50%, and ZEH Oriented represents a reduction of more than 20%. In addition, ZEH-M and ZEH differ in their definitions of evaluation targets, which are "residential building" for the former and "dwelling units" for the latter.



News release: Conducted a Survey on Residential Awareness of Global Warming Prevention Among People in their 20s and 30s
(Japanese only)

Promotion of ZEH in GRANDE MAISON condominiums

Starting with GRANDE MAISON Kakuouzan Kikuzakacho (Nagoya City, Aichi Prefecture), which was built in February 2019 and was the first condominium in Japan with all ZEH units, we are also promoting the ZEH standard for the condominium market. In FY2021, we completed four buildings incorporating 160 ZEH dwelling units, bringing the cumulative total to 192 dwelling units² in seven buildings. In FY2022, we plan to complete 4 buildings with 399 ZEH dwelling units, including a high-rise condominium, and expect to achieve the target of a cumulative total of 540 dwelling units under the 5th Mid-Term Management Plan.

In our condominiums, we design ZEH with an emphasis on livability, which is a benefit for the tenants. For example, large openings, which are an attraction of high-rise condominiums, are generally disadvantageous in terms of energy conservation. However, we have achieved both ZEH and comfort through innovations such as the use of vacuum double-glazed glass with

extremely high heat insulation performance.

The ratio of ZEH properties actually sold was 39.4% in FY2021. We plan to increase this ratio to 85% in FY2022, and 100% in FY2023.

2: ZEH Oriented dwelling units or higher



News release: All GRANDE MAISON Condominiums to Adopt ZEH-Specifications by FY2023
(Japanese only)



GRANDE MAISON Momochi 1-chome
(Fukuoka City, Fukuoka Prefecture)

GRANDE MAISON Shimizudai Owner's House



Promotion of ZEB for non-residential construction

Following detached houses and multi-unit buildings, we are promoting ZEB³ zero energy buildings in non-residential construction, as well. By clearly and concretely highlighting the benefits of ZEB at the time of proposal, the number of orders received and construction starts have been on an upward trend, especially for use as offices. In addition, the number of applications, such as for nursing care facilities and clinics, is also expanding, especially among businesses that are proactive in addressing environmental considerations and SDGs.

In FY2021, we released a proposal style called "Green First Office" for office buildings. We also completed construction of a nursing care facility with enhanced capabilities to address business continuity planning (BCP)⁴ and infection control measures, in addition to ZEB specifications. We completed 36 buildings, primarily for use as offices, for a cumulative total of 68 buildings.

Meanwhile, as an initiative to reduce CO₂ emissions in our business activities, from FY2021 we will begin to use ZEB for newly constructed offices owned by the Group, as a general rule. Five ZEB have already been constructed.

This initiative has the goal of using ZEB accounting for the majority of building orders in FY2025.

3. Net zero energy building, a building that aims for an annual primary energy balance of zero through energy efficiency and energy generation while providing a comfortable indoor environment
4. An emergency corporate survival plan or business continuity plan that makes strategic preparations to avoid an interruption of critical operations in the event of the materialization of risks such as a disaster. Since the Great East Japan Earthquake in 2011, such plans have been attracting attention, and as major earthquakes and large typhoons have caused a substantial amount of damage in recent years, an increasing number of companies and local governments have been strengthening their efforts.



Building site: Togane, Chiba Prefecture
Scale: 304.05 m², one story

Facility use:
Small-scale multifunction residential nursing care
ZEB rank: Nearly ZEB (76% reduction in emissions)
Solar power: 20.04 kW
Business continuity features:
solar power, storage batteries, V2H, hybrid water heater
Infection control measures: total heat exchange ventilation

Promotion of environment-based remodeling of existing houses

Sekisui House Remodeling proposes *Idocoro Dan-netsu* insulation remodeling with the emphasis on the living room, dining room, and kitchen, or where people spend most of their time. We focus on ensuring comfort over the long term in houses over 20 years old because they are not as well insulated as modern newly built houses. In FY2021, remodeling was implemented in a total of 1,338 cases, promoting decarbonization by reducing the air conditioning energy load, while improving the comfort of existing houses. In terms of equipment, we proposed replacing existing equipment with energy-efficient

Contributing to a Decarbonized Society

devices such as Ene-Farm. In addition to increasing the rate of self-consumption of surplus power by adding storage batteries to homes equipped with solar power generation systems that have reached the post-FIT period (end of the purchase period for the feed-in tariff system), thereby creating benefits in terms of utility costs, we are also promoting enhanced resilience by allowing people to use electricity for living activities, even during power outages associated with an increasing number of natural disasters due to climate change.

We are also focusing on SumStock, an initiative to promote the proper evaluation of the value of existing houses as well as their circulation, as part of our efforts to promote the decarbonized remodeling of existing housing. We believe that there will be more opportunities for investment in remodeling, if the value of existing housing is properly assessed.

The government's goal of reducing greenhouse gas emissions attributable to the residential sector by 66% by 2030 compared with the FY2013 baseline depends on decarbonizing existing housing, which requires a range of policy support in the future. Sekisui House has supplied more than 2.5 million housing units to date, and will promote the decarbonization of existing housing through remodeling proposals and the transfer of ownership for approximately 800,000 detached houses and 230,000 rental housing Sha Maison units that are more than 10 years old, while taking advantage of various types of support from the government.

» Page 130: Promotion of the SumStock quality housing stock system

Initiatives for housing in harmony with the environment

In addition to adopting the concept of "housing in harmony with the environment" in our product development, we remain focused on providing good housing and attractive cityscapes through the "Common's" cityscape evaluation system, reflecting these qualities in our development of custom detached houses, condominiums, and gardens.

Housing that combines global environmental conservation (low impact);

affinity with the surrounding environment (high contact); and amenities and a healthy living environment, can be certified as "in harmony with the environment" by the Institute for Built Environment and Carbon Neutral for SDGs. "Housing in harmony with the environment" is an initiative aimed at creating better housing through compliance with certification standards under CASBEE for New Detached Houses, part of the Comprehensive Assessment System for Built Environment Efficiency promoted by the Ministry of Land, Infrastructure, Transport and Tourism.

The housing provided by Sekisui House, including Green First ZERO, has the characteristics of "housing in harmony with the environment" that reduce the burden on the global environment and allow homeowners to live comfortable lives in harmony with the planet. Through this housing, we aim to contribute to the emergence of a society committed to sustainability in housing and community development.

CASBEE, the Comprehensive Assessment System for Built Environment Efficiency, has been adopted mainly in Japan's ordinance-designated large cities. Our CASBEE-certified personnel play a central role in promoting this initiative.

Percentage of energy-efficient homes

Sekisui House has been a leader in energy conservation in the housing industry by adopting insulated, double-glazed windows, sashes, and insulated aluminum sashes in 2000, by using next-generation energy-efficiency standards in 2003 as well as high-efficiency water heaters as standard in all detached houses in 2005, and by launching ZEH products in 2013. We are now taking the same approach in our rental housing, as well. As a result, as of FY2021, 98% of detached houses and 97% of rental houses meet the government's certification standards for low-carbon buildings (standards related to external skin and primary energy consumption). Sales of this energy-efficient housing account for 97% of the Group's total sales in the custom detached houses and rental housing businesses.

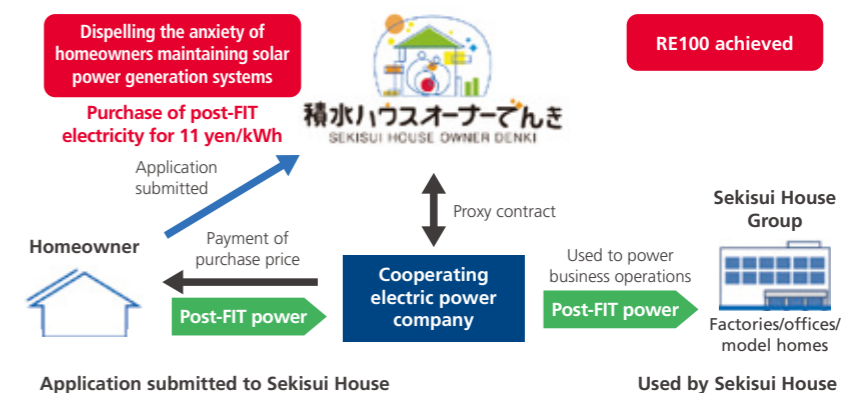
2 Decarbonization of Business Activities and Adaptation to Climate Change

Promote RE100 through Sekisui House Owner Denki

In 2017, the Sekisui House Group became the second Japanese company and the first company in the housing industry to join RE100, an international initiative aimed at decarbonizing business activities, and is working to replace power for use in our Group's business operations with power derived from renewable sources of energy (hereinafter, "renewable energy"). Generally, renewable energy is procured through the purchase of green power certificates and the installation of solar power generation systems. However, in addition to purchasing emission credits, we are also procuring surplus solar power from our customers under the post-FIT mechanism, through Sekisui House Owner Denki.

Because we were an early adopter of solar power generation systems in our houses, the annual amount of power generated by all of the solar power generation systems we had installed was estimated to be over 700 GWh at the start of the RE100 initiative, which was more than five times the 120 GWh annual power consumption of the entire Group at that time. Based on this, we estimated that we would be able to achieve RE100 in around 2040, if we could procure surplus power from 20–30% of our customers under the post-

Overview of Sekisui House Owner Denki



Contributing to a Decarbonized Society

FIT mechanism, and established it as a target. In actuality, we have been able to procure such power from roughly 50% of our customers, and expect to achieve RE100 in around 2030. The amount of renewable energy purchased in FY2021 through Sekisui House Owner Denki was approximately 36.5 GWh, accounting for roughly 33.5% of the Group's total power consumption.

In addition, Sekisui House Owner Denki also creates benefits for cooperating electric power companies by making large contracts for the Group's business-use power. This makes it possible to set the unit price for purchasing surplus power higher than the market price, leading to higher customer satisfaction. In addition, we expect to be able to achieve RE100 while controlling the cost of installing renewable energy.

Collaboration with suppliers to decarbonize the production stage

CO₂ emissions when purchasing finished and raw materials from the supply chain (Scope 3, Category 1) account for the second largest share of the Sekisui House Group's CO₂ emissions, at 35%. In FY2021, we began working with suppliers to reduce these emissions.

» Page 124: Reduction of CO₂ emissions at the components and raw materials procurement stages

Promoting 100% electrification of Company vehicles

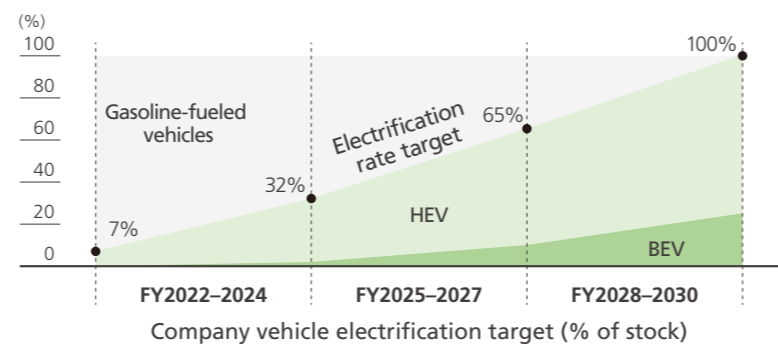
Company vehicles account for roughly 30% of the Sekisui House Group's CO₂ emissions. This reduction is a major theme for the realization of a decarbonized society.

Since FY2011, we have been working to reduce CO₂ emissions by sequentially installing "telematics*" in our commercial vehicles (approximately 11,000 vehicles), educating employees on safe driving and raising their awareness of eco-friendly driving, and replacing our vehicles. As a result, CO₂ emissions from business vehicles in FY2021 were reduced by 669 tonnes (2.4%) compared with the previous fiscal year. Compared to FY2011, we were able to achieve a significant reduction of 38.3%.

In addition, we are promoting the replacement and introduction of electric vehicles such as hybrid electric vehicles (HEVs) and battery electric vehicles (BEVs), and have set a target for the 100% electrification of Company vehicles by 2030, which currently stands at roughly 7%, and have begun initiatives to achieve this goal. As a start, the pilot introduction of BEVs was launched in February 2022. In addition to HEVs, which are being introduced at a rapid pace, we are actively working to introduce BEVs in-house, and by utilizing electricity derived from renewable energy through Sekisui House Owner Denki, we aim to further significantly reduce CO₂ emissions from Company vehicles, and contribute to the realization of a decarbonized society.

* Telematics is a system that provides information on vehicle operation, such as usage, fuel consumption and dangerous operation, using devices fitted in the vehicles and communication terminals.

Roadmap for Electrification of Company Vehicles



Office LED initiatives

The Sekisui House Group has been working to convert office lighting to LED since FY2018. In FY2021, at least 1,500 fluorescent lamps were replaced with LED (approx. 17,200 in total).

The annual amount of CO₂ emissions reduced as a result of this change is approximately 56 tonnes. The investment amount was 8.6 million yen, while the amount of cost reduction was 3.5 million yen, with an expected payback in 2.5 years.

3 Other Initiatives

Public policy collaboration on climate change in Japan

Through the Japan Federation of Housing Organizations, which supervises the housing industry, and the Japan Prefabricated Construction Suppliers and Manufacturers Association, we endorse practical policies such as tax incentives and the expansion of various subsidy programs to promote climate change mitigation in all aspects of buildings including housing, by the government, particularly the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment, and actively cooperate with or make recommendations to these entities.

Collaboration with international public organizations

In 2008, Sekisui House declared that it would aim for carbon-free operations by 2050; since then, we have been focused on promoting the adoption of net-zero energy houses. The United Nations Framework Convention on Climate Change (UNFCCC) has proposed that urgent action is needed to reduce carbon emissions from the building and construction sector, which accounts for about one-third of global energy consumption. An urgent need exists to achieve this objective with innovative buildings and construction methods.

Against this background, we joined the Global Alliance for Buildings and Construction (GlobalABC), which was established at the UN's COP21 conference held in Paris. We later participated in and submitted reports to the UN's COP22 conference held in Marrakech, Morocco, and at COP23 held in Bonn, Germany, we presented a paper at a ministerial meeting on SDG 11 advocating the development of sustainable cities. There, we introduced the rationale and background for the mass introduction of our net zero energy housing.

In conjunction with COP26, we participated in the international Race to Zero campaign for decarbonization organized by the UNFCCC, through our membership in the Business Ambition for 1.5°C organized by SBT (Science Based Targets). We will continue to work with experts from around the world to minimize CO₂ emissions from the building and construction sector.

Disclosure in Line with TCFD (Task Force on Climate-related Financial Disclosure) Recommendations

Governance

The Sekisui House Group has established the ESG Promotion Committee as a consultative body to the Board of Directors to determine and implement action policies while confirming that all ESG management initiatives are reasonable and in line with societal expectations. The committee meets once every three months. Climate change response is positioned as one of the important agenda items of this committee, which evaluates the appropriateness of action policies and progress, and reports important matters to the Board of Directors.

The Company-wide, cross-departmental Environmental Subcommittee reports to the ESG Promotion Committee. Mainly composed of head office department heads involved in environmental management and individuals in charge of environmental management in each business division, this subcommittee conducts more specific and detailed discussions. In addition, the Environmental Subcommittee broadly disseminates the decisions of the ESG Promotion Committee for adoption throughout the Group, including affiliated companies.

The ESG Promotion Committee ensures effective, timely management oversight by providing the director of the Board responsible for each business and other managers with routine reports and instructions on the implementation of ESG initiatives.

» Pages 98–99: ESG Management Promotion Structure

Corporate Governance System

Strategy

In order to make steady progress toward the overall decarbonization of business that the Sekisui House Group aims to achieve, to clarify the appropriateness of the Group's strategy and issues, various situations that may occur in the future are anticipated, and a scenario analysis is conducted while taking into consideration the specific circumstances of business activities and resources, as well as physical risks, including assumed business activities, duration, and the useful life of assets. We also evaluate transition risks based on potential scenarios for legislation, technology development, and market conditions, and identify and address climate-related risks (physical and transition risks) and opportunities for our business activities.

We have already completed risk assessments and adaptation plans for most of our businesses. However, since we have expanded our business into new areas, including M&As over the past few years, we are planning to address transition plans for all existing businesses based on their specific circumstances, by roughly 2025, in order to adapt to physical risks. In addition, we also intend to establish a system for early risk assessment and response for 100% of our new businesses in the future, and disclose the necessary information.

The scenario we are referring to is the 1.5°C scenario shown in Table 1. However, even if regulations are strengthened to achieve the 1.5°C scenario, it is possible that countries will not be aligned in their actions, resulting in a world as projected in the 4°C scenario, where climate change is even greater. For this reason, we must prepare for both scenarios simultaneously.

In FY2021, a new Japanese greenhouse gas emission reduction target of 46% compared to the 2013 levels by 2030 was set to achieve carbon neutrality, and based on this target, various medium-to-long-term approaches related to the housing industry were also set. For this reason, we have conducted a large-scale scenario analysis for all of our businesses and are reviewing our strategies. The potential financial impact of the major risks and opportunities identified through the scenario analysis, as well as our responses are shown on the next page.

The financial impact and assumed time period are defined as follows.

Financial impact / Large: 20 billion yen or more; medium: 10 billion yen or more; small: less than 10 billion yen
Assumed time period / Short term: up to 3 years from the present; medium term: up to 2030; long term: up to 2050

Table 1. Scenario Analysis Assumptions

Item	Assumptions
Reference scenario	Takes into consideration scenarios published by various international organizations, including IPCC SSP ¹ 1-1.9 (countries adopt ambitious climate policies to achieve 1.5°C or lower and net zero CO ₂ emissions by 2050), IPCC SSP 3-7.0 (CO ₂ emissions will not begin to decline even in 2050, resulting in high temperatures, heavy rainfall, storms, and other impacts), IEA SDS (the Paris Agreement and other targets will be achieved through the development of energy policies and investments; many countries and companies will achieve 2050 net zero), and NGFS ² (Delayed Transition: due to the slow introduction of new climate policies and different levels of action in each country, emissions will not begin to decline until 2030, and then move toward net zero), as well as announcements by the the Japanese government (NDC) and related councils, etc., such as "Reduce Japan's greenhouse gas emissions by 46% from the 2013 levels by 2030, with net zero emissions by 2050," "Reduce greenhouse gas emissions in the residential sector by 66% from the 2013 levels by 2030," "Ensure energy-efficiency at the level of the ZEH standard for new houses built in FY2030 and beyond," and "By 2050, popularize houses throughout the entire housing stock that can contribute to carbon neutrality." Our model for transition risk assumes that the IPCC SSP 1-1.9 and IEA SDS scenario of a 50% reduction in global CO ₂ emissions by 2030 and a reduction to zero by around 2050 will require government policies including a high carbon tax and a market transition to decarbonization. In addition, as stated in the NGFS* Delayed Transition scenario, continuing public and corporate initiatives to reduce CO ₂ emissions under existing governmental measures until 2030 is inconsistent with the 1.5°C scenario. Moreover, the best temperature increase estimate (°C), the IPCC SSP 3-7.0, states a 2.1 degree rise over the medium term (from 2041 to 2060). Along with other parameters, these figures have been used as assumptions for physical risk.
Subject companies and businesses	All existing businesses of the Sekisui House Group companies ² (including the entire upstream and downstream value chain).
Quantitative/qualitative	Mainly a qualitative analysis of all existing businesses of the Sekisui House Group. Quantitative estimates of financial impact amounts for particularly important opportunities and risks.
Impact of Japanese market size	The Sekisui House Group generates most of its sales in the Japanese market (about 85% of actual sales from February 1, 2021 to January 31, 2022). The Japanese housing market is expected to contract gradually due to the shrinking population, declining birthrate and aging population. While this trend is by no means insignificant, it has not been considered in this analysis, as the focus is climate change-related impacts.

1. Intergovernmental Panel on Climate Change and Shared Socioeconomic Pathways

2. Sekisui House and 335 consolidated subsidiaries. (as of January 31, 2022)

Table 2. Major risks, potential financial impacts, and responses

[Transition risk] Introduction of carbon pricing			
Impact	Carbon pricing has been widely adopted around the world. In Japan, the introduction of a carbon tax is being considered by the government, and may be introduced relatively soon.	Financial impact High	Assumed time Medium-term
Response	The Group as a whole and its suppliers have a long way to go in order to decarbonize their business activities in the medium term, and if a carbon tax or emissions trading unit price of around 10,000 yen/t-CO ₂ is imposed, the impact will be significant. We have already started a variety of initiatives throughout the value chain, including promotion of RE100, energy conservation in offices and production facilities, and reduction of CO ₂ emissions in the building materials manufacturing stage through collaboration with suppliers, and we intend to reduce this impact as quickly as possible.		
[Transition risk] Rising housing prices and a shrinking market			
Impact	In the long term, the new construction market itself may shrink as housing prices soar to comply with stricter regulations required for carbon neutrality, and as the number of houses with poor energy efficiency and seismic resistance decreases, and more high-quality housing stock is being passed on.	Financial impact High	Assumed time Long-term
Response	Because our efforts are ahead of the curve, the impact on regulatory tightening in the short to medium term is expected to be small. However, in response to further regulatory tightening in the long term, we will need to work systematically on the development of cost-competitive decarbonized housing. In addition, we intend to strengthen our supplied housing business, in preparation for the contraction of the new construction market.		
[Transition risk] Decline in rental business revenues due to market changes			
Impact	Managed properties that do not have sufficient decarbonization performance will lose competitiveness, leading to lower occupancy rates and rents.	Financial impact High	Assumed time Long-term
Response	We will strive to increase the ratio of ZEH units in managed properties and promote decarbonization remodeling of non-ZEH units, in order to maintain and increase the value of rental housing that appeals to renters.		
[Transition risk] Decline in rental business revenues from managed properties at a high risk of disasters			
Impact	In the event of a significant rise in temperature, an increase in river flooding and storm surges is expected in Japan. This could lead to a decline in occupancy rates and rents of managed rental properties in certain areas, such as low-lying areas and areas near rivers.	Financial impact Medium	Assumed time Long-term
Response	We recognize this as an issue, and are continuing to study this issue by checking government hazard maps and understanding the hazards in areas where construction is planned.		

[Transition risk] Costs required to decarbonize business activities			
Impact	In order to decarbonize our business activities, various costs will be incurred, such as converting business locations to ZEB, electrifying Company vehicles, and making production facilities energy-efficient.	Financial impact Low	Assumed time Medium-term
Response	The Company is systematically promoting decarbonization in all of its business activities, and the risk of incurring major costs that would affect its business is low at this point.		
[Physical risk] Damage to Company-owned assets due to weather-related disasters			
Impact	Nationwide weather disasters could damage assets owned by the Group (factories, office buildings and other business locations, production facilities, vehicles, etc.), making it impossible to continue operations and incurring significant repair or replacement costs.	Financial impact High	Assumed time Medium-term
Response	<p>The Sekisui House Group operates throughout Japan, with the exception of Okinawa Prefecture, and has already established a system that allows its business to continue through support from undamaged areas in the event of a disaster in some areas, including the head office functions. Such BCP measures for business continuity are properly managed by the Risk Management Committee, and are updated as necessary.</p> <p>The amount of damage to five factories in Japan was calculated based on the assumed inundation depths using river flooding hazard maps or internal flooding simulations, and it was found that for four of these factories, excluding the Hyogo Factory, there is the potential to suffer inundation damage. A more detailed analysis based on the IPCC RCP 8.5 scenario was conducted for the Kanto Factory, which is expected to suffer the most damage, and it has already been confirmed to be within the coverage of the insurance policy that is already in place.</p> <p>However, assuming an increase in the severity of natural disasters in the future and the simultaneous occurrence of large-scale disasters throughout Japan, our business is expected to suffer extensive damage, and we will continue to examine ways to strengthen our disaster resilience.</p>		
[Physical risk] Extension of construction periods due to climate change			
Impact	The frequency of supply chain damage and difficulties in obtaining construction materials will increase due to the intensification of disasters associated with climate change, as well as the increase in extremely hot days and heavy snowfalls. In addition, construction sites may be affected for the same reasons, and administrative costs may increase due to longer construction periods.	Financial impact Not calculated	Assumed time Medium-term
Response	Although the Company already has measures in place to decentralize the supply chain in anticipation of damage to supplier companies' factories and transportation routes, and to prevent heat stroke at construction sites, continued consideration is needed, in anticipation of an increase in the scale and frequency of natural disasters.		

Other risks

Before purchasing land for resale, we use hazard maps to conduct an analysis of possible risks. When constructing buildings such as condominiums, we also refer to hazard maps during planning to minimize the risk of damage. However, the impact of climate change is growing year by year, and the scale and frequency of natural disasters may increase. Therefore, the Sekisui House Group will continue to study how to deal with it.

Table 3. Major opportunities, potential financial impacts, and responses

[Major opportunity] Increase in ZEH/ZEB orders			
Impact	The Japanese government has set goals that include reducing greenhouse gas emissions in the residential sector by 66% compared with the FY2013 baseline by 2030, which positions ZEH and ZEB as key measures. In addition, demand for ZEH and ZEB is expected to increase in the future, as consumers become more ethical and businesses become more decarbonized.	Financial impact	Assumed time
		High	Medium-term
Response	The ratio of our detached ZEH homes exceeds 90%, and ZEH is already a standard specification. Currently, we are also beginning to actively promote ZEH in rental housing and condominiums. We will expand ZEH and ZEB orders for the entire Group by leveraging our track record of receiving the largest number of ZEH orders in Japan.		
[Major opportunity] Increase in rental business revenues by converting managed rental properties to ZEH			
Impact	The Japanese government intends to require ZEH-level energy efficiency in all new buildings constructed in and after 2030. In addition, ZEH conversion of rental housing will eventually become more common, so the need for ZEH rental housing could increase dramatically as consumers become more and more aware of ethical concerns.	Financial impact	Assumed time
		High	Medium-term
Response	Since the completion of Japan's first rental housing that meets the ZEH standard for all units in 2018, we have been working to promote ZEH units that can appeal to residents. The Company has already received orders for more than 10,000 units, and is preparing for a future expansion of demand for rental ZEH units, especially among ethical consumers.		
[Major opportunity] Increase in orders for decarbonization remodeling			
Impact	The government's goal of reducing greenhouse gas emissions in the residential sector by 66% compared with 2013 by 2030 requires energy-saving renovations to housing stock, suggesting a range of policy support measures. For this reason, orders for decarbonization remodeling are expected to increase.	Financial impact	Assumed time
		High	Medium-term
Response	Orders for insulation retrofitting, power generation, and storage batteries are on the rise as a result of customer requests and remodeling proposals. In particular, <i>Idocoro Dan-netsu</i> , a partial insulation improvement concept centered on residential areas, has been well received because the cost and construction period are a small burden for the customer. These remodeling proposals also highlight the point of enhancing disaster resilience. We will continue to promote remodeling proposals that are realistically feasible for widespread use.		

[Major opportunity] Reduction of RE100 promotion costs			
Impact	Achievement of RE100 is essential to the realization of a decarbonized society. However, procuring renewable energy usually entails significant costs.	Financial impact	Assumed time
		Low	Medium-term
Response	Through the Sekisui House Owner Denki initiatives, renewable energy power is procured at almost no cost. Considering the possibility of the electrification of business energy in the future, such as a shift to EVs for Company vehicles, the cost of electricity may increase with conventional procurement methods. The cost reductions achieved through the Sekisui House Owner Denki initiative can be utilized for other purposes, and can therefore be regarded as an opportunity.		
[Major opportunity] Decarbonization of the production stage			
Impact	In decarbonizing the entire value chain, efforts by suppliers to reduce emissions at the construction material manufacturing stage are fraught with difficulties.	Financial impact	Assumed time
		Low	Medium-term
Response	Since a high percentage of construction materials, such as exterior walls and frameworks, is produced in-house, it is easier to reduce greenhouse gas emissions from material production through planned technological development and capital investment than when relying on external procurement, thus reducing the impact of carbon taxes. The cost reductions are considered as an opportunity, because they can be leveraged for other purposes.		

Confirmation of the resilience of the Sekisui House Group's existing strategies

As a result of the review, the Sekisui House Group's strategy has already begun to address decarbonization and extreme weather events in all of its business activities, and it has been determined that no fatal impacts are currently apparent, either in terms of transition risk to a decarbonized society or physical risk due to climate change.

Risk management

As part of the Group-wide risk management process, the Sekisui House Group conducts assessments to determine climate change-related risks and opportunities based on TCFD recommendations.

Risks and opportunities are identified for the entire Group, led by the principal department of each business, and the results are aggregated by the Environmental Subcommittee, which conducts a financial impact assessment. Major risks and opportunities that are identified based on this process are reviewed by the ESG Promotion Committee, a consultative body to the Board of Directors, before being reported to the Board of Directors, which considers risk mitigation, transfer, acceptance, and control, as required. Furthermore, the results are shared by the Risk Management Committee, and reviewed and managed within the Group's overall risk management system.

» Page 169: Our risk management system

Indicators and targets

In 2008, the Sekisui House Group declared its Vision 2050, which aims to achieve zero CO₂ emissions from housing by 2050, and has already begun various initiatives to achieve a zero CO₂ emission balance in all business activities, including the use of renewable energy.

As a milestone toward achieving this goal, we aim to reduce our own CO₂ emissions in Scope 1¹ (direct emissions: own factories, offices, vehicles, etc.) and Scope 2 (indirect emissions: energy consumed by the Company, such as electricity), and Scope 3 (Category 11: use stage of housing supplied) by 50% and 45%, respectively, from the FY2013 levels by 2030, and this has been certified by SBT.² In addition, we plan to revise Scope 1 and Scope 2 reductions upward to 75% in order to limit global warming to 1.5°C.

In addition, as an RE100³ member company, we will convert to renewable sources of electricity for our business operations, adopting targets of 50% by 2030 and 100% by 2040. Various concrete measures have been initiated to achieve these targets, and progress is currently on track, with targets expected to be achieved roughly 10 years ahead of schedule.

1. Classification of CO₂ emissions according to the categories of the Greenhouse Gas Protocol.

2.  SBT

3.  RE100

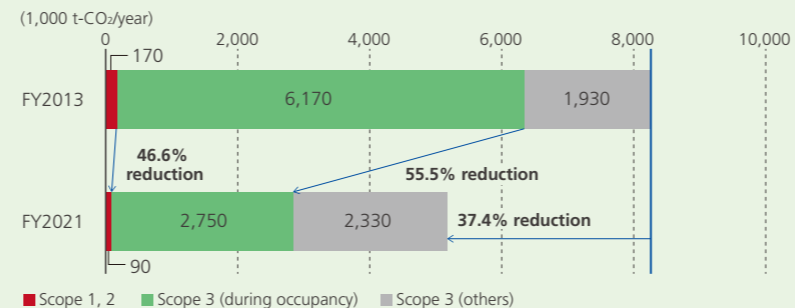
Future issues for the Sekisui House Group

As indicated thus far, the Sekisui House Group has already taken measures to address the anticipated risks from climate change, and does not expect any significant financial burden. However, in order to ensure that the Sekisui House Group continues to implement decarbonization management as it has in the

past, we will continue to monitor the major risk factors with significant financial impact that have been identified in this analysis and strengthen the necessary initiatives, while further quantifying risks and improving the accuracy of the analysis. As for challenges going forward, we believe that the mission of the Sekisui House Group is to further quantify and improve the accuracy of risks related to newly consolidated Group companies, and to contribute to the transition to a sustainable society.

In addition, climate change involves many uncertainties, so we need to gather a broad range of intelligence from outside the Group. In order for the Sekisui House Group to demonstrate leadership in the international community, we will further focus on stakeholder engagement through participation in various domestic and international initiatives, including the United Nations Framework Convention on Climate Change (UNFCCC) and the Global Alliance for Buildings and Construction (GlobalABC), of which we are the only member in the Japanese private sector.

Figure 1. Sekisui House Group Value Chain CO₂ Emission Reduction Progress



For comparability of emissions over time, we have added the FY2013 CO₂ emissions of Konoike Construction Co., Ltd, which became a consolidated subsidiary in FY2019, to the CO₂ emissions of the Sekisui House Group for FY2013, the baseline year of our value chain emissions reduction plan.

E Biodiversity Conservation

1 Governance

Participating in conservation initiatives

We have been an early participant in the global movement for biodiversity conservation. At the 9th Conference of the Parties to the Convention on Biological Diversity (COP9) in 2008, we were one of the nine major Japanese companies to sign the Leadership Declaration of the Business and Biodiversity Initiative.¹

As a founding member of this initiative, we agreed to the three objectives of the Convention on Biological Diversity (conservation of biodiversity, sustainable use of biodiversity components, and fair and equitable distribution of the benefits of genetic resources), and we continue to promote biodiversity conservation² under this policy as a priority focus of our business operations.

These initiatives are led and promoted by the Environmental Subcommittee, in cooperation with each department as well as domestic and overseas Group companies, based on the ESG management promotion system. We also ensure that all employees understand and are familiar with these initiatives through progress reports and feedback on issues and proposals for improvement.

» Pages 98–99: ESG Management Promotion Structure

- 1 [Business and Biodiversity Initiative: Leadership Declaration](#)
- 2 [Sustainability Vision 2050](#)

Biodiversity commitment

In our Sustainability Vision 2050 plan, we have set the goal, as a challenge for 2050, of maximizing ecosystem networks through business operations. We aim not only to achieve no net loss (to maintain the value of the ecosystem) but also become nature positive (to enhance the value of the ecosystem through our business operations). With this commitment, we remain focused on the *Gohon no Ki* Project, a landscaping and greening project that fully considers the ecosystem, as well as FairWood sustainable wood procurement.

» Page 122: FairWood procurement and Wood Procurement Guidelines

The *Gohon no Ki* Project, an eco-friendly landscaping and greening project

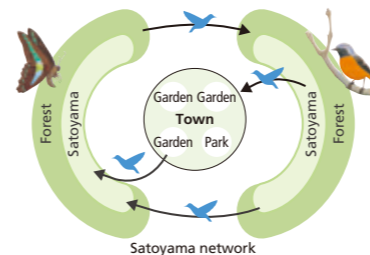
As Japan's largest landscaping company, planting one million trees nationwide annually, we are responsible as a house builder supplying many houses to conserve biodiversity through our housing products. Since 2001, we have been implementing the *Gohon no Ki* Project, a landscaping and greening project that takes the ecosystem into consideration.

The *Gohon no Ki* ("5 trees") Project is based on the approach that "three trees are for birds, two trees are for butterflies, and all are local native tree species." The *Gohon no Ki* Project proposes 288 local tree species beneficial to birds and butterflies for use as garden trees.

In addition to biodiversity conservation, we are making proposals that encompass benefits to living creatures that visit gardens and the effects of garden trees. One of the goals is to maintain and revive the ecosystem network (nature positive) by increasing the amount of high-quality green space in urban areas and by supporting the habitats and activities of fauna with residential gardens created under the *Gohon no Ki* Project. Ecosystem networks enrich the biodiversity of local regions in all countries, creating places where residents can enjoy wildlife and the richness of nature at the same time.

Due to the cooperation of many customers who have endorsed the philosophy of the *Gohon no Ki* Project, the number of plantings per year, including those that are part of the *Gohon no Ki* Project, was 1.01 million in FY2021, and the cumulative number of plantings since the start of the project in 2001 reached 18.10 million.

- 3 [Gohon no Ki Project](#) (Japanese only)



2 Strategy

Eco-First Promise

Sekisui House was certified as an Eco-First Company by the Japanese Minister of the Environment in June 2008 for making three promises (Eco-First Promise)—global warming prevention, ecosystem preservation, and resource recycling. We have been conducting environmental activities with a view to fulfilling these promises. In FY2012 and FY2016, we updated our Eco-First Promise within the broad frameworks of the three promises while incorporating changes in the social environment and the progress in our initiatives. In 2020, we updated our commitments and are continuing to expand our efforts.

[Eco-First Promise](#)

Urban Development Charter

In 2005, we developed the Urban Development Charter to fulfill our responsibility as a housing manufacturer for the future. This charter summarizes once again the range of expertise we have cultivated as part of our urban development initiatives that adhere to the concept of sustainability. Based on our four types of value (environmental, economic, social, and value for residents), we have adopted four perspectives: environmental management, economic management, town management, and lifestyle management. We are continuing to promote urban development, while considering our Basic Urban Development Policy and 24 specific guidelines.

[Urban Development Charter](#)

Biodiversity Conservation


3 Risk Management

Exposure to biodiversity risks and biodiversity assessments

We get approximately 250,000 m³ of wood annually from building materials manufacturers. For this reason, we have positioned the impact on biodiversity in logging areas as an important risk for business continuity, and have declared the goal of zero deforestation to avoid this risk. Guided by this declaration, we conduct an annual survey of our major suppliers looking into the status of the wood supplied to us to determine if any risks exist. We use our own Wood Procurement Guidelines, which include biodiversity assessments. The survey results are disclosed in a report and managed as a KPI to minimize risks related to biodiversity through a PDCA cycle.


In addition, for buildings on land owned by us for business operations, such as prefabricated housing for sale, we acquire land—after confirming compliance with laws and regulations, including those related to biodiversity—from the land developers who are responsible for development. In addition, we avoid developing in areas in close proximity to critical biodiversity.

 [10 Wood Procurement Guidelines](#)

 [Page 123: Biodiversity commitment](#)

4 Indicators and Targets

▶ Please see Section 7 for details.

 [Page 173: Environmental Data ①](#)

5 Initiatives and Other Related Information

Urban greening

Big data on biodiversity has revealed the effectiveness of the *Gohon no Ki* Project, and urban greening is becoming increasingly important, as we work to further promote being nature positive in the future. In urban areas, where green space is limited, it is important to create high-quality green space. We have been

providing quality green spaces that are highly effective at conserving biodiversity through the *Gohon no Ki* Project, which focuses on local native tree species.

We will propose better quality green spaces by quantitatively assessing biodiversity using big data and through quantitative assessments for cohesive green spaces in urban areas.

Evaluating effectiveness quantitatively by using big data on biodiversity

In 2019, to conduct a comprehensive evaluation of small green spaces scattered across Japan that could not previously be assessed, we started a joint verification—with the Kubota Laboratory in the Faculty of Science of Ryukyu University—to analyze the effectiveness of quantitative assessments of biodiversity conservation from a macro perspective. It became possible in 2021 to quantitatively express the effect of the *Gohon no Ki* Project on biodiversity after using the big data on biodiversity from Ryukyu University in addition to other data on the number, species, and location information of trees planted by the Company. Data on the effect included the number of bird and butterfly species that are being attracted to residential areas. We also quantitatively evaluated the effectiveness of restoring biodiversity in the three metropolitan cities (Kanto, Kinki, and Chukyo). We determined an integrated diversity index and conducted simulations up to 2070 for assessing the effect if the *Gohon no Ki* Project was continued.¹ The results showed that the *Gohon no Ki* Project can contribute to the restoration of biodiversity, and that the effect can be further amplified by intensifying the project in the future. We will widely disclose not only the results of these assessments, but also the expertise we have accumulated through our activities over the past 20 years, and will continue to work with many companies and individuals to promote being nature positive.²

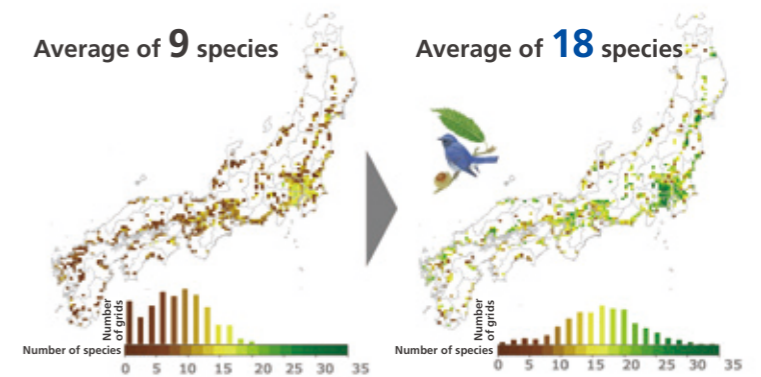
¹  [News Release: Working with Customers for 20 Years to Conserve Urban Biodiversity with the *Gohon no Ki* Indigenous Landscaping Concept](#)

²  [The Nature Positive Methodology](#) (Japanese only)

Results of big data analysis: Effect on birds

Gohon no Ki has the effect of attracting nearly **twice** as many bird species to residential areas

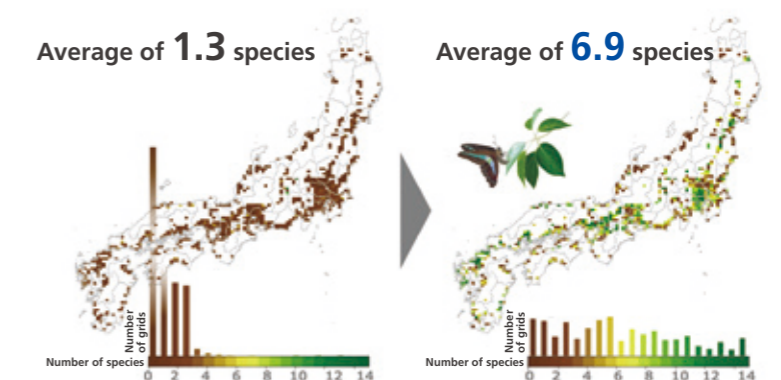
Without the *Gohon no Ki* Project Effects of the *Gohon no Ki* Project



Results of big data analysis: Effect on butterflies

Gohon no Ki has the effect of attracting nearly **five** times as many butterfly species to residential areas

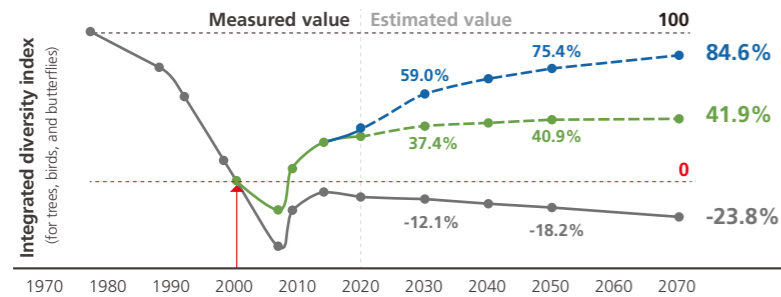
Without the *Gohon no Ki* Project Effects of the *Gohon no Ki* Project



Biodiversity Conservation

Quantitative Evaluation of Being Nature Positive

Simulation of changes up to 2070 in three metropolitan areas (Kanto, Kinki, and Chukyo) where green space degradation is significant



* Based on the year 2000, just before the Gohon no Ki Project set as the zero level, with 1977, the year that national land use data became available set as 100

— When the Company and other companies implement initiatives similar to the Gohon no Ki Project
— When the Company implements the Gohon no Ki Project
— When the Gohon no Ki Project is not implemented

Urban biodiversity: Enrichment of lives achieved through the Gohon no Ki Project
(Video from a forum held on November 26, 2021) (Japanese only)

Expectations for corporate green space and OECM that can contribute to biodiversity

On the north side of the Umeda Sky Building in Kita-ku, Osaka, where the Company is headquartered, we prepared the Shin-Satoyama Garden covering 8,000 m². This garden was renovated in 2006 with more than 500 trees based on the principles of the Gohon no Ki Project. We planted native Japanese tree species and more than 200 species of shrubs and flowers to create thickets. In the belief that a variety of spatial shapes supports the richness of an ecosystem, we provided terraced rice paddies and fields to reproduce a satoyama, the disappearing native landscape of Japan, in the city center.

The growth of a wide variety of plants has increased the amount of greenery, and many creatures such as more than 40 species of wild birds and more than 20 species of butterflies have settled and grown in the garden. The arrival of birds of prey, which is rarely seen in the city, has also been confirmed. Instead of employing the conventional consumption-type management approach of removing weeds and fallen leaves immediately, natural low-load

circulation-type management has been adopted for the satoyama to enrich the soil organisms and broaden the food chain. So, we have essentially created a green space where many creatures can now thrive.

In 2013, we completed the “Wall of Hope,” a huge greening monument on the east side of Shin-Satoyama measuring 9 meters high and 78 meters long that was completed at the initiative of the renowned architect Tadao Ando. In order to function as a model for vertical spatial greening that is expanding in the city, we covered the green wall with more than 20,000 colorful plants of about 100 species, focusing mainly on the tree species selected for the Gohon no Ki Project. By systematically arranging plants with different flowering times and colored leaves, we arranged it so that visitors could enjoy the varied appearance of the garden as it changes with the four seasons. The Shin-Satoyama project has become familiar to office workers as a place where one can experience the true value of this ecosystem.

Other effective area-based conservation measures (OECM) are the key to achieving the international pledge to protect 30% of the planet by 2030, now being considered a major objective of the post-2020 global biodiversity framework. Shin-Satoyama, which is based on the Gohon no Ki Project, is a good model for corporate green spaces with a high impact on biodiversity conservation.

Promoting greening and environmental conservation in condominiums for sale and urban development projects

In the condominium for sale segment, we are utilizing the principles of the Gohon no Ki Project for the exterior. Our GRANDE MAISON condominium brand is focused on greening; its business highlights the goal of increasing the target green coverage ratio, which represents the ratio of the planted area to the site area, to a minimum of 20%. The average green coverage of 15 condominiums completed in FY2021 was 24.9%, representing green coverage of 10,198.85 m².

The area surrounding multi-unit buildings such as condominiums for sale



Shin-Satoyama and the Wall of Hope viewed from the west side

also functions as a place for residents to interact with each other. The abundance of greenery soothes the spirits of residents and enhances the value of the condominium.

In 2019, the EGOTANOMORI Project (Nakano-ku, Tokyo) received the MLIT Minister’s Prize in the Category of Green Business Activities of the Green City Awards sponsored by the Organization for Landscape and Urban Infrastructure. The EGOTANOMORI Project has received numerous awards, as efforts to enhance the environment using greenery, improve the landscape, and revitalize local communities have received high praise.

Page 135: EGOTANOMORI Project

Green City Awards

Urban development under the concept of *keinen bika*, or cityscapes that grow more attractive over time

Since 1977, we have been working on community developments under the names “Common Life” and “Common City.” Designed with an awareness of the connections between neighbors and communities, and with lavish shared plazas and streets as symbols, they offer a richer life and a townscape that will grow more attractive over the years under the concept of *keinen bika*. This approach also leads to beautification and is highly appreciated by the local residents.

Since launching the Gohon no Ki Project in 2001, we have been promoting urban development that emphasizes the quality of greenery, keeping in mind the planting of native species in consideration of a healthy ecosystem. In 2005, we established the Urban Development Charter, which outlines our varied expertise such as the Gohon no Ki Project, which was cultivated as part of our urban development efforts with adherence to the concept of sustainability.

Urban Development Charter

Skyrail Town Midorizaka, Hiroshima City



Photo from 1997

Photo from 2009

E Resource Recycling

1 Governance

Under the ESG Promotion Committee, our Group set up a Resource Recycling Task Force within the ESG Management Promotion Headquarters to build and administer a system for resource recycling for the entire Group. To maintain advanced resource recycling procedures, we created the Sekisui House Zero Emissions system based on the Wide Area Certification System. We also set up our own facilities, called Resource Recycling Centers, to consolidate waste generated at construction sites and ensure reliable recycling. To support this system, we created a waste sorting guide for resource recycling as well as guidelines that set out the criteria for selecting recycling companies. We are distributing information on these measures to our employees and partner building contractors, and we have developed and operate our own waste collection and waste measurement systems. By doing this, we are centrally managing all processes from waste generation to recycling.

In addition to using recycling methods, we also coordinate related resource recycling activities that help develop a circular economy, including through our product development and manufacturing departments.

2 Strategy

Resource recycling guidelines

Our basic guideline is to sustain an advanced resource recycling system based on the Sekisui House Zero Emissions system.

Basic Policy for Zero Emissions

1. This system is designed to control waste generation throughout the entire supply of prefabricated housing by analyzing the state and nature of waste generation and continually providing information useful for reducing waste during design, production, and construction.

2. This system not only establishes standards for treatment consigned to others and ensures effective treatment contracting based on those standards, but the system must also be able to withstand future improvements in social standards.

[Priority items]

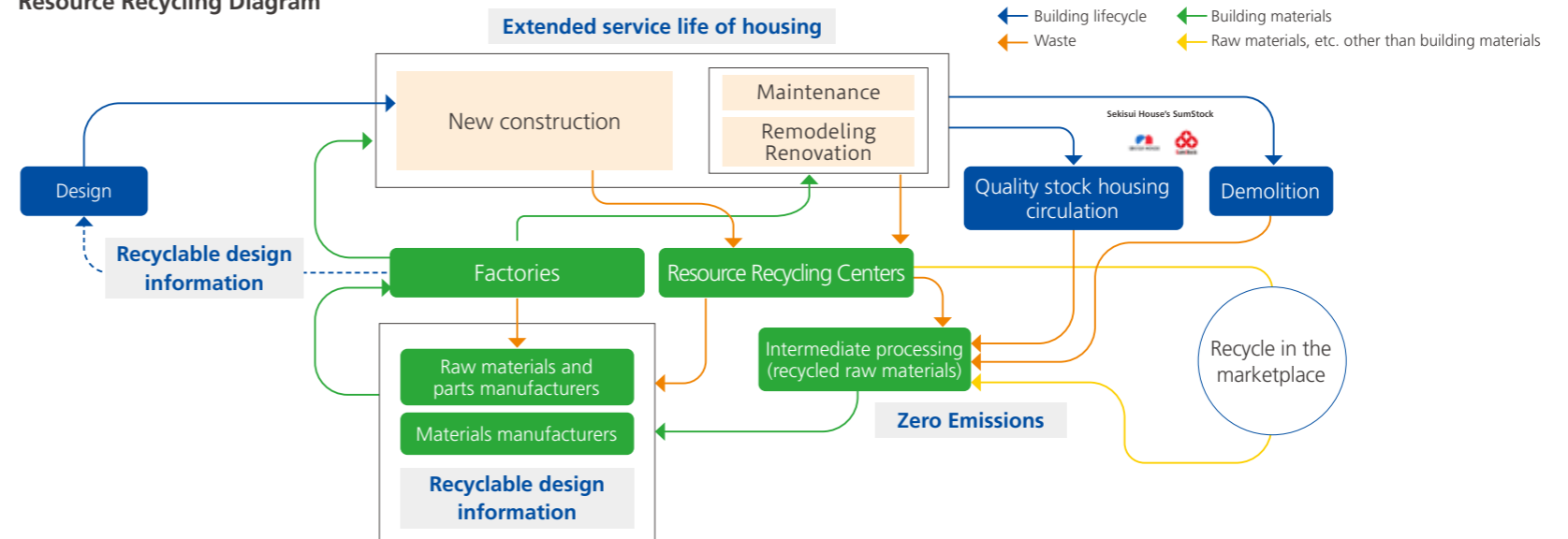
- Ensure effective recycling processes
 - Ensure traceability
 - Implement complete sorting of waste within the Company
3. The principle of operation follows the Wide Area Certification System as a basis for fulfilling the above norms.

Measures and commitments for resource use

The Group implements measures for resource use according to purpose.

1. Zero Emissions from waste generated at construction sites
We are working to make effective use of recycled resources, with a focus on material recycling.
2. Measures to extend the service life of housing
We have established a multifaceted system for improving durability, provided after-sales service according to the lifecycle of housing, and developed a remodeling business in order to ensure that houses and other buildings, which represent societal assets, are used for the longest possible time. In this way, we are contributing to the use of resources in existing buildings.
3. Commitment to using recycled resources
We intend to realize a circular economy through advanced research and development on new building materials made from recycled raw materials.

Resource Recycling Diagram



Resource Recycling

Measures and commitments for handling waste

• Controlling waste generation

We have focused on the development of systems intended to control waste generation. We analyze the amount of resources invested in product supply as well as the status and nature of waste generated during the manufacturing and construction processes. We also continuously improve the system that provides information useful in reducing waste in the processes of design, production, and construction.

• Utilizing waste

We will establish recycling standards for the waste we generate and ensure proper recycling in accordance with these standards. Moreover, we will continue to pursue recycling technologies that are economically feasible while further contributing to the emergence of a society committed to resource recycling. We will pursue these goals in collaboration with our partner companies including material manufacturers, production and construction companies, intermediate processing companies, and demolition companies.

3 Risk Management

Responding to resource recycling risks

When formulating the Sekisui House Zero Emissions system, the Group focused on building a system that takes into account certain risks in resource recycling, such as disguised recycling and illegal dumping. In addition to selecting recycling companies based on the guidelines from our selection criteria, we periodically inspect treatment centers, manage consignment contracts and waste management manifests every day through a centralized in-house management system, and we perform operational audits. Through these efforts, we are working to minimize (avoid) potential risks. A dedicated department at the head office is ready to take immediate action in the unlikely event that a potential violation of laws and regulations is detected.

4 Indicators and Targets

Zero Emissions in business units

• Boosting measures through the Wide Area Certification System

House construction requires a significant input of resources. We are involved in the entire lifecycle of a house from producing material in our factories to demolition work, and from 2002 to 2007 we succeeded in achieving Zero Emissions* in four of our divisions (material production, new construction sites, after-sales maintenance, and construction sites for remodeling our own properties). Since then, we have maintained this achievement as we continue to operate with consideration for the quality of our recycling efforts. One reason we were able to lead the industry by achieving Zero Emissions over successive years was our use of the Wide Area Certification System, which is a special feature of Japan's Wastes Disposal and Public Cleansing Act. In 2004, we were the first in the Japanese construction industry to gain this certification, and we have since managed to expand our Zero Emissions efforts through this system.

In 2019, a joint application including all 17 Sekiwa Construction companies at the time was approved, and we are currently preparing a joint application with Sekisui House noie. Through these efforts, we intend to further expand and strengthen the resource recycling system of the entire Group, envisioning the completion of our recycling-focused business.

In addition to targeting Zero Emissions backed by our long product service life, we are also working toward Zero Emissions in the real estate leasing business, with Sekisui House Real Estate Holdings, Ltd. playing a central role. Its current policy is to promote Zero Emissions of waste (mainly from interior materials such as fabrics and cushion floors) generated during repair work when tenants vacate dwellings of Sekisui House Real Estate companies, which are the rental housing management for Sha Maison rental housing constructed by the Company.

* Related to simple incineration of industrial waste and zero landfill disposal

History of Our Zero Emissions Initiatives

May 2002	Zero Emissions certification of factory production
September 2004	Wide Area Certification (an industry first)
April 2005	Sustainable Declaration
July 2005	Zero Emissions certification of new construction sites (an industry first)
March 2006	Zero Emissions certification of after-sales maintenance construction sites (an industry first)
October 2007	Zero Emissions certification of remodeling construction sites (an industry first)
October 2009	The Prime Minister's Prize for the 3Rs (Reduce, Reuse, and Recycle) Promotion Merit Awards for achieving Zero Emissions in four categories: factory, new construction, after-sales maintenance, and remodeling.
November 2010	The national launch of next-generation Zero Emissions system incorporating IC tags at new construction sites, the first in Japan
January 2017	We updated our unique Electronic Management System, developed simultaneously with Wide Area Certification, with systems incorporating cloud computing. The new system replaced IC tags with QR code labels, and began operations.
May 2017	Switch to a new system closely linked to the residence information database, Sekisui House's version of big data
February 2019	A joint application was accepted for Wide Area Certification by Sekisui House and all 17 Sekiwa Construction at the time, including for new houses built by Sekiwa Construction.

Resource Recycling

• Our Recycling Centers : The heart of our Zero Emissions initiative at new construction sites

One of the unique characteristics of our waste collection system in the Sekisui House Zero Emissions System, under the Wide Area Certification System, is our in-house facilities called Resource Recycling Centers. These facilities, which have been in operation at our production facilities across Japan since 2003, serve as the heart of our Zero Emissions efforts at new construction sites. These centers manage a number of processes, from allocating waste collection vehicles to supervising outsourced recycling companies.

All our waste generated during new construction is first sorted into 27 categories at the site, then re-sorted into 60 to 80 categories at our 21 Recycling Centers nationwide. All this waste is eventually recycled by our own hand. By disassembling components into materials of a single type and reducing their volume through compression and heating, we can put these materials into a recycling stream handled partly by external contractors.

Regarding plastic, which has become a particular problem in recent years, this material is collected and recycled at a 100% rate (of which about 95% involves material recycling) since the introduction of Zero Emissions at our new construction sites in 2005. In addition to sorting plastics by type, we subdivide sorting categories according to the requirements of recycling facilities, such as the degree of soiling, in an effort to maintain a high standard of recycling.

Results for Resource Recycling Centers and In-House Facilities

(FY)		
2019	2020	2021
100% recycled	Same as left	Same as left

• Our waste measurement system

Securing traceability related to the proper disposal of construction waste is of the utmost importance not only to demonstrate responsibility for proper treatment and recycling of waste, but also for promoting recycling business models such as streamlined construction. We have been proactive in introducing information and communications technology, starting with the trial of a waste measurement system using IC tags in 2007.

In 2017, we updated our proprietary Electronic Processing System for waste collection into a cloud-based system in order to respond flexibly to requests for enhancement of electronic system functions for waste management. We now operate a waste measurement system that utilizes current QR codes. This is an innovative system that accurately monitors the situation at the time of disposal, aggregates and analyzes data from each building, and monitors the total disposal amount and the disposal amount by type of waste in real time.

By feeding back the detailed data analyzed in this way for product development, material design, production processes, and construction processes and the like, it is possible to promote the more effective use of resources. Since 2019, the utilization rate of the waste measurement system has been 100% on a business site basis.

Waste Measurement System Utilization Rate

(FY)		
2019	2020	2021
100%	Same as left	Same as left

5 Activities and Other Related Information

Reducing the volume of waste and improving the quality of recycling

We continue to reduce the amount of waste generated at our production and construction sites. In FY2021, we reduced the amount of waste generated from factory production by 23.7%, compared with the previous fiscal year.

Although the amount of waste generated per newly built house decreased by nearly 60% compared with FY1999 levels as a result of our Zero Emissions initiative, in recent years the proportion of houses with high environmental performance and high input of materials has increased. This trend continues to show a slight increase.

However, with the recent global trend emphasizing a “circular economy,” greater importance is being placed not only on reducing the amounts of waste generated, but also on designing the entire business around an effort to improve the quality of recycling. In light of this trend, we have been improving our construction methods by incorporating feedback from reviews of our structural building and construction techniques. We are doing so by utilizing the strengths of our in-house production facilities and by adopting direct construction, which is not based on the agency method.

Moreover, by practicing thorough sorting in order to sort, categorize, and process waste to meet the exact needs of recyclers, we are contributing to a higher quality of recycling.

At the same time, we are conducting research on our attainment of an 81.6% recycling rate in FY2021 with the aim of reaching 90% of our Zero Emissions goal during the production, construction, and maintenance phases.

Resource Recycling

Waste Generated by Factory Production

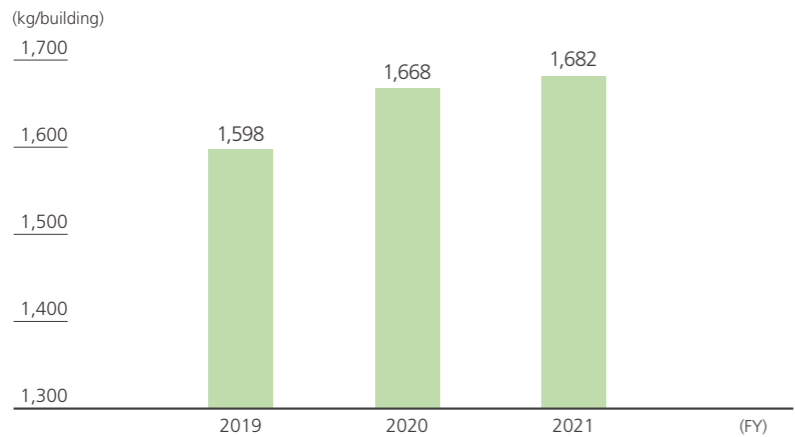
(FY)		
2019	2020	2021
11,841 t	9,301 t	7,897 t

Note: We revised the scope of the survey in FY2021, and revised data for FY2019 and FY2020 in response. The weight of valuables is not included.

Weight/Cost of Manufacturing (kg/thousand yen)

(FY)		
2019	2020	2021
0.449 kg	0.410 kg	0.313 kg

Waste Generated per Newly Built House



* Equivalent to 145 m² of floor area

Recycling initiatives

We continue to reuse waste generated in-house as a raw material as building materials in our buildings. For example, we manufacture house construction materials from plastics recovered from packaging materials and an acoustic insulation material from crushed scrap roof tiles as sound deadening materials for floors. In addition, at the manufacturing and processing facilities located at two recycling centers in Japan, scrap plasterboard collected from new house construction sites and eggshells from food processing factories are mixed and crushed into a powder. This produces Platama Powder, an athletic field marking chalk, which we have manufactured and sold since 2010. This initiative has enabled us to establish a new commercial distribution channel and a system for continual recycling by regularly purchasing eggshells for value, previously thrown away as food waste.



Platama Powder, an athletic field marking chalk that poses no risk to human health

Eco Mark

E Water

1 Governance

The water consumption for the entire Group, including production facilities and offices, is monitored and used as base data for the effective use of water resources and for controlling and reducing water use. The total water withdrawal in FY2021, including clean water, decreased by 0.6% compared with the previous fiscal year.

In particular, we established a management system under ISO 14001, international standard for environmental management systems, at our factories and are promoting water-related initiatives through production facilities.

2 Strategy

Wastewater from all five factories in Japan is discharged into public sewers and rivers, after being purified at the effluent treatment plant in the factory, and then managed according to voluntary standards that are stricter than the Water Pollution Control Law and ordinances. In this way, we are striving to prevent water pollution and protect the environment for water quality in the areas surrounding our factories.

3 Risk Management

We share the results of wastewater quality assessments at all five factories in Japan. In the unlikely event that our voluntary standards are exceeded, we share the information on water pollution risk at a managers' meeting to help prevent any recurrence.

4 Indicators and Targets

Targets for reducing water consumption and water withdrawal in water-stressed areas

We will work to reduce water consumption and address water risks in the watersheds at our production facilities with relatively high water consumption. In our factories, we will determine water risks using water risk assessment tools and other equipment, then collaborate with local stakeholders to reduce water withdrawal according to regional characteristics.

Targets and Progress toward Reducing Water Consumption

Targets	2019	2020	2021
Manage the water quality of factory effluent using voluntary standards that are stricter than the regulated values of laws and ordinances, and strive to prevent water pollution.	Satisfied voluntary standards for wastewater discharge that are stricter than laws and ordinances.	Same as left	Same as left

Targets and progress toward raw material (water) reduction or prevention

The Company does not use water as a raw material.

Water Withdrawal by Water Source (Millions of m³)

	2019	2020	2021
Municipal water	0.634	0.597	0.598
Groundwater	0.446	0.462	0.457
Industrial-use water	0.032	0.024*	0.022
Total	1.112	1.083	1.076

* Data has been adjusted to reflect improved accuracy.

Water Use Per Sales (m³/million yen)

	2019	2020	2021
Water use per sales	0.454	0.443	0.416

Emissions by Discharge Destination (Millions of m³)

	2019	2020	2021
Sewers	0.455	0.443	0.472
Rivers	0.342	0.345	0.302
Total	0.797	0.788	0.774

Water Withdrawal by Water Source (Production Facilities in Japan) (Millions of m³)

	2019	2020	2021
Municipal water	0.140	0.130	0.134
Groundwater	0.446	0.462	0.457
Industrial-use water	0.032	0.024*	0.022
Total	0.618	0.617	0.612

* Data has been adjusted to reflect improved accuracy.

Emissions by Discharge Destination (Production Facilities in Japan) (Millions of m³)

	2019	2020	2021
Sewers	0.009	0.008	0.008
Rivers	0.342	0.345	0.302
Total	0.351	0.353	0.310

Water

Biochemical Oxygen Demand (BOD) (tonnes)

(FY)

	2019	2020	2021
Tohoku Factory	0.071	0.053	0.061
Kanto Factory	0.653	0.755	0.771
Shizuoka Factory	0.057	0.088	0.094
Hyogo Factory	0.170	0.043	0.056
Yamaguchi Factory	0.303	0.238	0.279
Total	1.255	1.178	1.261

Chemical Oxygen Demand (COD) (tonnes)

(FY)

	2019	2020	2021
Kanto Factory	2.482	2.187	1.918
Hyogo Factory	0.174	0.061	0.085
Yamaguchi Factory	0.920	0.753	0.835
Total	3.577	3.001	2.839

Number of Violations of Permits, Standards, and Regulations Related to Water Quality and Quantity

(FY)

	2019	2020	2021
Number of cases	There were no violations of permits, standards, or regulations related to water quantity.		
	Same as left	Same as left	Same as left

Three-Year Wastewater Data

(FY)

	2019	2020	2021
Amount of wastewater	797,000 m ³	788,000 m ³	774,000 m ³

Voluntary Water Quality Standard Values at Domestic Production Facilities and Actual Measured Values in FY2021 (Typical)

Volume of emissions	Regulatory value under Water Pollution Control Law	Tohoku Factory			Kanto Factory			Shizuoka Factory			Hyogo Factory			Yamaguchi Factory		
		Ordinances & agreements	Voluntary standard value	Measured value	Ordinances & agreements	Voluntary standard value	Measured value	Ordinances & agreements	Voluntary standard value	Measured value	Ordinances & agreements	Voluntary standard value	Measured value	Ordinances & agreements	Voluntary standard value	Measured value
pH	5.8–8.6	5.8–8.6	5.9–8.5	7.3	5.8–8.6	6.0–8.4	8.1	5.8–8.6	6.0–8.0	7.8	—	6.2–8.2	7.5	5.8–8.6	6.0–8.0	7.0
Total chromium (mg/l)	2	—	1	Less than 0.1	1	0.5	0.1	2	—	Less than 0.1	—	—	—	2	Undetected	0.0
Copper (mg/l)	3	—	1.5	Less than 0.1	3	1.5	0.1	1	—	Less than 0.05	—	—	—	3	0.1	0.0
Phenol (mg/l)	5	—	2.5	Less than 0.1	1	0.5	0.1	5	—	Less than 0.05	—	—	—	5	2.5	0.0
n-Hex (mg/l)	5	5	3	Less than 0.5	5	2.5	0.5	3	2	Less than 0.1	—	2	Less than 1.0	5	2.5	0.0
Manganese (mg/l)	10	—	5	Less than 0.1	1	1	0.1	10	—	Less than 0.1	—	—	—	10	5	1.3
Iron (mg/l)	10	—	5	Less than 0.1	10	5	0.1	10	3	Less than 0.1	—	—	—	10	5	0.0

Note: Regulatory value under the Water Pollution Control Law (However, our Hyogo Factory is exempt from the law.)

Water

5 Initiatives and Other Related Information

Water resource conservation initiatives

The many offices, factories, and construction sites of our Group consume water resources. At these worksites, we are striving to use our water resources efficiently through water conservation measures. The total water withdrawal in 2021 was 1,076,000 m³ (a reduction of 0.6% from the previous year). The amount of wastewater discharged was 774,000 m³ (a reduction of 1.8% from the previous year).

Initiatives at domestic production facilities

Our domestic production facilities (Tohoku Factory, Kanto Factory, Shizuoka Factory, Hyogo Factory and Yamaguchi Factory) use groundwater in addition to the municipal water supply and industrial water in the painting process of steel frame members and the manufacturing and painting process for exterior walls used in residential construction. We continue to work on water quality management of wastewater and efficient use of water resources in these processes. Specifically, we are taking action to reduce water consumption by reusing wastewater after washing pallets for transportation and reusing treated water for cleaning.

In FY2021, the total amount of industrial water, groundwater, and clean water (intake water) used in the manufacturing processes at our production facilities in Japan was 612,000 m³ (a reduction of 0.7% from the previous year). The amount of wastewater was 311,000 m³ (a reduction of 12.1% from the previous year).

External initiative to reduce water use

In our newly built houses, we install the latest equipment for saving water (faucets, showers, flush toilets, etc.) supplied by housing equipment manufacturers as standard equipment in the majority of houses since before 2020. In this way, we are reducing water consumption in houses. In Japan, where we build most of our houses, water meters are essential for supplying water.

Collaboration with stakeholders in water-stressed areas

The Shizuoka Factory uses water from the Oi River system, and is using water for industrial use based on requests from the local business association, which has helped to reduce water consumption.

In addition, for homebuyers (residents), who are very important to us, we install as standard highly efficient water appliances such as water-saving toilets, faucets, and showers. We are also working to update and promote the use of water-saving appliances in existing houses through our remodeling business.

Waterway Point

Along a canal and featuring a beautifully landscaped promenade and large shopping mall, Waterway Point is a commercial center that we developed in Singapore with a joint venture partner. We upgraded the facade lighting and sanitation system to conserve energy and water. In addition, following our certification of registration with the ISO 14001 international standard for environmental management systems, in 2021 we also obtained certification of registration for ISO 50001, the standard for energy management systems. To meet these international standards, we are promoting the construction of environmental and energy management systems as we focus on targeting continual improvements.



The Waterway Point shopping mall and the Watertown condominiums that were offered for sale have earned a Gold Plus rating under Singapore's Green Mark* certification system.

* An environmental performance evaluation that defines building specifications and performance

E Supply Chain Management

1 Governance

We are committed to CSR-based procurement to fulfill our social responsibility under our basic purchasing policy for the best quality, robust delivery, and reasonable price, plus ESG.

 [CSR Procurement Guidelines](#)

2 Strategy

FairWood procurement and Wood Procurement Guidelines

FairWood is defined as wood that is not only legal, but also contributes to sustainability and local development. We have declared FairWood procurement as a priority in our Wood Procurement Guidelines, and we are working to improve our level of procurement, while striving to engage with FoE Japan and other international environmental NGOs and industry organizations. For example, we are constantly working with environmental NGOs to obtain the latest information on high-risk areas and update our risk assessment methods.

The objective of FairWood procurement is to secure a stable supply of sustainable and renewable resources for the Company. Another objective is to achieve a positive impact through sustainable forestry management that goes beyond avoiding illegal logging by continually working on our supply chain, as one of Japan's leading wood consumers. This is also in line with our biodiversity conservation challenge goal of "maximizing ecosystem networks through our business."

 [10 Wood Procurement Guidelines](#)

Evaluation based on wood procurement survey

We are always mindful of diversity, so when procuring wood, we consider the HCVF¹ designation and the IUCN² Red List of endangered tree species, and do not use any materials originating from regions that correspond to these species. We also consider the social issues in each country as required by the ISO 26000 international standard for social responsibility.

Specifically, detailed information on the origin, including the volume, species, and growing district of procured wood purchased from 64 major timber suppliers is evaluated using the Wood Procurement Guidelines, and ranked on a four-point scale: S, A, B, and C.

Based on these evaluations, we are encouraging suppliers to reduce the supply ratio of low-ranked wood and increase the supply of high-ranked wood.

The ratio of Rank S and Rank A wood, which represent our management targets, has been gradually increasing from 47% before the guidelines were implemented in FY2006. In FY2021, using wood ranked A and S reached 97.2%, which exceeded our target.

We view the forest certification system as an effective third-party certification. On the other hand, we do not see our ranking as absolute because we believe it is necessary to consider the producers working on community forestry and small farmers who cannot obtain certification for economic reasons. The utilization rate of certified materials is managed as a reference value, and 64% of all our wooden building materials, including interior equipment, and 93% of our structural materials alone are certified materials such as FSC/PEFC (including certified processed materials).

1. High Conservation Value Forests
2. International Union for Conservation of Nature and Natural Resources

Domestic wood initiatives at Sekisui House

Looking at the forest industry in Japan, while many forests are entering a period of full-scale use, they are not being replanted for the next generation for a number of reasons, and are not being fully utilized.

To revitalize the domestic forest industry, we believe it is necessary to achieve the seemingly contradictory goals of increasing demand to promote the renewal of forests for the next generation and branding to create added value. Therefore, we are developing the use of domestic timber, mainly for the structural materials used in our SHAWOOD wooden-frame houses.

We do not simply use domestic timber, but also develop it as a regional brand. By adopting materials from the regions where our customers live, we are contributing to local production for local consumption and the revitalization of the regional economy.

Currently, we are developing cedar, cypress, and larch products under 18 brands in 17 regions nationwide. These products have grown to a point where SHAWOOD—the cumulative number of these buildings has exceeded 6,500—has become a topic of conversation.

In response to the wood shock that hit the world in 2021, we took full advantage of the domestic timber supply network that we have cultivated to mass produce laminated beams made of cypress. The results of these efforts include using multiple procurement routes for key parts to fulfill our supply responsibilities and to put a system in place that prevents delays when executing our business operations. Another result is that we were able to demonstrate our approach to providing a solution to a social problem by viewing the wood shock not only as a supply problem for the Company, but as an opportunity to create demand for domestic timber.



SHAWOOD posts bearing the brand of the producing area

Supply Chain Management

Commitment to zero deforestation/no net deforestation

After adopting the New York Declaration on Forests in 2014, 86% of the world's forested countries and regions agreed to zero deforestation at COP26 in 2021, recognizing this as an urgent global issue.

The zero deforestation concept is in line with our FairWood procurement policy, and we have declared zero deforestation for all Group companies in our plan Sustainability Vision 2050. The Group's goal for the future is zero deforestation, including suppliers and secondary suppliers.

We are currently in the process of revising our Wood Procurement Guidelines and procurement policies to ensure full implementation and clear communication with suppliers, and to incorporate our commitments to suppliers.

Biodiversity commitment

The following commitments are included in our Wood Procurement Guidelines and shared with our suppliers and secondary suppliers.

2. Source wood products from areas without sensitive ecosystems.
3. Do not source wood products from areas where local ecosystems are seriously damaged due to large-scale logging of natural forests.
4. Do not use endangered species for wood products.
8. Source wood products from domestic forests where well-planned forest management is in place to conserve ecosystems.
9. Source wood products from plantation forests that are managed so as to promote conservation and ecosystem development.

3 Risk Management

Practicing due diligence in procurement

To us, due diligence* is the process of securing sustainable timber that supports the future of our business, and we implement sustainable wood procurement through strict due diligence practices.

While many companies target only low-risk timber from primary suppliers for due diligence, we target suppliers upstream from the secondary level and visit logging areas to investigate and to confirm any timber that might be at high risk.

This is because we believe that an important role for manufacturers is to share the tracking process with suppliers and strive for improvement in order to achieve zero deforestation, now an international requirement.

From the perspective of traditional quality, cost and delivery issues, manufacturers and suppliers tend to be in conflict or in competitive

relationships. However, by encouraging suppliers to provide sustainable timber, manufacturers will be able to work in concert with suppliers to address social issues, thus establishing a collaborative relationship instead of a competitive one.

In the future, we intend to practice due diligence covering all supply chains explicit in our procurement guidelines.

* Due diligence is the duty of care and effort that companies and others must apply as a matter of course. In Japan, the Act on Promotion of Use and Distribution of Legally-harvested Wood and Wood Products (commonly known as the Clean Wood Act) refers to due diligence, and was triggered by the tightening of regulations on the handling of illegally harvested timber in Western countries. This is represented by the process of 1. collecting information, 2. assessing risk, and 3. practicing risk mitigation by identifying risks of illegality. A growing number of companies are currently practicing due diligence in wood procurement while also addressing ESG-related risks.

Managing the environmental impact of suppliers

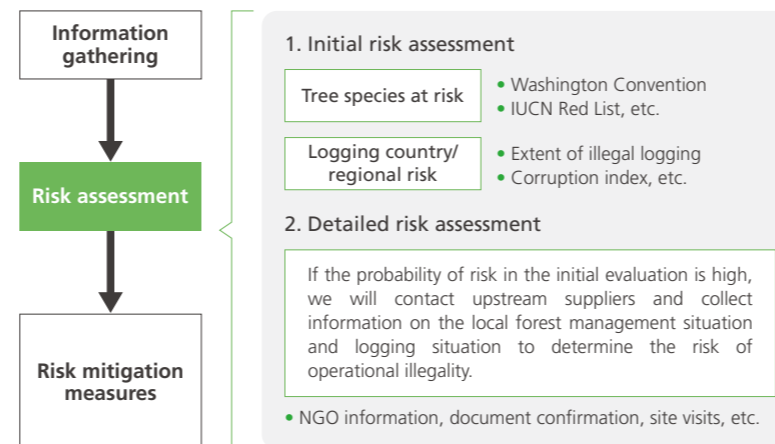
Since 2021, with the aim of responding promptly to serious risks, suppliers have been asked to report violations of any laws or regulations, in addition to answering the questions in their self-assessment of CSR evaluations. There were no reports in 2021.

Risk assessment of environmental issues

For existing suppliers whose CSR evaluation results reveal environmental risks, we conduct due diligence by monitoring them using onsite interviews, providing advice on evaluation standards and how to meet those standards, and confirming the current state of compliance.

In the unlikely event that a serious risk is discovered, we work with the people concerned to determine the proper remedial action and reinforce measures that could include cutting back on transactions with them, depending on the score in the supplier assessment.

Due Diligence Practices



Supply Chain Management

4 Indicators and Targets

Volume of Wood Procured

	(FY)		
	2019	2020	2021
Volume of wood procured	288,662 m ³ 95.3% of which is S and A lumber ¹	250,529 m ³ 97.0% of which is S and A lumber	285,722 m ³ 97.2% of which is S and A lumber

1. Wood product procurement ranking

Depending on their total score, purchased wood products are classified into four levels, from high to low: S, A, B, and C. Minimally acceptable scores are set for guidelines 1. and 4., as we place a high priority on these two items. We aggregate and disclose this index to indicate net positive impact and no net loss.

Total score (maximum 43 points)	Wood product procurement ranking
34 and above	S
26 to below 34	A
17 to below 26	B
Below 17	C

Percentage of Wood Products by Region

	(FY)		
	2019	2020	2021
Domestic wood	17.00%	18.80%	24.72%
East Asia ²	8.00%	7.20%	5.08%
Europe	36.90%	33.20%	37.48%
North Pacific ³	0.30%	0.90%	0.62%
South Pacific ⁴	11.00%	12.70%	11.78%
North America	15.70%	16.50%	10.41%
South America	0.20%	0.10%	0.12%
Recycled wood	9.00%	7.90%	7.52%
Other ⁵	1.90%	2.70%	2.27%

2. Excluding Japan

3. Russia, etc.

4. Indonesia, Malaysia, etc.

5. Africa, etc.

Current Environmental Certifications Acquired by Suppliers

In conjunction with SBT briefing sessions, we confirmed compliance with suppliers who are acquiring ISO 14001 (environmental management) and other external certifications.

	(FY)		
	2019	2020	2021
Status of acquisition	—	—	70%

Note: Percentage based on annual CO₂ emissions

5 Activities and Other Related Information

Adoption of fast-growing hardwoods

While Southeast Asia is facing serious problems with deforestation, sustainable forestry is spreading for the fast-growing hardwoods (Acacia falcata, etc.) that have been planted since the 1990s.

The Company believes that using wood from these trees will contribute to less deforestation and the sustainable management of fast-growing tree plantations, so we are promoting a change away from natural hardwoods. Beginning in 2019, we switched from lauan plywood to falcata plywood for foundations, and in 2021, we switched to acacia-derived material for part of medium-density fiberboard from mixed light hardwood.

To popularize this change in the future, we plan to raise awareness about sustainable wood procurement Company-wide, considering that it is necessary to have an understanding at the manufacturing site where processing and construction are actually performed and at the construction site.

Reduction of CO₂ emissions at the components and raw materials procurement stages

To reduce lifecycle CO₂ emissions from homes, the Company has been working on energy-efficient housing, including a shift to ZEH (net zero energy houses). However, because homebuilders cannot do this alone, we are promoting initiatives throughout the entire supply chain. CO₂ emissions from procurement of components and raw materials in our supply chain accounted for 35% of our total emissions in FY2021. This represented the second largest percentage after 53% for CO₂ emissions during the residential stage of supplied housing. For this reason, in October 2020 we surveyed our suppliers by questionnaire to determine the state of their initiatives to reduce CO₂ emissions. Based on the questionnaire results, 135 suppliers attended a seminar we held in February 2021. By doing this, we positioned 2021 as the kickoff year for reducing CO₂ emissions in our supply chain.

Further, in April and October 2021, we held seminars for 61, then 242 companies, to raise awareness of the need to acquire SBT certification.⁶ As well as keynote speeches by SBT governing bodies, the major suppliers as well as small- and medium-sized suppliers presented case studies for acquiring SBT certification. Not only were good examples presented for how even small companies can obtain SBT certification, but a consultation service was also set up within the Company for small- and medium-sized suppliers. Through this service, we provide specific advice as well as answers to individual questions.

As of 2020, our major suppliers had an SBT target-setting rate of 18.6%, which increased to 22% in FY2021. We have set the goal of raising this target to 80% by 2030. By promoting effective CO₂ reduction across the supply chain in cooperation with our suppliers, we will contribute to the realization of a carbon-free future.

6. Certification of greenhouse gas reduction plans based on scientific data

E Other Environmental Management

1 Governance

Acquiring certification of ISO 14001 registration

As part of their production process management, five domestic factories that manufacture and ship industrialized housing materials have acquired ISO 14001 certification: the Tohoku, Kanto, Shizuoka, Hyogo, and Yamaguchi Factories, and one overseas factory, the Ingleburn Manufacturing and Quality Control Centre in Australia. ISO 14001 is the international standard for environmental management systems. We are continuing the operation of these systems. The ratio of certified production facilities is 100%.

Initiatives for effective processing of hazardous waste

Approximately 95% of the hazardous waste that we handle is asbestos (Levels 1 and 2) from existing structures, which is strictly treated as specially controlled industrial waste. The others are mainly residual substances left over from the use of chemicals from raw materials handled in domestic production facilities used to fulfill the need for long-term durability of housing at a high level.

For specially controlled industrial waste generated at domestic factories, we comply with the Waste Management Law, as well as all related laws and regulations (such as the Ordinance on Prevention of Hazards due to Specified Chemical Substances), and industry guidelines. Procedures are also in place to identify potential accidents and emergencies that could lead to significant environmental impact, to prevent any adverse environmental impact, or to mitigate any actions that minimize the escalation of impact. At the same time, possible responses are maintained for effectiveness through annual testing and internal audits of accident and emergency preparedness and response.

2 Strategy

Prevention of contamination by hazardous chemicals (Chemical Substance Guidelines)

Secisui House aims to minimize the risk of using hazardous chemicals by applying EVABAT (economically viable application of the best available technology) throughout the lifecycle of a house. In 2007, we created our own Chemical Substance Guidelines, which employ a risk management perspective. We also reviewed and revised the guidelines in accordance with laws and regulations and new information regarding the use of chemical substances. At the same time, we comply with laws and regulations and promote appropriate responses to chemical substances based on guidelines established by the national government, local governments, industry associations, and others.

 [Chemical Substance Guidelines](#)

Hazardous waste policy, etc.

We comply with all laws and regulations on hazardous waste and promote effective responses to hazardous waste based on guidelines from the national and local governments, as well as industry associations, and other organizations.

We will also indefinitely maintain the status of zero discharge of hazardous waste into the natural environment.

Commitment to reducing environmental impact

Under the leadership of the Environmental Subcommittee, we consider action policies for societal ideals, such as a decarbonized society, or a society where people and nature coexist, and a circular economy. We implement initiatives that keep reducing the environmental impact of our business activities. These actions are adopted by the whole Group after receiving approval from the ESG Promotion Committee. Action policy details are regularly reported to the Board of Directors.

In addition, we have set goals for reducing our environmental impact in response to new issues and are working to achieve them.

3 Risk Management

Responding to risks related to soil and groundwater pollution

We will continue to focus on minimizing risks, including prevention of secondary pollution, by conducting surveys and implementing countermeasures not only for our own lands but also for land for which we are engaged in transactions.

Prior to engaging in land purchase or sales contracts, we implement risk identification related to soil and groundwater contamination by employing a pre-screening system using our own soil contamination checklist (including a survey on history of land use transition; surveys of topography, geology and groundwater; a data survey on surrounding environmental measurements by local governments; a site inspection survey; legal compliance; and other investigations).

In the case of land that may contain contaminated soil, such as factory sites, sellers are increasingly conducting their own voluntary surveys. When purchasing land, a specialized department of the Company scrutinizes all survey reports. If a problem arises regarding the completeness of the information, we ask the seller to conduct additional surveys.

Properties that are determined to be at risk of contamination are analyzed by designated research institutions to evaluate the validity of the transaction. In addition, where soil contamination has been discovered as a result of the investigation, land with minor concentrations and distributions of contamination (land contaminated mainly with heavy metals that can be guaranteed as amenable to complete remediation) undergoes remediation by soil replacement before the sale. When this occurs, we explain the measures that have been taken as a material matter.

At domestic factories on our own sites where contamination could be a risk if no action is taken, we have set up measures for investigation, prevention, daily management, and emergency response (prevention and mitigation of contamination), and are implementing contamination risk management.

Other Environmental Management

4 Indicators and Targets

Goals, programs, and achievements to control hazardous chemical pollution

[At time of production]

Substances Subject to the PRTR Law¹

Targets	2019	2020	2021
<ul style="list-style-type: none"> Continuation of appropriate protective measures Maintain zero accidents caused by chemical substances 	No accidents caused by chemicals used in factory production have occurred.	Same as left	Same as left

Atmospheric Emissions of Volatile Organic Compounds (VOCs)²

Targets	2019	2020	2021 ³
60% decrease from FY2010 levels	76% decrease	71% decrease	78% decrease

Emissions of Volatile Organic Compounds (VOCs)² over the past Three Years

	2019	2020	2021 ³
VOCs subject to PRTR	35.5 t/year	30.5 t/year	24.4 t/year
VOCs not subject to PRTR	118.4 t/year	110.5 t/year	82.2 t/year

- Pollutant Release and Transfer Register: Law requiring monitoring of environmental emissions of specified chemical substances and promotion of improved management. Businesses meeting certain conditions specified by Cabinet Order are obliged to report the amount of specified chemical substances released and disposed of annually.
- 80 VOC target substances whose atmospheric emissions require monitoring were confirmed and monitored in the Eco Action 2020 management survey of the Japan Prefabricated Construction Suppliers and Manufacturers Association.
- Aggregated figures for the period from April 2020 to March 2021 (shown) differ from the period covered by this report (starting on February 1) because these figures apply to an administrative fiscal year starting on April 1.

[During construction]

Targets	2019	2020	2021
<ul style="list-style-type: none"> Continuation of appropriate protective measures Maintain zero accidents caused by chemical substances 	No accidents caused by use of chemical substances have occurred.	Same as left	Same as left

[Natural environment (soil)]

Targets	2019	2020	2021
Maintenance of zero serious risk when purchasing land ⁴	No purchases (sales) occurred involving contaminated land exceeding legal standards or unremediated land. ⁴	Same as left	Same as left

4. Serious risk includes redevelopment of brownfield sites (land that is idle due to real or potential contamination caused by industrial activities, etc.).

[During residential use]

Targets	2019	2020 ⁶
Minimum 80% installation rate of Airkis ⁵ high-quality indoor air systems	90% installation rate of Airkis systems in steel-framed custom detached houses	85% installation rate of Airkis systems in steel-framed custom detached houses

Targets	FY2021 results
Minimum 70% adoption rate of the next-generation indoor environment control system SMART-ECS ⁷	79% adoption rate

5.  Airkis (Japanese only)

6. The sales promotion program was completed in November 2020, but product is still being sold.

7.  SMART-ECS (Japanese only)

[Construction waste]

In 2004, we acquired the first Wide Area Certification in the construction industry. We have achieved and maintained Zero Emissions by collecting 27 categories of waste sorted at our construction sites, re-sorting them into up to 80 categories at our Recycling Centers, and recycling the waste at a 100% rate.

Targets	2019	2020	2021
<ul style="list-style-type: none"> System maintained Maintain zero release of hazardous waste into the environment during new construction 	No release accidents have occurred.	Same as left	Same as left

[During product disposal]

Targets	2019	2020	2021
<ul style="list-style-type: none"> System maintained Maintain Zero Emissions of hazardous waste into the environment during demolition work 	No environmental release accidents have occurred.	Same as left	Same as left

Initiatives to reduce hazardous waste

We are constantly considering how to use the best economically feasible technologies. One example of reducing waste: electrodeposition coating materials used for antirust treatment on steel frames contained a very small amount of lead, but since January 2003, we have switched to lead-free paints, resulting in zero residual materials from lead-based paints.

Release of hazardous waste

With regard to the release of hazardous wastes, we monitor the amount of “specially controlled industrial waste” we release under the Waste Management Law. In addition to the hazardous waste regulated by the Basel Convention, such as waste PCBs and products containing PCB pollutants, which we are disposing of sequentially toward the statutory disposal deadline, we properly handle and dispose of all other specially controlled industrial wastes (including flammable waste oil, waste acids, and scatterable asbestos) that we generate.

Targets	2019	2020	2021
Maintain zero release of hazardous waste into the natural environment	No improper processing or scattering accidents	Same as left	Same as left

Other Environmental Management

Assessment of compliance with environmental laws and regulations

We have a system to ensure that a report is submitted to the head office if any violations of environmental laws and regulations occur, including potential soil, groundwater, and air pollution.

	2018	2019	2020	2021
				(FY)
No reports of significant violations (subject to punishments, administrative penalties, or administrative guidance) of greenhouse gas laws and regulations or serious leaks of fluorocarbons were submitted.		Same as left	Same as left	Same as left

Ratio of buildings with green certification

The green certification ratio of Sekisui House's real estate portfolio is zero.

However, the Company has received certification for CASBEE for Real Estate (Rank S) for Akasaka Garden City, which is included in the Company's portfolio (ratio of right of site: 34.55% of 662,768/1,000,000 (approximately 66.3%)).

Total Environment Data for Real Estate Portfolio

	2019	2020	2021
Electricity consumption	—	—	53,859 MWh
Gas consumption	—	—	4,292 thousand m ³
Water consumption	—	—	371 thousand m ³

5 Initiatives and Related Information

Use of lifecycle analysis during product or system design

For some time, we have calculated CO₂ emissions at every stage, from production to demolition, using the Life Cycle Assessment (LCA)* method, and found and understood that the residential stage is responsible for the largest portion of CO₂ emissions. For this reason, we have worked hard to promote eco-friendly homes that reduce emissions. For contributing to the realization of a decarbonized society, we recognize that the most important environmental factor is reducing the environmental impact at the residential stage, so we continue to work on the evolution of our products.

In addition, Group companies specializing in remodeling existing products are working to reduce CO₂ emissions from the existing housing stock and are making steady progress toward a decarbonized society by 2050.

Further, by calculating CO₂ emissions for Scope 1, 2, and 3, we are monitoring CO₂ emissions during product manufacturing, as well as at every upstream stage, including materials procurement, and downstream, including during occupancy, and we are using this information to devise ways to reduce CO₂ emissions over the entire lifecycle of the product.

* An approach for quantitatively determining the environmental impact of all processes from the extraction of raw materials required for a product or service through to use and disposal.

Green procurement

We are applying green procurement, which prioritizes the purchase of environment-friendly products, and we purchase stationery and other office products used by our business offices across Japan that follow our Green Procurement Guidelines. In FY2021, our green purchasing rate was 91.2%, and our recycled paper rate was 99.9%.

By gathering, compiling, and visualizing data on the amount of paper used in the office, we are raising awareness of the need to reduce the amount of paper we consume. In collaboration with Sekisui House Umeda Operation Co., Ltd., we supplied an eco-friendly 100% recycled paper with high whiteness for our operations in Japan (the standard for the Green Purchasing Law is 70% recycled paper content). We supply this paper to offices, including Group companies, as our own original recycled paper product.

In FY2021, the Company's total paper consumption was 668 tonnes, representing a 3.5% decrease year-on-year, due in part to the increased number of employees telecommuting from home in an effort to minimize the spread of the COVID-19 infections. In addition, our paperless initiative further progressed, with annual paper consumption per employee totaling 44.5 kilograms, down 3.5% from the preceding year.

Annual Paper Consumption Per Employee

	2019	2020	2021
Total paper usage	739 t	692 t	668 t
Annual paper consumption per employee	50.0 kg	46.1 kg	44.5 kg



S

Social

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S Customer Initiatives, Technology Development and New Business Creation

1 Governance

Even after handing over a house to a customer, we continue to work to further improve customer satisfaction, based on our customer satisfaction approach of always being there for our customers and continuing to look after their homes throughout their lives. In addition, we have roughly 100 Customer Service Centers (30 offices) nationwide, which have been established to provide customer support in cooperation with our research laboratories and head office divisions.

In August 2020, we opened a Customer Service Center Owner Desk and established a system to accept customer inquiries 24 hours a day, 7 days a week. To strengthen our responsiveness, we also started operating a system for handling inquiries that utilizes a chatbot and other automated communication tools. We intend to continue enhancing our response to inquiries via social media, interactive apps and other channels, and aim to develop an automated, knowledge-based system that uses AI to create a database of sample answers using the large number of inquiries we have received in the past as reference to provide relevant responses to customer inquiries. Through these measures, we will keep watch over our customers' houses.

In addition, our Customer Service Centers play a central role in periodic inspections and maintenance of dwellings after handing them over.

2 Strategy

We are contributing to the formation of a stock-oriented and sustainable society, through a system that allows high-quality housing to be passed on to the next generation as an asset of society, rather than repeating the process of scrap-and-build. In addition, our efforts to protect the value of buildings include establishing relationships with new customers after a change in occupants, so that quality housing can continue to be used.

To realize our global vision to make home the happiest place in the world, our Customer Service Centers, which are always close to our customers, must continue to provide the best service. We are expediting large-scale upgrades to our support operations so that all services are available to all customers.

• Smart universal design provides safety, security, ease of use and comfort

We have been creating housing since the 1980s following the same principles that are today known as universal design, and have consistently pursued the creation of homes that are easy for everyone to use, based on the concept of lifelong housing for all of our buildings.

In 2002, we established the independent SH-UD (Sekisui House Universal Design) standard, and have been pursuing smart universal design that extends to comfort since 2010. Smart universal design is also highly valued in society, and our efforts in this area have won numerous Good Design Awards and Kids Design Awards.

3 Risk Management

Quality improvement (a system for preventing flaws and recurrences and creation of a database for complaints)

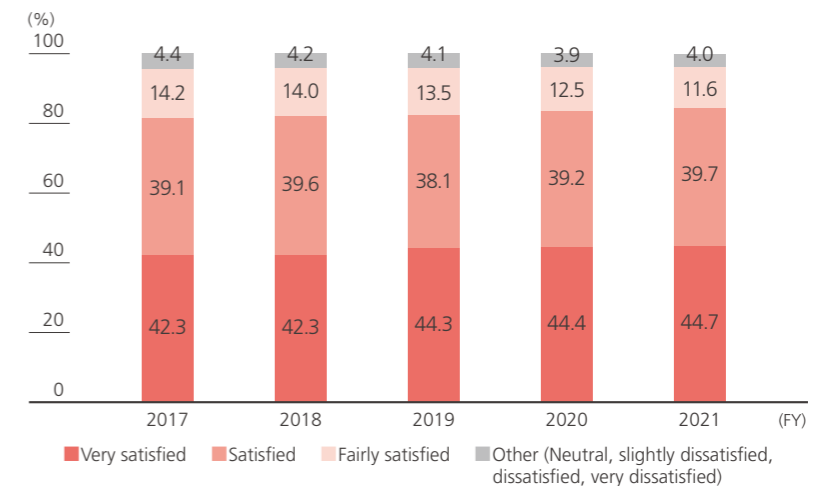
To supply houses to homeowners in which they can live safely with peace of mind and enjoy good health and comfort, we constantly strive to improve quality, and have set up a system for preventing flaws and ensuring that they do not recur. In order to improve and enhance the quality of our housing, we place great importance on customer satisfaction surveys, and the real voices of our customers that we receive at our Customer Service Centers and consultation desks. We conduct surveys on services and products based on homeowner feedback, then analyze the results and share everything with the relevant departments. To date, improvements have been made to reflect the wishes of homeowners. These include remodeling water-use areas and the equipment and interior fixtures.

Improving customer service through the operation of an Owner Desk

We set up the Owner Desk to provide consistent customer service, which had not always been uniform because of the varying responses of individual staff members providing service. In addition, we structured a system to convert contact details into data managed as a corporate asset, and we analyze the collected data to improve the quality of service and minimize risk to customer satisfaction.

4 Indicators and Targets

Questionnaire One Year after Moving into Detached House on Level of Satisfaction (Choice of 7 levels)



Note: The horizontal scale shows the fiscal years in which the questionnaire was administered.

Percentage of Sekisui House Residences Certified as Long-term Quality Housing

Fiscal Year	Percentage (%)
2019	93.0%
2020	93.3%
2021	93.4%

Customer Initiatives, Technology Development and New Business Creation

5 Activities and Other Related Information

Certified as Long-Life Quality Housing

The average lifespan of houses in Japan is said to be about 30 years. To make houses that last longer is the key to effectively utilizing resources and improving asset value.

Under the Act for the Promotion of Long-Life Quality Housing that went into effect in June 2009, the Japanese government established the Long-Life Quality Housing Certification Program, which aims to build up a stock of high-quality, long-term housing. Houses that are built according to set standards for structure and facilities are certified as “Long-Life Quality Housing” and various tax benefits apply. In FY2021, 93.4% of the homes we built were certified as “Long-Life Quality Housing” and that percentage is on the rise.

We also operate le-Log, a regularly updated database of historical data about each residence, ranging from such basic building information as the homeowner’s information to the design plans, inspection results, and repair records. Homeowners can use the le-Log database in managing maintenance or renovations of their home.

Sekisui House also offers an initial 30-year warranty program (for contracts signed on or after April 1, 2018) that covers the structural framing and any parts used to prevent rainwater leakage. This program provides 20 years of warranty on top of the 10-year defect liability period required under the Housing Quality Assurance Act. In addition, all other parts are under warranty for a specified period of time. Even after the warranty period has expired, homeowners can take advantage of our unique U-trus System to extend warranties in 10-year intervals.

We will continue putting our energy into making longer-lasting homes that provide safety, security, and comfort.

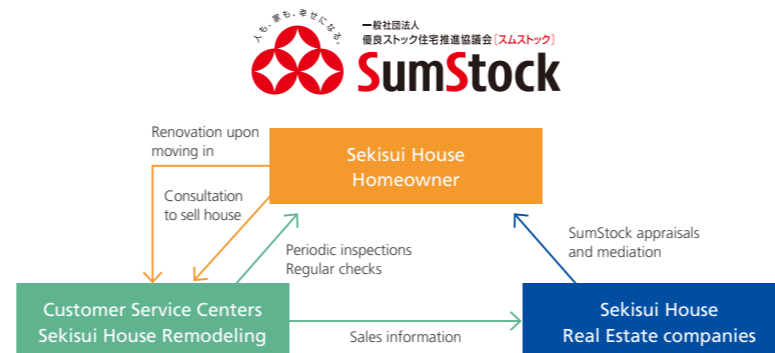
Promotion of the SumStock quality housing stock system

SumStock is a circulation system for high-quality existing housing stock. It is run by the Provision of Quality Housing Stock Association, a general incorporated association founded in 2008 that comprises 10 major housing manufacturers including Sekisui House, and is chaired by Yosuke Horiuchi, Sekisui House’s current Representative Director of the Board, Vice Chairman and Executive Officer. The circulation system is an integrated system for members that covers all steps from value appraisal and certification through to resale. Its activities are aimed at increasing quality housing stock and invigorating the market.

A house’s basic structure (“skeleton”) and its interior furnishings and facilities (“infill”) are appraised separately by years of depreciation, and the value of the building and the land are indicated separately in this proprietary circulation system. Each house supplied by member companies must fulfill three requirements to qualify: Has a database of residential data; has been on a 50-year-plus maintenance program; and has seismic resistance that exceeds recent standards.

System for SumStock through Collaboration within the Group

Our Customer Service Centers and our Group companies, Sekisui House Remodeling and Sekisui House Real Estate, are working together to promote SumStock.



Also, using the data accumulated in le-Log, our proprietary housing history database, homeowners are able to circulate their home as a high-quality house. In the Fifth Mid-term Management Plan (FY2020–FY2022), which began in FY2021, the SumStock brand is being solidified, and in addition to the conventional goals of increasing volume and brand recognition, we are working to further improve quality and make social contributions, by promoting the distribution of high-quality existing homes to achieve carbon neutrality and other goals.

Customer satisfaction surveys

Sekisui House conducts customer satisfaction surveys to find out how homeowners rate the housing products and services we provide. We ask customers of detached houses to complete a questionnaire on the homebuilding process. A pre-construction letter of inquiry gives us the chance to allay anxieties by clarifying any unresolved matters listed, to proceed smoothly through to the post-construction phase. A questionnaire upon moving in allows customers to rate their satisfaction level at each person in charge, and different phases of the process, from preliminary discussions to the handing over of the house. A questionnaire one year after moving in lets customers rate how well the design proposal succeeded, their satisfaction in terms of ease of use, after-sales service, etc. Owners of our Sha Maison rental housing are asked to fill out a questionnaire two years after handing over. These questionnaires cover overall satisfaction, the workmanship of the building, the customer’s willingness to recommend Sekisui House to other people, and satisfaction with various parts of the house, and the power generation system.

Since August 2012, customers have been able to answer questionnaires online at the homeowner member site, Net Owner’s Club. The improved convenience has seen more customers use the online system year by year. At present, more than 60% of detached house customers respond to the questionnaire online.

The collated and analyzed questionnaire results are communicated to the relevant departments, helping to improve daily operations, expand services, develop new components and products, and improve design and construction.

S Supply Chain Management

1 Governance

PDCA practice for CSR procurement

We are committed to CSR procurement, based on a policy for finding the best quality, robust delivery, and reasonable price plus ESG.

Upon signing the United Nations Global Compact in 2018, we joined the supply chain subcommittee of the Global Compact Network Japan (GCNJ). We established the CSR Procurement Guidelines for our suppliers, which are compliant with the GCNJ's (self-assessment questionnaire (SAQ)). Since that time, we have asked suppliers to submit a signed agreement to confirm their understanding and compliance with the purpose and content of the guidelines, as well as cooperation with periodic checks or audits regarding their efforts, and we explain the significance and importance of CSR procurement to our suppliers at our annual action policy briefings held each February. In addition, at the end of each year, we conduct a CSR evaluation using a self-assessment check sheet based on the GCNJ's SAQ, in order to confirm compliance with the guidelines. By implementing the PDCA cycle for CSR procurement, we are raising awareness of social responsibility among our suppliers and deepening CSR procurement.

QDC and ESG

Strive to procure materials of the best quality, to earn customer trust and satisfaction	Best quality Q	Robust delivery D	Promote supply chain resilience, ensure stable delivery, and prepare for delivery constraint risks
Work with suppliers to improve value and achieve reasonable price	Reasonable price C	ESG	Proactively address social issues such as respect for human rights and decarbonization in the supply chain

In the CSR evaluation, the suppliers themselves are asked to evaluate their own initiatives from five perspectives: legal awareness, policies, systems and responsibility, verifying initiative outcomes, and corrections. The results are scored and evaluated. When commissioning a company as a new supplier, we perform a protocol-based evaluation and factory inspections for suitability from the standpoint of ESG principles. In addition, we require a signed agreement confirming an understanding of the CSR procurement guidelines before any transactions are conducted.

Guidelines and other regulations are posted so that members of our procurement department can easily refer to them. In addition, the department regularly holds seminars to keep everyone up to date on laws and social issues.

2 Strategy

CSR Procurement Guidelines

In 2018, we established the CSR Procurement Guidelines for our suppliers, in compliance with the GCNJ's SAQ, with the aim of realizing a sustainable society that includes the supply chain.

 [CSR Procurement Guidelines](#)

Supply chain policy on social issues

We recognize "human rights and labor" as one of the most important social issues in our supply chain.

The Sekisui House Group Human Rights Policy was set up in April 2020 and applies to all officers and employees of the Sekisui House Group. We also expect our business partners, including partner building constructors and suppliers, to understand and support this policy. The Sekisui House Group Human Rights Policy is also presented on the online information-sharing

platform we maintain with our suppliers and we encourage them to comply with the policy.

The CSR Procurement Guidelines prohibit discrimination based on nationality or race, inhumane treatment, forced or compulsory labor and child labor, and require appropriate management of employee health and safety. We obtain signed agreements to adhere to the guidelines from our suppliers.

In order to promote respect for human rights in the supply chain, it is essential to expand the circle of encouragement from our suppliers to their suppliers. Therefore, in February 2022, we held a study session with external lecturers. Approximately 150 suppliers participated in the session to raise awareness and acquire basic knowledge.

We will continue our efforts to promote respect for human rights in our supply chain.

 [Sekisui House Group Human Rights Policy](#)

3 Risk Management

Supplier monitoring

In the event that risks are found in the results of the CSR evaluations of existing suppliers in areas such as the environment and human rights, we conduct monitoring by visiting the individual suppliers as suppliers to be monitored, provide advice on the evaluation criteria and achievement levels, and confirm their actual status by conducting due diligence.

As of the end of 2021, we conducted CSR evaluations of 150 suppliers, and determined that six suppliers should be closely monitored in terms of human rights, four suppliers in terms of labor, and five suppliers in terms of the supply chain, for a total of six suppliers (some suppliers had overlapping concerns). We are monitoring each company and encouraging them to make improvements.

Supply Chain Management

In serious cases we work with the department concerned to determine the proper action to take, and stipulate measures which might include cutting back on transactions, depending on the score in the supplier assessment.

Further, as a construction company, we consume a large volume of lumber. For this reason, we recognize the need for especially strict lumber procurement and we check due diligence annually by survey, targeting 60 or so major building material suppliers. We conducted a survey of 64 of these companies in FY2021.

When necessary, we conduct on-site inspections in Japan and overseas, including visits to logging areas at the most upstream portion of the supply chain. However, due to the COVID-19 pandemic, we were unable to conduct such inspections in FY2021.

Risk assessment of social issues

Since FY2021, we have been requesting suppliers to report violations of various laws and regulations, in addition to answering each question in the CSR evaluation. This supplements the results of the CSR evaluation, and allows us to identify high-risk suppliers who may be in violation of compliance, and take prompt action.

In FY2021, there were zero reported cases, and no high-risk suppliers were identified.

Enhancing sustainable procurement

• Conducting annual action policy briefings for suppliers

We hold an annual action policy briefing for our suppliers to ensure the best quality, robust delivery, and reasonable price, and to safeguard ESG for procurement. The purpose of the briefing is to deepen the understanding of suppliers regarding our procurement activities, and approximately 150 major

suppliers participate in the briefing. In addition to explaining specific procurement initiatives, we share examples of improvements that suppliers have made, and honor outstanding suppliers. We also provide feedback on CSR evaluations, and hold lectures by external lecturers to raise awareness of ESG issues.

• Strengthening policy-based action and partner relationships

We are strengthening policy-based actions and our partner relationships to promote a common understanding of priority issues with key suppliers, align the directions of activities, and promote major reforms and improvements.

• Promotion of Business Continuity Planning

In 2021, events related to procurement risks that could not have been anticipated in the past occurred frequently, including not only natural disasters and industrial fires, but also a global shortage of semiconductors and raw materials, as well as an imbalance between supply and demand due to the spread of an infectious disease and a rapid recovery in demand.

We have long worked with our suppliers to establish an initial response communication system for use in the event of natural disasters, and to conduct associated drills. In September 2021, we held the Supply Chain Resilience Promotion Conference online, with the participation of approximately 160 suppliers, with the aim of addressing a wide range of procurement risks. In order to strengthen the supply chain, it is necessary to expand the circle of encouragement from our suppliers to their suppliers, in addition to our own efforts with respect to our suppliers. At the conference, we explained our activities to strengthen business continuity planning (BCP), and shared specific examples of our suppliers to raise awareness. We aim to build a more robust supply chain, including secondary and subsequent suppliers, based on the three pillars of delivery, specifications, and information.

• Process improvement through supplier assessments

To ensure fair and impartial transactions, we conduct supplier assessments for our suppliers in order to evaluate factors such as quality, delivery and price. We disclose the assessment results to the concerned suppliers, so that they can use them to improve and strengthen their structure. The primary objective is to have the assessments lead to concrete improvements, which is why the process does not stop with an assessment but extends to pragmatic suggestions for the supplier's PDCA cycle.

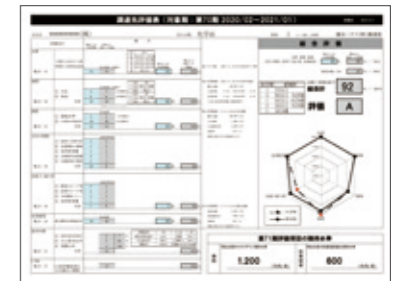
For the FY2021 supplier assessments,* 109 companies were major suppliers, comprising 74.3% of the total amount of procurement. In addition, we also conduct a CSR evaluation at the same time as the supplier assessment.

In carrying out these assessments, the focus is on process management to encourage reforms, rather than uniform evaluations of assessment results. Going forward, we plan to implement supplier assessments with high transparency and continue to support the strengthening of suppliers, in addition to maintaining fair and impartial transactions.

* Ratio of supplier assessments to all suppliers (by purchased value; trading companies are not included in this assessment)

Supplier assessment chart

An overall rating is assigned from A to E, based on the evaluated areas. Results are presented on a spider chart, to identify both positive points and issues.



4 Indicators and Targets

▶ Please see Section 7 for details.

S Coexisting with Local Communities

1 Governance

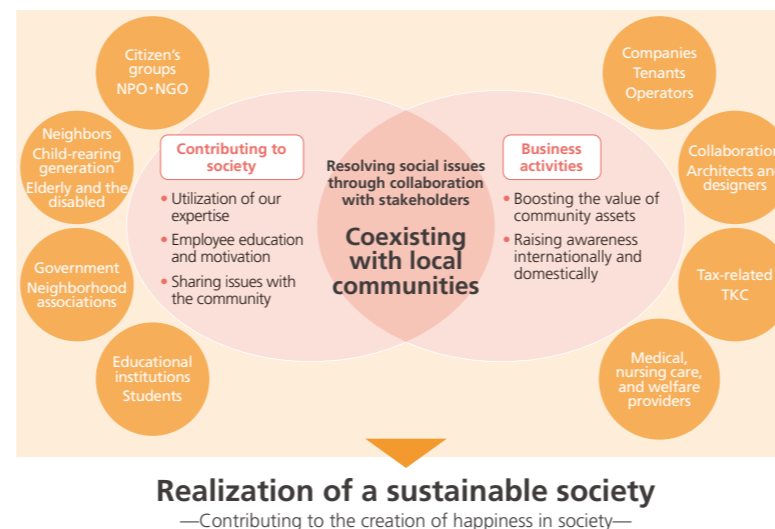
The Sekisui House Group has positioned coexisting with local communities as one of the key issues in the S (social) area of ESG management, from the perspective of wishing for the happiness of local communities, and is working from two directions: social contributions through our business, and social contribution activities in aspects that cannot be covered by business. In terms of activities that cannot be covered by our business, we focus on children and the environment as local issues. The ESG Promotion Committee under the Board of Directors (including two external experts) has been working to improve the social aspects of our ESG management, by defining initiatives based on exchanges of opinions with external experts.

2 Strategy

In addition to the accelerated aging of society and a declining birthrate, disaster prevention and mitigation measures, and carbon neutrality, particularly after the COVID-19 pandemic, local issues and the needs of residents and businesses have changed. In addition, community development for sustainable lifestyles that are tailored to individual cultural climates is needed. Against this backdrop, we are working to further the evolution of town development that solves social issues, while developing existing infrastructure services such as medical care, nursing care, and welfare, as well as the use of real estate. Sekisui House has comprehensive proposal strengths that integrate ESG, tangibles, intangibles and services in collaboration with homeowners and organizations ranging from NPOs and NGOs to governments and public welfare organizations. These proposal strengths will create and maintain strong relationships between residents and community hub operators to bring about a society where people can be happy in their community throughout their lives. In addition, for nonbusiness factors, we support local NPOs that are working on issues surrounding children and the environment through our own unique programs, such as the Sekisui House Matching Program, a joint donation system between employees and the Company. In addition, we encourage employees to contribute to society through volunteering. Employees

use their own expertise—as part of a system that we set up to enable them to feel satisfaction, pride, and happiness—by participating in activities that spread happiness in the community.

Making Communities Happy through Business and Social Contribution Activities



3 Risk Management

A reliable network of experts

In order to promote a business that contributes to coexistence with the local community, it is important to understand local issues, have a relationship of trust with the business owner, and be compatible with the community hub operator. We implement projects that are meaningful to the community through relationships with owners, utilization of the knowledge and networks of specialized departments such as the Corporate Real Estate Strategy Office and the TKC Project Department, and collaboration with external experts and others.

• Volunteer Web

In our social contribution activities, we have established and operate a Volunteer Web, to enable our employees to engage in volunteer activities safely and appropriately. On this website, users are able to search for NPOs (non-profit organizations) and other organizations that are active in each region, as recommended organizations for Sekisui House Matching Program subsidies, and can also register to participate in volunteer activities, either as an employee or a business office. This system was introduced and began operating at the end of July 2021. Since the organizations that are searchable on this website have been included based on specific criteria established in advance, this system allows users to participate in activities that are both safe and appropriate.



4 Indicators and Targets

Numerical values as a measure of harmony with local communities through business

Cumulative Number of Roadside Rest Station Facilities Opened through the Trip Base *Michi-no-Eki* Stations Project, a Regional Revitalization Project (FY)

	2019	2020	2021
	No results	4 prefectures: 8 buildings 596 rooms	5 prefectures: 14 buildings 1,053 rooms

Cumulative Construction Results in our Platinum Business* (FY)

	2019	2020	2021
Elderly and nursing care facilities	1,345	1,379	1,407
Medical facilities	3,471	3,603	3,700
Facilities for people with disabilities	342	400	468
Childcare facilities	278	330	402

*: Platinum business refers to the construction of medical facilities such as assisted living facilities for the elderly, group homes, and clinics, as well as facilities for people with disabilities and childcare facilities.

Coexisting with Local Communities

Numerical values as a measure of harmony with local communities through social contribution activities

Sekisui House Matching Program Subsidies

(FY)

2019	2020	2021
¥30.24 million	¥38.33 million	¥49.00 million

5 Activities and Other Related Information

Social contribution activities through our business

• Trip Base *Michi-no-Eki* Stations Project to promote regional revitalization

The Trip Base *Michi-no-Eki* Stations Project, a regional revitalization project that we are developing with Marriott International, proposes a style of travel that encourages the exploration of lesser-known destinations to discover their unique charms, through use of a system of roadside rest stations known as “*Michi-no-Eki*.” In the first stage of the project, 15 roadside hotels were opened in six prefectures as of March 2022, providing a total of 1,152 rooms. In the newly initiated second stage, facilities will be opened sequentially starting in May 2022, with plans to have 1,184 rooms in 14 locations in 8 prefectures by 2023.

This project, which operates the Fairfield by Marriott roadside hotels specializing in overnight stays with the aim of promoting the use of local stores and other facilities, is also deepening its collaboration with local communities and alliance partners. To help solve local issues and revitalize local communities, the project has realized a series of initiatives such as the *Yorimichi* Map,



Fairfield by Marriott Kyoto Kyotamba



Yorimichi Map

which uses DX to provide travelers with information regarding a tour of the Udatsu Wall Historical District in Mino City, Gifu Prefecture, and cooperation with the KURADASHI Challenge, which aims to reduce food loss by supporting the harvesting of agricultural products in Kyotamba Town, Kyoto Prefecture. While aiming to expand the number of rooms to roughly 3,000 nationwide, we will continue to contribute to regional revitalization by promoting tourism to achieve SDG goal 17, “Partnerships for the Goals.”

• Healthy urban development through connection and function

Open Village Nokishita was established as an initiative to create a place where people with no previous ties to the area could live with peace of mind (Project planning and facility operation by AiNest Co., Ltd., a wholly owned subsidiary of Kokusai Kogyo Co., Ltd.). The planned site is a newly developed area where many of the victims of the Great East Japan Earthquake have relocated. Although disaster victims were able to secure housing through large-scale reconstruction public housing, they tended to stay at home because they had few acquaintances, and there were few places to casually visit, which became a new concern for the community.

This project aimed to create a place where a diverse range of people could gather and interact in an open and comfortable manner, within walking distance for local residents, including disaster victims, and to create a community center where healthy and sustainable lifestyles could be achieved. The Company has provided comprehensive cooperation for this project, including architectural planning, design, construction, and operational business matching. The courtyard is surrounded by a group home and short-stay facility for people with disabilities, a support center, a collective space featuring a job assistance café and a gallery, and a nursery school, and tenants are managed by a social welfare corporation, an NPO, and a business company. Engawa, which is located in the center of the facility, is used for events for families receiving childcare



Open Village Nokishita

support, and also as a space for cooking, handicrafts, gymnastics, music, study, and other activities. Resident staff are available for consultation on daily living in the area, and Engawa continues to provide activities that are closely connected to the community, on a daily basis.

• Creating a center of interaction to pass on local resources to the future

The *Dai-no-mori* Project is a project to create a symbiotic community in which memories of daily life are inherited, together with a forested property and wells that have been passed down from generation to generation, a zelkova tree that is now more than 300 years old and is a valuable local resource, and fruit-bearing trees. The project proposes the creation of a community hub that is open to the community, where a pottery workshop, a café, a gallery, a restaurant, and a group home for people with disabilities all coexist. Based on the lessons learned from the Great East Japan Earthquake, we felt that it was important to build face-to-face, multi-generational relationships. Accordingly, we interviewed 90-year-old residents about their childhood memories, exchanged opinions with residents in the neighborhood, and developed a plan to create a place with people that would encourage visitors to grow attached to, and become involved with the area. The storehouse gallery (construction: Moku-Kobo Zui) was built using an existing wooden warehouse, while the interior of the café and restaurant was created in an event-like manner, with the participation of the operators’ family members, local volunteers, and children, allowing them to experience working together to create. The project received high praise for the planning process, and for becoming a role model for children’s participation in community development, and was awarded the Kids Design Association President’s Award in FY2021. The project continues to grow day by day as a sustainable hub, while delighting the neighborhood residents with its park-like atmosphere.



Dai-no-mori Project

Coexisting with Local Communities

• Creating a shared house for the hearing impaired

Our Kyushu Sha Maison Branch supported the construction of Sign Language House Yui, the first shared house for the hearing impaired in Japan.

Sign language is the primary means of communication for the deaf. In addition, sign language and Japanese are two different things, and some elderly deaf people have difficulty handling written Japanese. For this reason, there have been an increasing number of cases in which deaf persons who moved into nursing homes for the elderly with normal hearing were unable to communicate through sign language and became lonely, spending the last years of their lives in suffering. To address this situation, the Nagasaki Prefectural Association of the Deaf established a study group, and while conducting various surveys and gathering information, the group participated in the welfare office tour of the Kyushu Sha Maison Branch. The association then collaborated with medical and long-term care managers at the head office to create a place for communal living while conversing in sign language, including administrative surveys, identifying suitable tracts of land, and financing. Sign Language House Yui was completed in March 2022.

• EGOTANOMORI Project

In cooperation with EGOTANOMORI Park, the EGOTANOMORI Project (Nakanoku, Tokyo) is intended to create harmony with the rich natural environment. This project is a multi-generational exchange and circulation-oriented community development, with rental housing and for-sale housing for families with children, assisted rental housing for the elderly, private nursing homes with nursing care, rental housing for students, and rental housing for nurses, along with convenient facilities such as restaurants and convenience stores, and child-rearing support facilities such as a kids' room, a nursery school, and an after-school center. This area is adjacent to the Tokyo General Hospital, which is equipped with systems for contributing to regional medical care.



EGOTANOMORI Project

Above all, the project focuses on

enriching the lives of households raising children and creating communities between the residents and with the local community. Living-In-Lab has been established as a base for such activities, and is operated by the Living-In-Lab Council established by the Company. The second floor, which includes a supervised kids' room, picture book library, soundproof studio, and multi-purpose room, serves as a living room for the entire city block, and as a place for multi-generational interaction centered on children, while also serving as a community living room that can be used by residents of the surrounding community.

In addition, to strengthen their disaster prevention functions, a total of 915 households have been equipped with Ene-Farm household fuel cells for condominium use. These cells enable continuous power generation even during power outages. In addition, solar power generation and EV car sharing have been introduced to provide multiple sources of power, thereby reducing CO₂ emissions and enhancing disaster preparedness.

• Miramachi, a large-scale development complex

Miramachi is a 27-hectare former factory site in Toyohashi City, Aichi Prefecture. This complex was developed with the aim of solving local issues and realizing a compact city. The concept was formulated based on the four values of community contribution, environmental awareness, sustainable growth, and disaster resilience, and materialized through proposals and coordination with the relevant government agencies, and explanations and dialogue with the local residents. The complex was finally realized through the comprehensive capabilities and collaboration of the Sekisui House Group. In addition to a neighborhood association, which also serves as a community of residents in the surrounding area, a management association has been established to manage common assets and maintain the townscape, with the aim of encouraging residents to become attached to the town.

Residents are strongly aware of their involvement in community development, and actively express their opinions. The shared value of the townscape has deepened their understanding of green maintenance and crime prevention measures, and they have cooperated in lighting the streets at night to prevent crime. We have also received positive feedback from residents, who say they did

not feel the stress of the COVID-19 pandemic due to the many parks, greenery, and supermarkets nearby, which allowed them to spend time walking around without worrying about crowding. We were the first in Japan to use smart electric meter communication technology nationwide to read electric, gas, and water meters. This offers residents greater convenience because they can see their utility use.

In addition, child-rearing support facilities have been helpful in connecting people with each other. Residents in Miramachi and the surrounding community are connected through their children, and many people use the facilities every day. The majority of Miramachi residents are of the child-rearing generation, and the children's neighborhood association holds radio exercises and Halloween events in the self-managed park. We will continue to carry out urban development that provides value and a bright, active future for children.

Four Values Built into Miramachi

Community Contribution

Joint development to raise the value of the southern part of Toyohashi, creating a "compact city"

Environmental Awareness

About 400 ZEH homes planned—an environmental approach to 2030 as an Eco-First company

Sustainable Growth

Systematic use of existing trees to create relaxing space and protect the environment

Disaster Resilience

Roundabouts (circular intersections) and underground power cables assure safety and resilience



Radio exercises at a self-managed park

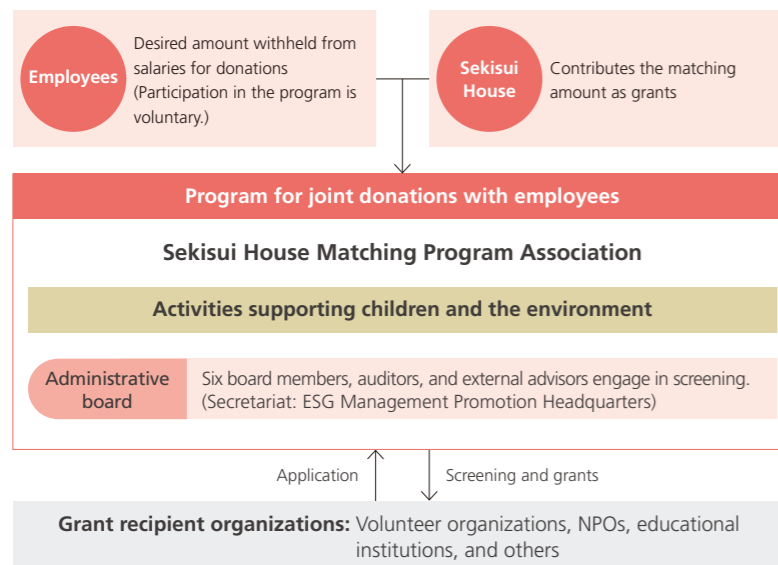
Coexisting with Local Communities

Working with local communities

• Sekisui House Matching Program

In FY2006, we began the Sekisui House Matching Program, through which the Company matches employee donations to NPOs and other organizations engaged in addressing social issues. About 7,800 employees participate in this program, which has so far donated over ¥500 million to 496 organizations. In August 2021, in order to achieve our global vision to make home the happiest place in the world, we reformed the system to contribute to the happiness of the community by solving social issues related not only to our homes, but also to children and the community environment, and furthermore to contribute to regional revitalization. To this end, we are promoting measures from the three perspectives of communication, connectedness and participation.

Sekisui House Matching Program Framework



We decided to provide a total of ¥45.8 million in FY2022 in grants to 94 civic groups from among those recommended by employees nationwide, focusing on activities that lead to coordination with our employees, the spirit of collaboration, and the SDGs. We are supporting activities related to the development of the next generation and environmental considerations, and are working toward SDG goal 17, “Partnerships for the Goals.”

 [Sekisui House Matching Program](#)
(Japanese only)

 [List of charitable groups](#)
(Japanese only)

• Tsunagari Café

Regular online seminars entitled Tsunagari Café, which any Group employee can freely participate in, regardless of time, place or status, have been started to provide opportunities to get the information on the Sekisui House Matching Program. Every seminar features different guests from inside and outside the Company who present basic knowledge about NPOs, their involvement in issues ranging from children’s food allergies to the LGBTQ community, and the Group’s collaborative activities with NPOs. The seminars also include time for dialogue and discussions among the guests and attendees. The café is held for approximately 40 minutes in the afternoon. It has been held two days each month, two to three times a day, for a total of 23 times since its start in June 2021, with a cumulative total of approximately 1,000 participants.



Tsunagari Cafe

Harmony with local communities through social contribution activities

• Collaborative initiatives with charitable groups

Every year, we hold presentation ceremonies to announce our partnerships with charitable groups of the Sekisui House Matching Program. Ceremonies are held at the Sekisui House office closest to where the group is active to introduce what the group does and promote awareness of those activities. The grant has also led to support for construction of a building to serve as a base for the organization’s activities, as well as the creation of a garden for the activity base by our employees. These cases of cooperation with our business have been expanding. We actively promote these collaborative initiatives, create plans that are mutually beneficial, and take action together in ways that benefit society and the local area, thereby promoting revitalization.

• Overseas initiatives

Since 2019, wholly owned U.S. subsidiary Woodside Homes has been contributing to the Dream Home Giveaway,¹ a series of charity events held by St. Jude Children’s Research Hospital.² After its initial participation in Las Vegas, the company added the Sacramento event in 2020, and continued participating in 2021.

These events are held in roughly 40 cities across the United States. Woodside Homes covered nearly all of the construction and material costs associated with construction of the lottery homes in Las Vegas and Sacramento. By supporting the activities of St. Jude hospital, it is helping to improve pediatric medical services in the country.

1. A charity lottery in which a portion of solicited donations, in the form of houses and land, are awarded to the lottery winners.

2. Established in Memphis, Tennessee in 1962, this globally renowned pediatric treatment and research facility provides medical treatment to children and supports their families free of charge.

Coexisting with Local Communities

Highlights

The Sekisui House Matching Program, in which coexistence with local communities also leads to the growth of Sekisui House

Employees are happy to see a positive change through involvement with the community

The Sekisui House Matching Program does not end with mere donations. Collaboration that transcends business operations has emerged, with employees of each branch offices sharing ideas with local communities and NPOs, and organizing events that help revitalize the community. We have held workshops for disaster preparedness at Common Stage Miramachi, a large-scale 404-lot development complex that utilizes a former factory site in Toyohashi City, Aichi Prefecture. These activities include a workshop with the NPO Kodomo Wakamono Matching to teach children how to make cardboard cots and partitions through learning while playing, and holding lectures with the NPO Japan Rescue Association and the participation of local residents on how to protect their pets, while interacting with therapy dogs.

Participation in these events has resulted in clear changes in our employees. They began to work with a lively expression on their faces, without being preoccupied merely with the results. Communication among employees also became more active, and they were often seen freely discussing both the good and the bad without hesitation, regardless of their positions.

Many employees have made comments such as, "I am now more aware of being a member of society," and "I never thought I would feel so fulfilled by helping others." For example, at the Nagano Branch, the participation rate in the Sekisui House Matching Program has increased

from the low 20% range to 80% in roughly a year and a half, which was a good outcome.

The significance of the Sekisui House Matching Program is coexistence with the local community

It was initially thought that the Miramachi Project at the Toyohashi Branch might not be a viable business venture, primarily due to the fragile condition of the surrounding roads. However, we strongly believed that the Sekisui House Group's strengths should be applied not only to the growth of the Company, but also to the local communities, and this is how the project was implemented. Some initiatives were not constrained by issues of profitability, such as building a facility free of charge where people can gather to raise their children, and providing a portion of the site to Toyohashi City. Thanks to such efforts, Sekisui House has come to be trusted by the local community as a leader in community development.



The purpose of the Sekisui House Matching Program is nothing less than to achieve coexistence with the local community. Through the program, employees come to realize that the Company needs to be loved by people in the local community, and will grow as human beings. Eventually, this will help Sekisui House to become a sought-after organization in society.

The new rule that all NPOs eligible for grants under this matching program must be nominated by employees themselves is a unique opportunity for each and every one of us to create a connection with the local community. Let us share our thoughts about how we can contribute to our respective communities.

Yoshitaka Iwata,
Executive Officer,
Head of Joshinetsu Sales
Administration Headquarters



Coexisting with Local Communities

• Supporting career education for elementary and junior high school students

As part of our Kids-First efforts in which we provide educational support in collaboration with educational institutions, we utilize the model houses Sekisui House operates around the country to provide children with fun hands-on opportunities to learn about housing. We are now setting up a career education program for elementary and junior high school students that will encourage them to think about the meaning and purpose of working and will help them in choosing their path in life. This career education program brings students to Sekisui House workplaces to tour housing exhibits where they experience virtual reality spaces and see presentations by Sekisui House sales representatives and home designers on building homes. In FY2021, since off-campus learning was restricted at elementary and junior high schools due to the COVID-19 pandemic, we also held online classes by connecting our facilities with the schools via the Internet. We want these programs to continue giving the children, tomorrow's leaders, wider horizons to support their dreams for the future. Our model house sites are spread over more than 300 locations throughout Japan. We will make maximum use of these sites as educational centers, and expand this initiative to other parts of Japan.



• Supporting programming education

In 2019, Sekisui House was the only company in the housing and construction industry to cooperate with “Programming Education Promotion Month in Future Studies,” an educational initiative that was conducted in collaboration with the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Internal Affairs and Communications, and the Ministry of Economy, Trade and Industry. The initiative is a precursor to programming education that became compulsory in elementary schools in FY2020.

At our five Tomorrow's Life Museum hands-on, experience-based housing facilities situated nationwide and other facilities, we accept visits from children from elementary schools around the country, and hold classes on housing, entitled “Everyone's House! Houses of the Future!” These lessons, held at our centers and locations in other parts of Japan, teach elementary school children about housing. The children are given the chance to take ideas from what they learn to design and build their own house of the future using architectural simulation software on computers and other means. In the three years from 2019, about 550 students have participated.

We believe that cooperation with children's programming education is a way for Sekisui House to contribute to society through education, and to inform the public on how we are working to create happy homes. In addition, this activity also contributes to our efforts to achieve SDG goal 4, “Quality Education.” We are proud to continue supporting programming education in elementary schools through our participation and cooperation with this initiative, incorporating the study of housing into education.



An employee giving children a lesson at Sekisui House Eco First Park in Koga, Ibaraki Prefecture

• Participation in the Minecraft Cup 2021 National Tournament

As a gold partner of the Minecraft Cup 2021 National Tournament, a programming education initiative, we are helping to foster the development of programming thinking in children. Minecraft is an open-world game that was introduced to Japan in 2011 and is popular, especially among elementary school students. Minecraft: Education Edition is being used in educational settings around the world to develop programming thinking in children. The ability to freely place blocks, and enjoy building and other activities makes this game a perfect fit for collaboration with our business.

For the 2021 National Tournament, we cooperated as a partner by soliciting entries of Minecraft works based on the theme of “everyone's home and future town in the age of SDGs,” with the “SDGs of Sekisui House” as the core theme. In collaboration with our 142 model house sites nationwide, the tournament was enlivened by offering tours of real homes and SDG learning programs to entrants. Of a total of 484 entries, 20 advanced to the final judging, and an awards ceremony was held at Tomorrow's Life Museum Kanto via webcast. In partnership with the Minecraft Cup, we will create opportunities for housing education for the next generation in the metaverse era by broadly communicating our SDGs and housing organization.



Final judging and awards ceremony, Minecraft Cup 2021 National Tournament (Japanese only)

Coexisting with Local Communities

• School visit classes at educational institutions

Our Kids-First initiatives are designed to provide educational support through collaboration with educational institutions. Efforts include workplace experiences for students at Sekisui House sites and staff visits to schools to give lessons.

Captain Earth “le-cology” Seminar

Mixing hands-on learning and game playing, this educational experience about living with global warming gives students a chance to learn about and have fun with eco-friendly ways of living through the topic of housing.

“A Letter from Dr. Forest” Program

Dr. Forest (a Sekisui House employee) is a specialist in greenery who uses examples of nature—in a schoolground for example—to get children to think about ecosystems and the issue of native vs. non-native species of plants.



School visit class for teaching about house insulation “A Letter from Dr. Forest” Program

• Support for children’s cafeterias, in collaboration with KURADASHI

Sekisui House participated in a demonstration experiment that was jointly implemented by KURADASHI Co., Ltd., which operates the social contribution shopping site KURADASHI, and the Keio Research Institute at SFC. The purpose of the experiment was to match data on disaster-prevention stockpiled food held by companies with children’s cafeterias in Osaka Prefecture. Sekisui House cooperates in the effective use of disaster prevention stockpiles that are nearing the point of replacement, as a supply of food for children’s cafeterias. Together, we are supporting children’s cafeterias, which are operated partly for community revitalization and food education.

• Shin-Satoyama

In 2006, on the north side of Shin Umeda City in Osaka outside the Umeda Sky Building in which the head office of Sekisui House is located we built a landscaped area known as *Shin-Satoyama*. The area is about 8,000 m² in size and is modeled on a traditional Japanese *Satoyama*—a biotope consisting of a wooded area, bamboo forest, rice terrace, and vegetable farm in one compact area. The design is based on our *Gohon no Ki* Project that focuses on planting trees native to the area. In the 15 years of its existence, the landscape has become a flourishing ecosystem at which much wildlife can be seen including parent and duckling spotbill ducks, the threatened Eurasian sparrowhawk and Japanese night heron, and many other wild birds, insects, frogs, and lizards. Since 2007, the year after the landscape was created, we have used the area to support the education of children from the neighboring district. We give elementary school children the chance to experience different aspects of growing rice using traditional farm tools, from planting rice in a wet paddy to weeding to harvesting and threshing the rice. We give nursery school children the chance to plant sweet potatoes and to dig them up when they are grown. By coming into physical contact with a diversity of flora and fauna, the children learn the importance of food and deepen their understanding of an ecosystem. The scenery of *Shin-Satoyama* with the sound of the many birds that it attracts, provides a restful, healing atmosphere for office workers, local residents, and visitors alike. We plan to apply the knowledge gained from *Shin-Satoyama* to future environmental activities.

• Sekisui House Eco First Park

In 1999, Sekisui House became the first company in the housing industry to introduce an Environmental Future Plan. Since that time, we have been promoting the creation of residential environments that are friendly to both people and the earth, and that can be lived in for a long time, through our core business of homebuilding. These efforts were recognized by the Ministry of the Environment, which in 2008 certified Sekisui House as the industry’s first Eco-First Company. In the same year, Sekisui House opened the Zero Emission Center in conjunction with the Kanto Recycling Center. To symbolize the environmental efforts we have made over the years as a company, in May

2015 we reopened the Sekisui House Eco First Park. The park is a place where visitors can learn about our environmental activities in the areas of preventing global warming, conserving ecosystems, resource recycling, and environmental education, based on our Eco-First Promise. Through our efforts in this park, we are building a resource recycling system in line with the plan for establishing a recycling-oriented society, which was formulated based on the Basic Act on Establishing a Sound Material-Cycle Society. Furthermore, we have begun to study new methods for resource recycling, with a view toward responding to the circular economy demanded by the international community, and to incorporate these methods in specific initiatives.

• Full-scale pre-engineered housing exhibited at the opening commemorative exhibition of the Nakanoshima Museum of Art, Osaka

Sekisui House is exhibiting full-scale pre-engineered housing (a lightweight steel-framed house) from the 1970s at the opening commemorative exhibition, “Our City—Portrait of Osaka” (April 9–October 2, 2022) at the Nakanoshima Museum of Art, Osaka, which opened on February 2, 2022. The opening commemorative exhibition, “Our City—Portrait of Osaka,” consists of Part 1 (Signposts to the city—Meiji, Taisho, and prewar Showa: April 9–July 3, 2022) and Part 2 (Resonance with ‘celebration’—The postwar Showa Period, Heisei Period, and Reiwa Period: August 6–October 2, 2022). Our exhibit is included in Part 2. This commemorative exhibition is to be held based on the theme of Osaka, and tracing the era from the Meiji period to the present, it conveys the vibrancy of Osaka through paintings, photographs, posters, and other works, as well as exhibits related to industrial design, such as home appliances and pre-engineered housing. In this exhibition, living spaces of the time will be reproduced by displaying the framing system that forms the base of today’s Sekisui House, the development of plans based on nLDK, as well as interiors built using interior materials then called “new construction materials,” in cooperation with housing building material and equipment manufacturers.



News Release:

[Sekisui House to Exhibit Full-Scale Pre-Engineered Housing at the Opening Commemorative Exhibition of the Nakanoshima Museum of Art, Osaka](#)

(Japanese only)

S Developing Human Resources

1 Governance

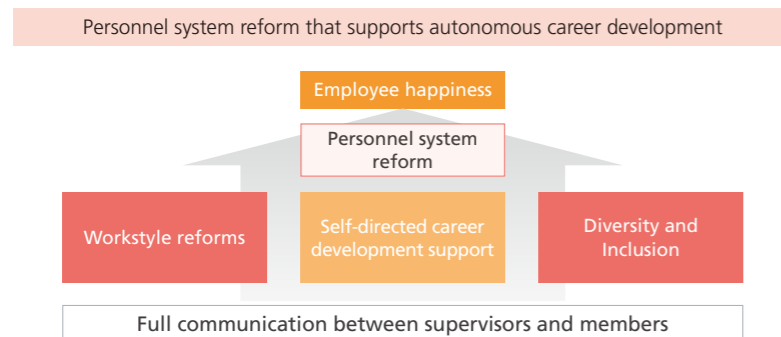
Personnel system and human resource management structure

Based on our global vision to make home the happiest place in the world, Sekisui House has created a vision for the future of maximizing the happiness of our customers, employees and communities as our ideal vision for 2050. To make Sekisui House the happiest company in the world, in addition to the diversity and inclusion and workstyle reforms that we have been working on, in 2021 we launched a new personnel system reform, and in February 2021 we revised our grading system in advance.

The main purpose of the system reform is to support self-directed career development. We have established two types of career courses for managers: managerial positions that contribute to the organization through management, and specialist positions that contribute to the organization through high-level expertise. We support personnel in these positions, so that they can consider their own strengths and personality, select their future career course for themselves, and grow in their chosen direction.

Since one of the important elements for supporting that goal is full communication between supervisors and members, we have newly established

Purpose of Personnel System Reform



career interviews, in which supervisors and members discuss careers on a regular basis. These interviews will be held to share employees' values and ideas about their careers, as well as to support their growth by providing appropriate feedback on their individual strengths and development points.

In February 2022, we reorganized the Personnel Department to establish the Human Resources Development Department, and are working to bring personnel system reform to the entire Group, and to strengthen our talent management system. Specifically, we are improving the quality of our recruiting methods and standards, implementing succession plans, and promoting the self-directed career development of the employees who support these efforts, thereby developing human resources who are capable of willingly creating value for society and our stakeholders.

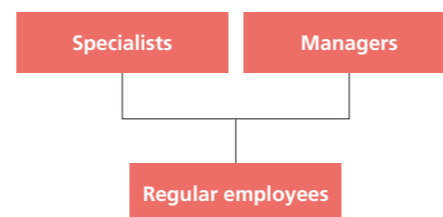
In April 2022, we revised our class and compensation systems.

Outline of Personnel System Reform

Key points of personnel system reform

Self-directed career development

- Career course selection
- Early creation of management opportunities
- Fair and transparent appraisal
- Career interviews with supervisors



Employee ability development program

To make home the happiest place in the world, we have programs for each job type to help our employees increase their expertise and meet the diverse requirements of our customers. Long-term skills development programs are also available, and we launched a three-year training program for detached home sales in FY2018. This program enables customers to be happier by using a customer-centric approach and a broad range of specialized knowledge and skills for housing sales. In FY2021, 415 people participated in this program. We also have a program for technical positions that instills shared specialized knowledge required after two years with Sekisui House, and 273 people participated in this program in FY2021. Other programs enhance specialization in all of our businesses from year three on.

Main features of the new system

Course and grade	Double track course (Managers) Managerial (M) position that contributes to the organization through management Specialist (SP) position that contributes to the organization through high-level expertise Introduction of role classes for managerial positions
Promotion	Promotion according to merit (regular employees) Promotion decisions based on merit, not on age or years of employment Early promotion of highly evaluated employees (Promotion to manager possible in as early as eight years)
Evaluation	Fundamental revision of personnel evaluations and enhancement of job interviews Ability/behavior review and performance review are separated. Ability/behavior review is reflected in class changes and salary changes, while performance review is reflected in performance bonuses. Revitalization of communication between supervisors and members
Training and transfer	Career emphasis and talent management Self-assessment of career plan and self-emphasis of one's ability/knowledge/experience Periodical career interviews five times a year Rotation and human resource matching using Talent Palette

Developing Human Resources

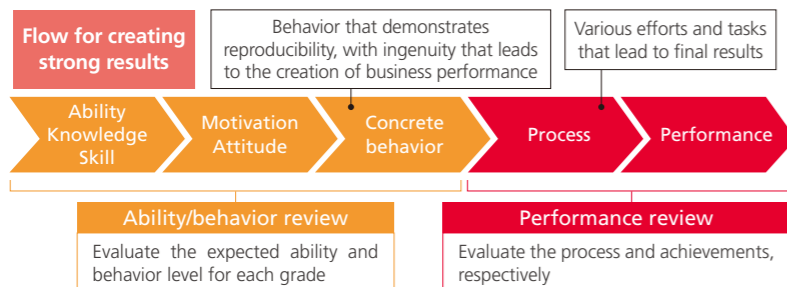
Evaluation of individual performance

In February 2021, we introduced a new grading system in which evaluations are made from two perspectives: an ability/behavior review and a performance review. In the ability/behavior review, we evaluate ability/knowledge/skill, motivation/attitude, and the resulting concrete behaviors. In the performance review, we evaluate the process used to achieve final results using management by objectives, as well as the resulting performance. We use the evaluation results to reflect the ability/behavior review in promotions, pay raises, and retirement allowances, and to reflect the performance review in performance bonuses. In addition to the above matters, the sales divisions provide monthly performance allowances based on individual performance.

The multifaceted observations that have been conducted for some managers since FY2019 will be expanded to all employees who enter managerial positions in the new personnel system from FY2022 onwards. Multifaceted observations are implemented to collect the opinions of subordinates and colleagues regarding employees in managerial positions, and to provide them with feedback, so that they can objectively reflect on their behavior, which leads to growth and improvement. In addition, we support this process by combining it with external coaching.

Overview of Our Grading System

We conduct two types of personnel reviews: an ability/behavior review and a performance review.



2 Strategy

Securing, training, and managing human resources according to business strategies

Based on the outlook for future business, we make and execute strategic recruitment plans while taking into account data such as turnover rates.

With regard to the human resources required for future business promotion (e.g., DX human resources), we are aiming to create a system that allows us to compile pipeline information inside and outside the Company, and make proposals to the business side. As for transfers and training, we have built a dashboard in the personnel system that allows organization leaders to check the status of their organizations at a glance, and established a data environment that is useful for decision-making, such as transfers and educational planning.

In FY2021, we introduced a talent management system that is common to our Group companies, and are now able to centrally manage the personnel information of 28,362 people throughout the Group. In order to realize the maximum results of the Group through this system, we plan to maximize the transfer of human resources (human resource investment in growing businesses) as well as the performance of human resources throughout the Group.

Managerial promotion system based on the new personnel system

As part of the revision of our personnel system in April 2022, we have established a system that allows talented employees to be promoted to manager early on.

Specifically, we have reduced the number of grade levels from the previous nine levels to just five levels, and have put a system in place that allows employees to be promoted to manager in a minimum of eight years after joining the Company.

Previously, a minimum of 16 years was required to be promoted to manager. In the new system, we have developed a system for individuals to be promoted to manager based on their ability and behavior, regardless of their age or history in the Company.

Use of people analytics

With the introduction of our talent management system, we have established a system that allows the centralized management of information (such as multifaceted observations, personnel evaluations, career ambitions, and results of external assessments) that was previously managed using multiple systems and print media. We also use this system in succession plans and human resources meetings for the appointment of officers and managers, and have created an environment in which upper and middle management can make decisions based on data.

When recruiting new graduates, we analyze and extract the human resource requirements for outstanding employees, and hire human resources who meet those requirements, which helps us to secure excellent human resources with great potential. In selective training after employees join the Company, we use various types of human resource data, including aptitude tests, to select employees.

3 Risk Management

Risk management regarding human resources

• Risk management regarding engagement

We conduct an annual survey on governance awareness to determine the Group's current situation regarding our corporate philosophy, vision and strategy, employee autonomy, workplace culture, and compliance. Based on the survey results, we encourage department heads to identify and resolve issues in their department, and to reflect organization-wide issues in Company policies and training programs. Key initiatives in FY2021:

- (1) Sekisui House clarified the development path for human resources and individual employee growth by clarifying the skills and behavioral standards for each level and reflecting these items in effectiveness and behavioral assessments.
- (2) We also clarified the relationship between individual and organizational goals, while encouraging individuals and the organization to deliver

Developing Human Resources

results by introducing MBO methodologies and a performance-based evaluation system.

- (3) We introduced career interviews (five per year) to support employees' autonomous career development and implemented training for the managers conducting interviews to enhance interview quality.

• Ascertaining and responding to risks in education and dissemination

The following PDCA cycle for training programs helps us transfer lessons learned in training to the workplace.

- (1) Overall: Clarify the purpose of the training, determine the quality and retention levels from the participant report, use that as reference for future training, and continually improve the quality of programs, textbooks, and instructors, while imparting external knowledge.
- (2) Selection and other forms of training: We help students acquire knowledge and change their behaviors with issue-driven preparation and follow-up training as well as coaching by outside instructors.

4 Indicators and Targets

Investing in Training and Ability Development

		(FY)		
		2019	2020	2021
Training time (hours/person)		6.69 hours	5.45 hours	6.30 hours
Key training programs	Human relations training	3.0 hours	3.0 hours	3.0 hours
	Legal training	1.0 hours	1.0 hours	1.0 hours
Other training programs		2.69 hours	1.45 hours	2.30 hours
HR development cost (amount/person)		¥32,375	¥19,145	¥21,616

* Other training programs include training for managers and other staff to prevent sexual and power harassment, as well as career autonomy courses and training for new leaders.

Human Capital ROI

		(FY)			
		2018	2019	2020	2021
Human capital ROI ¹		191%	186%	174%	183%
Employee-related expenses		¥214,529 million	¥238,591 million	¥251,470 million	¥277,403 million

1. Formula for human capital ROI: $(A - (B - C)) \div C$
 (A) Total revenue, (B) Total operating expenses, and (C) Total employee-related expenses
 Refer to page 193, "10-Year Highlights" for A and B.

» Page 193: 10-Year Highlights

Employee Turnover Rate²

		(FY)			
		2018	2019	2020	2021
		3.14%	3.21%	3.14%	3.44%

Voluntary Turnover Rate of Full-time Employees²

		(FY)			
		2018	2019	2020	2021
		3.02%	3.08%	2.93%	3.24%

Ratio of Temporary Employees²

		(FY)			
		2018	2019	2020	2021
		2.5%	2.5%	2.1%	2.3%

Ratio of Non-Regular Employees (Contract and temporary employees)²

		(FY)			
		2018	2019	2020	2021
		11.2%	10.8%	10.1%	10.2%

Hiring Rate for Open Positions²

		(FY)		
		2019	2020	2021
Employees hired internally ³		149 people	148 people	159 people
Total number of managers		150 people (99.37%)	149 people (99.33%)	161 people (98.76%)

2. On a non-consolidated basis

3. Number of mid-career hires within one year of joining the company in FY2021, excluding those who became managers

5 Activities and Other Related Information

Fostering the next generation of business leaders

We have held the *Keiei-juku* management training program since 2018 with the objective of training and selecting future leaders in each organization (for the positions of branch manager, head office senior manager, factory manager, etc.) A total of 42 employees participated in its third session which started in June 2021.

The SHINE! Challenge Program (acronym for Sekisui House Innovators and Entrepreneurs Challenge Program) entered its third term in FY2021 with 15 participants. Launched in October 2019, this program trains young leader candidates (aged 30-35 years). The program is designed to discover, train and foster talented young individuals early on to systematically produce strong candidates for leading the business into the future.



The third term of the SHINE! Challenge Program

Developing Human Resources

Initiatives to strengthen management capabilities

In addition to inculcating an open, positive corporate culture, Sekisui House has been enhancing the ability of branches and teams to manage, develop people and invigorate their organization with an array of training courses for risk management, new branch managers and new leaders. A total of 531 managers have participated in these courses.

In addition, we supported the introduction of a new personnel system in FY2021 by providing evaluator training for 2,715 people involved in personnel evaluation.

Support for employee's self-directed career development

We provide training that allows each and every employee to formulate their own career vision, and to take concrete actions in order to realize that vision. We have also developed training for young employees and mid-level employees, including the autonomous career development course, a career training program for mid-career employees. A total of 15,436 employees have completed these training courses. We continuously support our employees in their self-directed career development while iterating improvements to the training content through questionnaires and follow-up surveys.

From FY2022, along with the transition to a new personnel system aimed at strengthening our human resources, who continue to evolve in response to a changing environment, we will also update our career education system with more enriched content.

In-house certification programs

Note: People certified in FY2021
(as of April 2021)

• On-site supervisor: Chief Constructor

This program assigns the role and qualifications of Chief Constructor to outstanding on-site supervisors, thereby encouraging them to pursue even higher goals. We have trained a lot of excellent on-site supervisors who engaged in routine work aiming to acquire this certification, and this has improved our brand power and productivity. In FY2021, a total of 153 supervisors were certified as Chief Constructors.

• Design: Chief Architect

The Chief Architect program was established for developing designers who support the creation of quality houses. By granting the role and qualifications of Chief Architect, the program aims to further improve skills of designers. The certification period is two years, and in FY2021, a total of 282 Chief Architects are carrying out their vital role across the country.

• Structural planning: Structural Planning Specialist

This is a certification program established to foster designers who play a leading role in structural planning at offices. The purpose of the program is to improve the safety and rationality of structural planning by granting the designer the role and qualifications of a certified Structural Planning Specialist. The certification period is three years, and the total number of certified specialists in FY2021 was 173.

• Design (Platinum business): Platinum Specialist

To promote what we call our platinum business (housing for senior citizens, welfare buildings in general for children, people with disabilities and others, medical facilities, etc.), the role and qualifications of the Platinum Specialist are granted to employees engaged in design who have an excellent track record in design, combined with advanced expertise and the skills necessary for designing platinum properties. In FY2021, the certified specialists was 42.

• After-sales service: Customer Support Meister (CS Meister)

To increase the number of customers who support the Company, the certification recognizes the employees who excel in customer support and take the initiative in carrying out their duties with a high level of skill and abundant knowledge. In FY2021, 83 certified "CS Meisters" were active across Japan.

Career interviews

In FY2021, we started conducting career interviews in which supervisors and members converse on a regular basis, for the purpose of realizing self-directed career development by our employees. In preparation for these interviews, we trained approximately 2,500 interviewers, and have been establishing an environment that enables the effective implementation of interviews.

According to the results of questionnaires we conducted at the end of FY2021, we found that 75% of supervisors had answered that career interviews are useful for supporting self-directed career development. In the future, we aim to raise awareness regarding human resource development, and support self-directed career development based on full communication between supervisors and members.

Developing Human Resources

Succession plan

In 2021, we started succession plan meetings. Directors of the Board, employed executive officers and operating officers participate in this meeting to share information on their successors and discuss their training plans, for the purpose of enriching the pipeline for management candidates. By holding this meeting twice a year going forward, we will enrich the management candidate pipeline and realize the sustainable growth of the Group.

Career Challenge System

As part of our efforts to promote the creation of systems that enable diverse human resources to play an active role, based on our basic personnel policy of “Human Resource Sustainability,” we introduced the “Career Challenge System” to provide opportunities for employees with a challenging spirit to make further progress.

Based on job type, job content, and (expected) duties to be assumed in the future, our employees are categorized into four groups: “Sales engineering job group (main career track),” “Production skills job group,” “General clerical job group,” and “Employees working in specified areas (regional employees).” Our personnel systems are operated according to the characteristics of each job group in terms of training and basic treatment. The program supports the conversion of employees in production and general clerical work as well as regional employees into sales engineering positions.

Applicants take a two-day training course. During the training, they are provided with an opportunity to reflect on their past work experience and contemplate their future career. Upon completion of the training, applicants are evaluated on the breadth and clarity of their career vision after conversion in addition to their interviews and other factors. Then selected employees are converted.

31 employees applied for the program in FY2021.

Number of Applicants for the “Career Challenge System”

			(FY)
2019	2020	2021	
Applicants: 43 employees Actual converts: 35 employees	Not implemented	Applicants: 31 employees Actual converts: 27 employees	

Training for employees on environmental initiatives

When introducing our eco-friendly homes to customers, it is important to provide an explanation based on sufficient knowledge. For this reason, we implement a wide range of education and training programs for our employees.

- Green First Training

Our Green First* eco-friendly homes constitute the backbone of our efforts to combat global warming and are placed at the core of our product strategy. Accordingly, it is essential to have a deep understanding of the societal background and national policies, as well as technical elements, contents of the system, and aspects that must be explained to customers, such as the economic benefits and details of public subsidy programs. For this reason, we have been conducting a group training program called the Green First Training.

Thirteen years have passed since the launch of Green First homes, and our current content has evolved into ZEH for both detached houses and multi-unit housing complexes. Currently, the quality of our training has improved thanks to the introduction of tablet terminals and the development of online learning environments. Training is intended not only for sales and technical staff at new construction contractor offices, but also includes customer service employees involved in after-sales maintenance, as well as Sekisui House Remodeling employees in the remodeling division, and Sekisui House Real Estate employees who handle ZEH rental housing. As of FY2021, we have held training courses

a total of 656 times, and a total of more than 35,400 employees have taken these courses. (Held 22 times, with more than 1,500 employees participating in FY2021)

* The name of our eco-friendly home brand launched in 2009. Each highly insulated and airtight house is equipped with a solar power generation system and fuel cells. Since 2013, we have focused on Green First ZERO, which conforms to ZEH standards.

Development of online programs

In order to prevent the spread of COVID-19, we have developed an online program starting in FY2020. We have replaced group training with these online programs. As a result of reviewing and improving the programs to ensure that the effectiveness of career training and other programs, which are generally said to be less effective in an online format, the effectiveness of the programs was maintained and improved as participants became more self-reflective. By combining this with a video pre-study program and follow-ups for training transfer, we have built highly cost-effective human resource development methods that are not reliant on space or location.

S Diversity and Inclusion

1 Governance

Announcement of “Human Resource Sustainability”

In 2006, the Group announced the commitment to Human Resource Sustainability. The three pillars of our diversity promotion policy are promoting the participation of women; utilizing diverse personnel; and promoting diverse workstyles, and we are working to create an environment and structure where both employees and the Company can achieve sustainable growth. In the same year, we established the Diversity Development Team, and started engaging in full-scale efforts. Later, this team was reorganized into the Diversity and Inclusion Promotion Office in February 2014, and again into the Diversity and Inclusion Promotion Department in April 2018. We are working to support the active participation of female employees as well as diversity in our human resources.

 [Human Resource Sustainability](#)

Results and promulgation of activities

In December 2017, we became the first company in the construction industry to receive the Minister of State for Special Missions Award (Gender Equality) of “Advanced Companies where Women Shine” from the Gender Equality Bureau of the Cabinet Office. This award was granted as recognition of our efforts in: enhancing women’s empowerment in the entire construction industry through human resource strategies to encourage female employees to pursue their careers



In 2021, Sekisui House became the first company in the industry to be selected six times as a Nadeshiko Brand



Grand Prix in the IKUMEN AWARD 2020

and development and commercialization of temporary toilets for women at construction sites; promoting female employees to managerial/executive positions Group-wide; and implementing IT technology-based workstyle reforms to support work-life balance.

In October 2020, we were awarded the Grand Prix at the IKUMEN AWARD 2020 sponsored by the Ministry of Health, Labour and Welfare. Our efforts were highly evaluated for the male employee childcare leave program which the Group put into full-scale operation in September 2018. We will continue to share the learning and knowledge gained from the operation of this program with society at large, hoping to contribute to building momentum so that we can gain support in society for male employees taking childcare leave.

In March 2021, we were selected as a Nadeshiko Brand 2021 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for the sixth time, making us the only company in the housing and construction industry to achieve this feat.

In October 2020, we became a member of The Valuable 500, an international initiative promoting the active participation of people with disabilities.

The Valuable 500 is an activity that was launched at the World Economic Forum Annual Meeting (Davos) held in 2019, based on the idea that inclusive business creates inclusive societies. In this regard, 500 major companies around the world have joined in this activity, with the aim of initiating reforms by business leaders that enable persons with disabilities to demonstrate their potential value in business, society, and the economy. The Sekisui House Group, which aims to become a leading company in ESG management, has endorsed the objectives of The Valuable 500 and established the following commitments.

1. Customer happiness: Create homes and communities to provide lifelong housing.
2. Employee happiness: Provide opportunities and develop an environment for employees with diverse backgrounds to reach their full potential.
3. Social happiness: Support social inclusion and normalization for people with disabilities.

 [Sekisui House Group's Valuable 500 Commitment](#)



2 Strategy

Making diversity and inclusion a driver of growth

One of the important elements in promoting diversity is the concept of diversity and inclusion. In every organization or workplace, we must respect and recognize differences in age, gender, nationality, values, sexuality, disabilities and other characteristics. We aim to build a status and environment where goals and roles are made clear and information is shared, there is mutual respect and trust, employees proactively participate and contribute, and employees are used effectively as members of their organizations, thereby creating psychologically safe workplaces. We believe that this will lead to the creation of value through the strength of diversity. The Group has made diversity and inclusion a growth driver, and set the goal of becoming a leading company in ESG management.

Diversity and Inclusion

Action Plan for the Promotion of Active Participation by Women

In February 2021, we set new targets for the Sekisui House's Action Plan for the Promotion of Active Participation by Women based on the Act on Promotion of Women's Participation and Advancement in the Workplace. With two major targets of "More than 310 female managers" and "100%¹ take-up rate for eligible male employee childcare leave" (both by FY2025 or by March 31, 2026 on a Group basis), we continue making efforts to achieve the targets.

1. 100% means that all eligible employees with a child or children under the age of three take childcare leave (according to the Company's rules and regulations).



Sekisui House's Action Plan for the Promotion of Active Participation by Women
(Japanese only)

3 Risk Management

We aim to be an inclusive organization in which diverse employees play active roles in order to meet the diverse needs of our customers.

However, in male-centric homogeneous organizations, there is a high risk that values, policies, strategies, and other aspects, especially in terms of management, will become biased, and it is expected to be difficult to respond to intensifying market competition and the globalization of business. If we do not foster a corporate culture of mutual recognition and respect for diverse ideas, values, and identities, there may be prejudice, discrimination, harassment, and other issues that arise from unconscious bias, ignorance, or indifference. This raises concerns regarding a loss of psychological safety in the workplace, as well as increased mistakes and accidents arising from a deterioration of communication.

When it comes to diversification of workstyles, we must promote styles that are not tied to a single location, such as telework. Otherwise, we will be unable to satisfactorily support the diverse values and lifestyles of our employees, customers, and business, and it will become difficult to plan and implement BCP, including measures against large-scale disasters and infectious diseases. Furthermore, it will

be difficult to promote a balance between work and childcare, elderly care, and treatment of injuries and illnesses, which will lead to decreased employee motivation and the loss of talented human resources.

4 Indicators and Targets

Breakdown of the Number of Employees

		(FY)		
		2019	2020	2021
Group total ²	Male	16,516	16,549	16,540
	Female	5,957	6,225	6,454
Number of employees by age group (non-consolidated basis)	Under 30	2,952 (19.45%)	2,844 (18.87%)	2,768 (18.43%)
	30-50	8,288 (54.59%)	8,111 (53.82%)	7,941 (52.88%)
	51 and above	3,941 (25.96%)	4,116 (27.31%)	4,308 (28.69%)

2. Number of full-time employees of the Sekisui House Group (on a consolidated basis: Sekisui House, Sekisui House Real Estate, Sekiwa Grand Mast. Ltd., Sekiwa Construction, Sekisui House noie, Sekisui House Remodeling, as of the end of January 2022)

Gender Wage Index³

		(FY)		
		2019	2020	2021
Average gender wage gap		62.4	68.7	64.5
Median gender wage gap		66.4	67.9	67.4
Average special bonus gap		56.5	55.4	56.6
Median special bonus gap		58.1	56.8	57.5

3. Figures are for female employees, with male employee values set at 100. Scope of data collection: Full-time employees of all the following Sekisui House Group (on a consolidated basis: Sekisui House, Sekisui House Real Estate, Sekiwa Grand Mast. Ltd., Sekisui House noie and Sekisui House Remodeling, as of the end of January 2022)

5 Activities and Other Related Information

Implementation of training for female managerial candidates and creation of role models

As part of its aim to appoint more than 310 female managers by FY2025 (March 31, 2026), the Sekisui House Group provides training for female manager candidates and creates role models for career development according to job types.

Sekisui House Women's College is held annually to train management candidates.

Twenty women are selected from the Sekisui House Group nationwide as promising management candidates. Our focus here is building a pipeline for the proper appointment of talented female employees to managerial positions, by systematically and effectively developing suitable candidates using a two-year curriculum.



Sekisui House Women's College, training for management candidates

Promoting participation by women in sales positions

Since 2005, we are actively hiring female sales representatives to provide customers with detailed proposals from a female perspective. As of the end of January 2022, 397 female sales representatives (non-consolidated basis) are working in various parts of Japan.

In the housing industry, due to the specific characteristics of its business structure, there have been only a small number of women in both sales and technical positions, but we have faced this issue head-on and have been focusing on the development and



The 15th Nationwide Women's Sales Representative Conference in 2021 held remotely

Diversity and Inclusion

retention of female sales representatives. In addition to providing opportunities to build networks across office boundaries, the Diversity and Inclusion Promotion Department holds study sessions and interviews with young employees to resolve their concerns and problems.

1998	Hired first female new graduates for sales positions.
2005	Active hiring started targeting 20% of females in sales positions (new graduates).
2006	Diversity Development Team set up within the Corporate Management Planning Department.
2007	(Annual) Nationwide Women's Sales Representative Conference started. This nationwide conference of female sales representatives provides an excellent opportunity for improving skills, increasing motivation, and networking through presentation of successful cases and group discussions. Built a promotion system led by the Women's Sales Support Committee (continued). Approx. 20 female sales representatives are selected as promotion committee members, providing training regularly and continuously in each sales area. The committee meets twice a year, where members from all over the country gather to share successful cases and initiatives.
2008	Started Women's Sales Representative Conference by housing manufacturers. Started support for balancing work and family life. For female sales representatives who serve as role models, the Company allows them to change their work location due to marriage or spouse's transfer, and to work in a variety of ways according to their individual circumstances until the end of childcare. First female branch head appointed.
2014	Diversity and Inclusion Promotion Office established. (Diversity Development Team was incorporated into the office organization.)
2018	Diversity and Inclusion Promotion Office was reorganized into Diversity and Inclusion Promotion Department.
2019	The Women's Sales Support Committee implemented a mentoring system on human relations, communication and any matters that may trouble them.
2020	Active hiring started targeting 30% of females in sales positions (new graduates).
2021	15 female area sales leads and 34 female deputy area sales leads who are candidates for the next area sales lead position (as of the end of January 2022, including the sales leader of the Condominium Department)

Note: Number of married female sales representatives: 111 (28.0%)
Number of female sales representatives with children under elementary school age: 76 (19.2%)
(As of the end of January 2022)

Expanding the advancement of women in remodeling sales

Sekisui House Remodeling, which is in charge of genuine remodeling of homes built by our Company, actively recruits women with families and experience in childcare as "remodeling advisors" (sales representatives). In the remodeling business, where we often have meetings with female owners, female sales representatives who can provide a sense of security are easy to fit in and are active throughout the country.

With the option of a four- or five-day workweek and the use of childcare leave and shorter working hours, many of our female employees are able to balance work and family life. As a result of these measures, women are making steady progress, and Sekisui House Remodeling has two female executives, 600 female sales representatives (59.5% of remodeling sales representatives), one female office sales lead and 94 female area sales leads (as of January 31, 2022).

Promoting the participation of women in technical positions

Women are also active as specialists who are certified for the first time only with excellent qualities, achievements, and reliability. These employees include Chief Architects with advanced design skills, Platinum Specialists with highly specialized design skills for elderly housing and welfare facilities, and Structural Planning Specialists with advanced skills in architectural structural design. Moreover, an increasing number of female employees have been certified as Chief Constructors, specialists in on-site supervision, expanding the range of their activities. As of the end of January 2022, there are six Chief Constructors, 18 Chief Architects, four Structural Planning Specialists, and five Platinum Specialists working in the field.

The Promotion Committee for the Active Participation of Women in Technical Positions met from 2014 to 2018 with technical managers in each area as committee members to plan measures to promote the advancement of women. The key points of the measures are: human resource development of top runners; expansion of job scope; and support of employees attempting to balance work and family life.

Human resource development of top runners

Sekisui House has been hiring female technical staff since before the Equal Employment Opportunity Law came into effect. Currently, we have an increasing number of female managers including architect leads and operations leads. Furthermore, we have established a development plan for young employees in each area in order to promote them to the position of assistant manager, and we are working to expand the pool of candidates for operational management positions. We are also working to appoint role models for future career plans.

Expansion of job scope (design, on-site supervision, cost estimation/management, etc.)

Under the Female On-site Supervision Support Program, we are operating a system to foster female on-site supervisors through cooperation between nationwide sales administration headquarters and the head office by holding training and study sessions, introducing tools and lightweight construction helmets for women, and improving the working environment. As part of this effort, we continue to hold the Company-wide Women's On-Site Supervisor Meeting. Even during the COVID-19 pandemic, we held online meetings, which provided an opportunity for women to share their goals and concerns with each other while learning important communication skills that are required for on-site supervisors.

Under the program, the Kanagawa Sales Administration Headquarters has created a three-year roadmap for the systematic promotion of female on-site supervisors and the creation of a nationwide network by expanding the successful model of building horizontal ties through the assignment of one female on-site supervisor to every branch nationwide.

In addition, we are improving the work environment and providing new services and value for our customers through new perspectives gained from the ideas of female on-site supervisors in planning temporary work sites and holding opinion exchange meetings.

Diversity and Inclusion

Along with the active promotion of women, we have renewed our uniforms for construction workers, incorporating the opinions of women, and we have also designed uniforms to maternity specifications.

In addition, we have utilized the opinions of women, such as by developing the *Orihime* toilet¹ and improving the temporary toilets at construction sites, and are promoting the creation of a comfortable working environment for everyone who works on-site.

1. The city of Sendai (Miyagi Prefecture) and Sekisui House jointly developed a temporary toilet that is friendly to women and children based on the lessons learned from the Great East Japan Earthquake (Winner of the Japan Toilet Award in 2015 and the Kids Design Award in 2014 and 2016, the *Orihime* toilet was used as an opportunity to promote the comfort of temporary toilets, including those for men.



Women's meeting to exchange opinions regarding construction uniforms

Maternity uniform

Orihime toilet

Support of employees attempting to balance work and family life

As the percentage of new graduate female employees in technical positions has raised to 40%, there is an increasing number of employees who are playing active roles at work while engaging in childcare or nursing care. Since 2012, our Company has been holding Study and Exchange Meetings for Female Technical Personnel across the country with the aim of enabling female technical staff to play an active role in the Company over the long term. We share familiar role models and work to expand our network to help build career visions and increase motivation.

Prompting all eligible male employees to take childcare leave²

In September 2018, the Group launched a male employee childcare leave program to encourage male employees with a child or children under the age of three to take at least one month off work to focus on childcare. The leave is paid for the first month, which can be divided into as many as four stretches of time to adapt as needed to one's individual circumstances. We have created our own "Family Meeting Sheet" that facilitates communication on such issues as determining when to take the leave and for what purpose, as well as how to share childcare and housework during the period of leave. The sheet is available on our website so anyone can use it.



This Family Meeting Sheet can be downloaded from our website.

Since February 2019, when full-scale operation was implemented, all 1,239 male employees whose children reached their third birthday (the deadline for taking childcare leave) by the end of February 2022 have taken at least one month of childcare leave, maintaining a 100% take-up rate.

Since April 2021, the system has been enhanced, permitting male employees to take eight weeks off after the birth of their child. We are promoting awareness of the importance of husbands staying close to their wives during the eight weeks after childbirth, which is a period of great physical and mental strain for mothers and a time when the risk of developing postpartum depression is high.

We believe that men's participation in childcare and housework will contribute to the achievement of the SDGs, including women's participation in society, and serve as a measure to tackle the declining birthrate. This Family Meeting Sheet can be downloaded from our website.

2. In the childcare leave system in Japan, in principle, employees may take leave for one year until their child reaches one year of age, during which time childcare leave benefits are paid. In addition to this, we allow employees (regardless of gender) who have children under the age of three to take childcare leave for at least one month (paid leave for the first month).



Realizing a Japanese society where it is normal for men to take childcare leave (IKUKYU.PJT)

Expanding our support system for balancing work and life

We are expanding various systems to support our employees, so that they can balance work with childcare, elderly care, and medical treatment.

• Shortening and changing working hours for childcare

Employees who care for children up to the third grade of elementary school can apply for a reduction in their prescribed working hours. (This can be set for each day of the week, up to two hours per day, in 15-minute increments.) In addition, while these employees were already allowed to adopt a sliding work schedule, in which it is possible to start or end their work day earlier or later provided they work the prescribed number of hours.

• Nursery School Hunting Concierge

For employees who are planning to enter their child into a childcare facility within one year after birth, we provide individual support from pregnancy to the decision on a facility by providing information on activities, expertise, and childcare-related information according to the individual's circumstances (child's birthday, place of residence, etc.).

• Financial Aid for Childcare

Under this system, the Company pays a portion of the facility usage fees for temporary childcare so that employees who are raising children can work with peace of mind, as well as supporting the use of Sunday childcare and full-time work. If the prescribed conditions are met, the Company subsidy will be added to the facility usage fee (up to 70%).

Diversity and Inclusion

• Nursing care support program

Employees can take paid leave for five days a year (10 days for two or more care recipients) on an hourly basis (legally, in half-day increments) to care for their children when they are sick or to provide nursing care for other family members. In anticipation of a rise in the number of caregiving employees with the aging of the baby boomer generation, our Caregiver Leave Regulations have been revised and applied since 2014, from the perspective of supporting the balance between work and caregiving.

Promoting smart work

The Group aims to realize smart work, and will revitalize communication by reforming our work environment, developing the ICT environment, and optimizing our systems and rules. In addition, we will also promote workstyles that are not reliant on location, such as working from home, with the aim of improving productivity and creating new ideas, thereby realizing diverse workstyles.

COVID-19 has brought on changes in workstyles and lifestyles that in turn have made flexible working commonplace, ranging from remote work to flex systems that allows individuals to build their schedule in 15-minute intervals forward or backward between 7:00 am and 11:00 am. We will maintain and deepen the new workstyles that we have developed using our accumulated wisdom and ingenuity to become the happiest company in the world with employees who feel deep satisfaction and happiness in their work.

 [Aiming to realize smart work](#)

Creating an LGBTQ-friendly corporate culture

Sekisui House Group strives to create a corporate culture that encourages all employees to accept one another no matter their orientation so that everyone may reach their full potential, which paves the way to building a society in which everyone can feel secure and free to work in their own fashion. In November

2019, a new system was established for registering one's partner in a common law or same-sex marriage under Company rules as part of our employee welfare system, along with a consultation desk exclusively for LGBTQ-related matters.

In recognition of these efforts, we became the first major housing manufacturer to receive the Gold certification in the PRIDE Index for four consecutive years. The PRIDE Index is Japan's first index for evaluating corporate efforts concerning LGBTQ. It was formulated in 2016 by work with Pride, a private organization, with the objective to create a workplace where sexual minorities such as LGBTQ can work with pride. We were certified as Silver in 2016 and 2017, and Gold from 2018 through 2021.

 [Becoming a leading company for LGBTQ initiatives in the industry](#)




Promoting the employment of persons with disabilities

As of January 31, 2022, the employment rate of persons with disabilities at Sekisui House, Ltd. was 2.9%,* exceeding the legally mandated 2.3%, which was raised in March 2021. We will continue to actively promote the employment of persons with disabilities, as we aim to employ and retain at least one or two at every worksite. Since 2015, we have held diversity meet-and-greet events participated in by employees with disabilities and their supervisors, for the purpose of establishing a network that transcends their respective departments, as well as building relationships that allow mutual communication and consultation, and improving their respective work environments. In 2021, the COVID-19 pandemic forced us to hold these meetings in an on-demand video format; however, many employees with and without disabilities from all across Japan participated by viewing the videos. At the end of 2021, we held a web-based meet-and-greet event with participation by visually impaired employees and their supervisors.

In March 2022, "Realization of Universal Talk" won the second-place prize in the performance category in the SHIP Collective Communication and Innovation Awards Program.

Employees with hearing impairments were having difficulty obtaining information, as a result of the sudden spread of people wearing masks and holding web conferences due to the COVID-19 pandemic. In this project, we used the ZOOM web conferencing system along with the voice recognition application, UDTalk, so that participants with hearing impairments could acquire accurate information, and also created a manual for means of sending communications, and distributed it within the Company. This manual compiled results obtained through a process of trial and error by concerned employees and workplace colleagues at multiple bases. Going forward, we will strive to improve various environments through meet-and-greet events and other meetings, based on the participation of employees who themselves have disabilities. We have participated in the Accessibility Consortium of Enterprises (ACE) since its establishment in 2013. ACE was established for the purpose of "establishing an employment model for persons with disabilities that contributes to corporate growth, and disseminating the human resources required by companies to society." As of September 2021, a total of 34 major companies have joined ACE. We are developing a variety of activities, including awards for activity models, inter-company collaboration activities, as well as career seminars and internships that invite school officials and students with disabilities.

* On a non-consolidated basis

 » Page 29: Fostering an Innovative Corporate Culture
Sekisui House Innovation & Performance (SHIP) Awards Program

Encouraging the employment of senior citizens and promoting their advancement

Sekisui House used to have an age 60 mandatory retirement rule and a system for re-employing retired workers up to the age of 65. In April 2015, the retirement age was raised to 65 so all individual employees of the Group can work more enthusiastically, capably and energetically for a longer period. In addition, in April 2020 we introduced a post-retirement re-employment system for employees aged 65 through 70 to support their active participation.

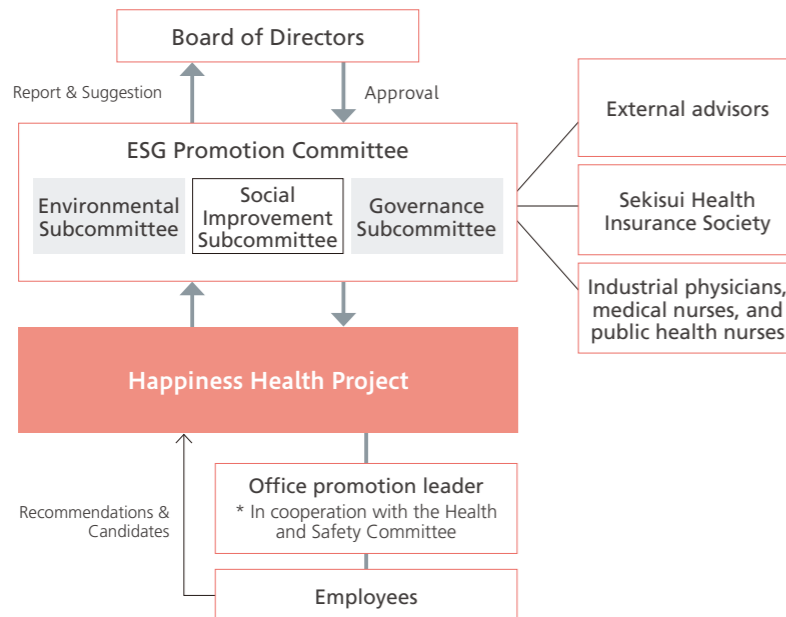
S Happiness Health Management

1 Governance

An organizational structure to promote “happiness health management”

With employee health enhancement positioned as one of the important issues for promoting ESG management, the Sekisui House Group is rolling out strategic initiatives based on the annual goals and plans approved by the ESG Promotion Committee (including two outside experts) formed under the Board of Directors. We have positioned health enhancement as the source of employee happiness, and have accordingly named it “happiness health management.” Specifically, the Social Improvement Subcommittee’s “Happiness Health Project” (established in June 2021) has played a central role, and in cooperation with the health insurance union and external advisors, we are working to identify issues, formulate Company-wide

Health management promotion structure diagram



policies, plan specific measures, and disseminate and promote these measures among all employees. The subcommittee then evaluates and improves each measure based on the indicators it has set, and works strategically to maintain and improve the health of employees.

As a result of our efforts to achieve happiness health management based on the aforementioned policy, we were selected to the Health and Productivity Management Outstanding Organization (White 500) by METI for the third consecutive year as a corporation that makes strategic efforts to consider the health of its employees and others from a management perspective.



we promote the creation of innovation, which contributes to the health and happiness of our customers, communities and society, and leads to sustainable business growth.

Goals of happiness health management

We have set the following four goals and are working to achieve them by analyzing the results of medical checkups.

1. Reducing risk holders of lifestyle-related diseases (including metabolic syndrome and potential patients)
2. Boosting the happiness of employees and workplaces
3. Improving productivity (correcting presenteeism)
4. Preventing mental disorders (decreasing long-term absenteeism and leave taking)

2 Strategy

Issues and policy for forming healthy and happy lifestyles

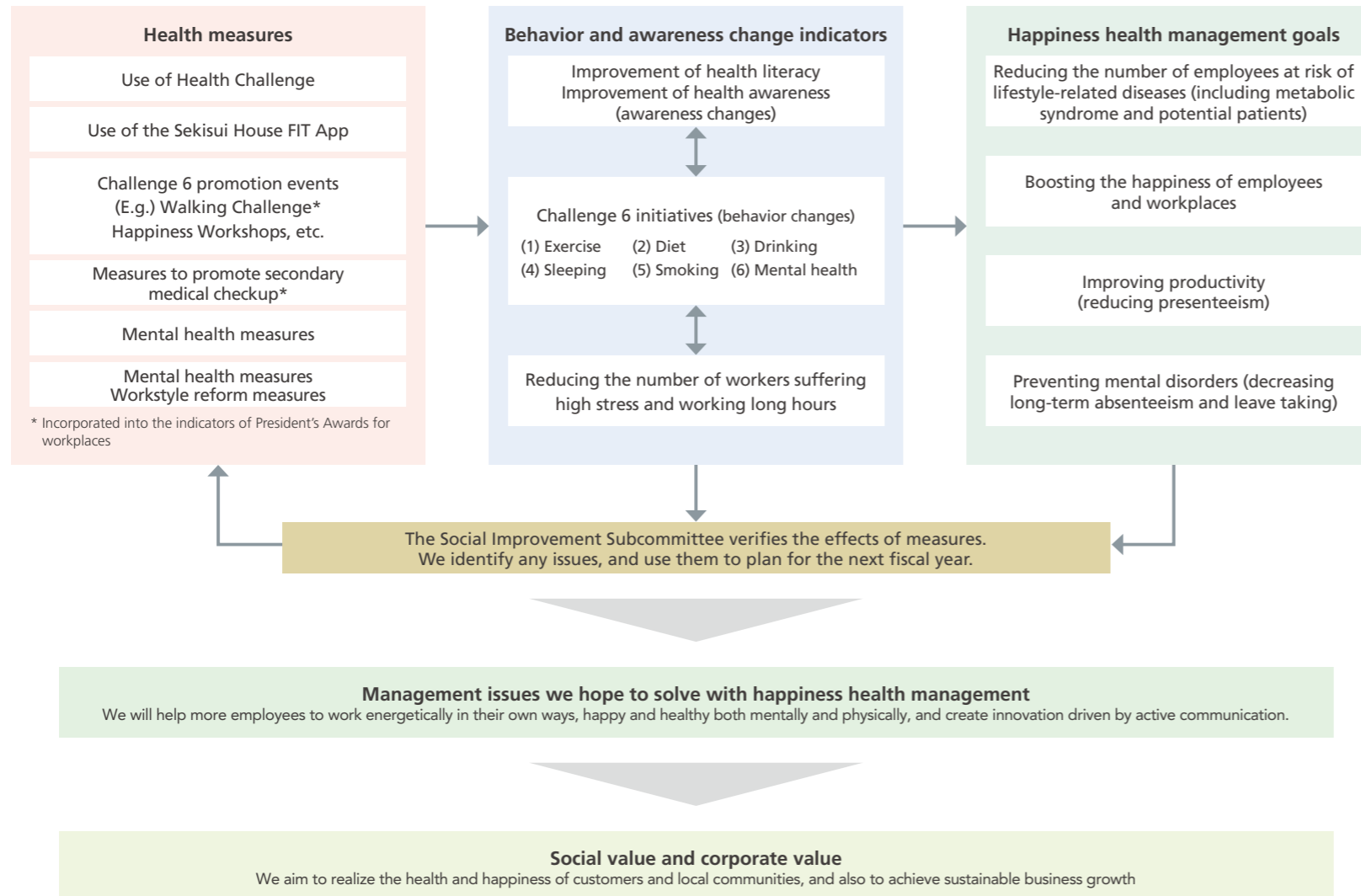
According to the medical checkup results of our male employees over 40, we found that obesity risk exceeds 50%, lipid risk is roughly 70%, and blood sugar risk is just less than 50%. These percentages are high compared to other companies in the health insurance union to which we belong, and we recognize that preventing lifestyle-related diseases (including metabolic syndrome) is an urgent health issue. To prevent lifestyle-related diseases, it is important that employees make lifestyle adjustments while in their 20s or 30s. Therefore, we are promoting initiatives that use indicators for exercise, diet, sleep and other factors to improve lifestyle habits.

Furthermore, in order to maintain mental health and improve happiness, we have established initiatives to improve mental health as an indicator, as well as measuring the level of happiness of employees and the organization, which will be used to promote happy lifestyles. By helping more employees to work energetically in their own ways, happy and healthy both mentally and physically,

Happiness Health Management

3 Risk Management

We are promoting activities through a PDCA cycle based on a strategic map, in order to achieve the goals of happiness health management.



4 Indicators and Targets

Please see below for details regarding KPI performance, target values, etc. based on the strategy map.

 Sekisui House's "happiness health management" (Japanese only)

5 Activities and Other Related Information

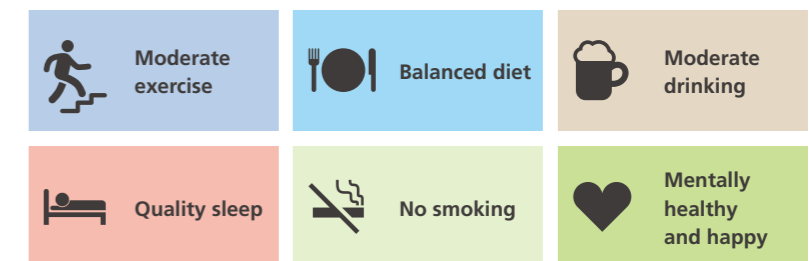
Happiness Health Challenge 6

The Group promotes activities related to health management in six fields, under the title "Happiness Health Challenge 6." Employees first identify their own health issues, using an AI-based service to utilize medical checkup results and a Well-being Survey that enables them to visualize their happiness level and that of their organization. Employees can proactively engage in activities in the six fields by registering an original My Happiness Health Declaration based on the issues they have identified.

In June 2021, we launched the Happiness Health Project operated by employee representatives in order to promote Happiness Health Challenge 6. In addition to providing information and developing systems that contribute to the promotion of happiness and health, we hold seminars and promotional events regularly to help individuals achieve the challenges they have set.

Sekisui House's Happiness Health Challenge 6

–Six challenges to promote physical and mental health



S Respect for Human Rights

1 Governance

Structure for supervision and responsibility regarding respect for human rights

At the core of the Sekisui House Group's corporate philosophy is "love of humanity," the principle of valuing human beings is the foundation of the Group's corporate management.

Based on that principle, we have developed a human rights due diligence system. As stipulated in the Sekisui House Group Human Rights Policy, the Board of Directors of the Company has its consultative body, the Risk Management Committee (chaired by Satoshi Tanaka, Representative Director of the Board, Executive Vice President, Executive Officer) regularly inspect and supervise compliance with our Human Rights Policy and related initiatives.

With regard to human rights issues in the Group, the Social Improvement Subcommittee decides on priority issues and policies in the ESG management promotion structure. We have established a human rights due diligence working group under the Social Improvement Subcommittee, and are promoting information sharing and collaboration among several related departments.

Human relations promotion framework*

As a system to strengthen our corporate culture that strictly prevents infringement of human rights, discrimination, and harassment, we have organized the Human Relations Promotion Committee chaired by the President, from the promotion committees established in our departments, offices, and subsidiaries.

Every year, representatives of each promotion committee gather to hold a National Human Relations Promotion Committee Meeting. At the meeting, guidelines for human rights measures, Group-wide priority issues, training policies and training plans are shared.

Each promotion committee is responsible for promoting the initiatives decided at the National Human Relations Promotion Committee Meeting

We have established the Human Relations Office in the Legal Department, as a dedicated department for overseeing human rights under the responsibility of the managing officer responsible for legal affairs. This office is in charge of promoting human rights due diligence, by running the consultation desk for harassment in the Group, implementing human rights awareness training, planning and operating human rights initiatives through the Human Relations Promotion Committee, supporting implementation on-site, and handling human rights issues when they arise.

* In-house human rights promotion structure in the Group. In addition to human rights issues that we have long been working on, such as *Buraku* (discriminated communities), we have established a structure to address the human rights of individual employees who are greatly impacted by relationships in the workplace, and to respond to a wide range of human rights issues as issues for the organization and workplace. In 2006, we established the Human Relations Office as a department that is responsible for the promotion of human rights.

2 Strategy

Commitment to human rights

In April 2020, we formulated and announced the Sekisui House Group Human Rights Policy. It was formulated with the advice of outside experts, and approved by the Board of Directors of the Company.

This policy respects international norms such as the International Bill of Human Rights, the ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work, and Guiding Principles on Business and Human Rights, and supports the Ten Principles of the United Nations Global Compact. As a matter of course, we do not tolerate involvement in human trafficking, nor any involvement with companies or production regions where such involvement has been identified through transactions, nor do we tolerate any form of forced labor or child labor.

In order to fulfill our social responsibilities in our global business activities, we have stated that we will respect the human rights of all stakeholders who may be affected in our business activities including our supply chain.

All Group officers and employees, including workers with shorter working

hours, must comply with this policy, and all employees receive policy-related training. We also publish the policy on our website, and we expect all stakeholders inside and outside the Group to understand the Group's policies and initiatives for respecting human rights.

 [Sekisui House Group Human Rights Policy](#)

Initiatives to respect human rights in our business activities

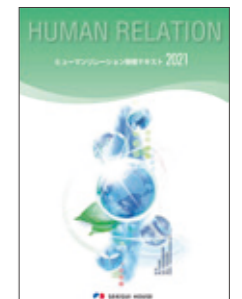
The Group has stated in its Human Rights Policy that it expects its business partners, including partner building constructors and suppliers, to understand and support the Human Rights Policy. We have included respect for human rights in our CSR procurement standards, and are working together with suppliers.

In our human relations promotion framework, we conduct three hours of human rights training (human relations training) for all Group employees every year. We also provide two hours of training to promotion committee members who are managers to help them obtain a deeper understanding of respect for human rights.

In addition, the Human Relations Office conducts in-house training as necessary by level and specialty, in order to prevent human rights violations, including all types of harassment.

 [Sekisui House Group Corporate Code of Conduct \(Japanese only\)](#)

 [Sekisui House Group Corporate Ethics Guidelines](#)



Human Relations Training Manual 2021

Establishment and dissemination of CSR procurement guidelines

Following our support and signing of the Ten Principles in the four fields of human rights, labor, environment, and anti-corruption stated in the United

Respect for human rights

Nations Global Compact in 2018, we joined the supply chain subcommittee of the Global Compact Network Japan (GCNJ), a local network based in Japan. In addition, we established the CSR procurement guidelines as a procurement initiative in our supply chain, and distributed them to our business partners.

The CSR procurement guidelines are based on the Self-Assessment Questionnaire (SAQ) for CSR procurement issued by GCNJ. We request that our business partners submit a signed agreement, confirming that they have agreed to understand and comply with the purpose and content of the guidelines, and to cooperate with periodic follow-up reviews and inspections by the Company regarding procurement initiatives. When commissioning a company as a new business partner, we require a signed agreement confirming an understanding of the guidelines before any transactions are conducted.

We conduct CSR evaluations of our business partners through self-assessment based on the SAQ issued by GCNJ, and use the results as one of the items for supplier assessments. In order to conduct fair and impartial transactions, we also disclose the evaluation results to our business partners. Assessment items related to human rights and labor are incorporated into the CSR evaluations. We monitor suppliers who are identified as requiring attention by the assessment results through on-site interviews to confirm the current status.

Dialogue with employees on freedom of association and respect for collective bargaining rights

As stated in the Human Rights Policy, all Group companies respect freedom of association and the right to collective bargaining. We shall comply with labor-related laws and labor-management agreements, and work to build constructive relationships through sincere dialogue and negotiations with 100% of employees including workers with shorter working hours, or their representatives.

3 Risk Management

Promoting human rights due diligence

Based on our Human Rights Policy, we have incorporated the process of human rights due diligence into our business activities, and employ a PDCA cycle in initiatives. Relevant departments, offices, subsidiaries, and other organizations (“related departments, etc.”) are responsible for due diligence for human rights issues. In addition, we obtain information through dialogue with stakeholders and from advice and other information from experts and human rights groups. We use this information to identify risks, educate and implement relevant measures. The related departments, etc. share and aggregate information with relevant business divisions, and otherwise verify due diligence for labor practices and identify omissions to integrate this due diligence into the initiatives we execute to identify Company-wide issues, provide education, and make improvements.

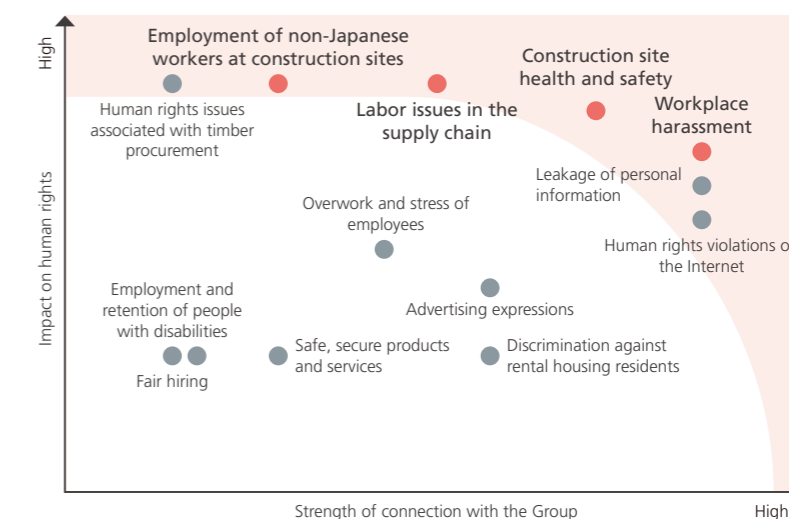
Identifying important human rights issues in our business

In FY2020, we conducted a questionnaire format awareness survey and exchanged opinions within each business division, and identified five key issues for Group employees.

- Internet society and human rights (prevention of human rights violations that result from employees using social media)
- Power harassment
- LGBTQ (prevention of workplace harassment and discrimination in business activities)
- Overwork and stress of employees
- Non-Japanese workers (at business partners and construction sites)

In FY2021, we implemented human rights due diligence for issues we had identified as described in “Implementation and Countermeasures for Impact Assessment of Human Rights in Business Activities.” Concurrently, the Human Rights Due Diligence Working Group took action including a review of the assessment of human rights risks related to Group businesses. A map of key issues follows:

Map of Human Rights Risks Related to Group Businesses



Ongoing priority issues in 2022

1. Workplace harassment
2. Construction site health and safety
3. Labor issues in the supply chain
4. Employment of non-Japanese workers at construction sites

Respect for human rights

Implementation and measures for impact assessment regarding human rights in our business activities

The Group values a broad array of perspectives including the opinions of stakeholders and related parties, as well as direct dialogue should human rights issues arise.

• Employees

We inculcate and update human rights awareness among all of our employees by taking up the theme of human relations training for all employees based on five Group-wide priority issues. We have striven to improve understanding of

LGBTQ among our employees through training based on lectures delivered by Ms. Maki Muraki, representative of the certified NPO Nijiuro Diversity.

With regard to power harassment, as roughly 40% of consultations received by the Sekisui House Sexual and Power Harassment Hotline in FY2021 were related to power harassment, we recognize this as an emerging human rights issue.

With regard to overwork and stress, we have taken preventive measures in our housing sales and production departments, and Sekiwa Construction companies. In an environment that has changed dramatically due to the COVID-19 pandemic, we have used social media and the Internet for detailed communication. The Group is also focusing on reducing the total working

hours of employees through workstyle reforms.

We work with non-Japanese construction technicians, including technical trainees, regardless of nationality or gender, and have focused on the working environment for such workers, including technical intern trainees, with different cultural and linguistic backgrounds.

We conducted questionnaire surveys of technical trainees at Group companies and their partner building contractors, and received responses from 211 trainees in their native languages. In response to the question “Do you want to work in Japan after you finish your technical training?” 81% of respondents answered “Yes, I do.” Given the possibility that some of them may have no choice but to work, we continue to provide many opportunities for dialogue with technical intern trainees.

We hold regular meetings and discussions with the five technical trainees who are employed at the Company, and they have given the Company a positive review, saying, “I find my work rewarding.”

• Customers

Continued dialogue with customers contributes to the provision of high-quality housing. Even after housing is provided, we accept opinions and evaluations regarding our overall service through regular inspections and questionnaires.

• Suppliers

We hold policy briefings every year to ensure that suppliers obtain a deeper understanding of our procurement activities. Approximately 150 companies participated in the briefings held in February 2022. For briefings, we invited an outside lecturer to speak on the subject of “Business and Human Rights in Supply Chains.”

PDCA of Human Rights Due Diligence (for employees)

Extraction of implicit issues

Analysis of Governance Awareness Survey score trends
Training report analysis
Dialogue with each organization

Analysis of explicit issues

Explore the cause, background and solution of consultation cases.

Solution of consultation cases

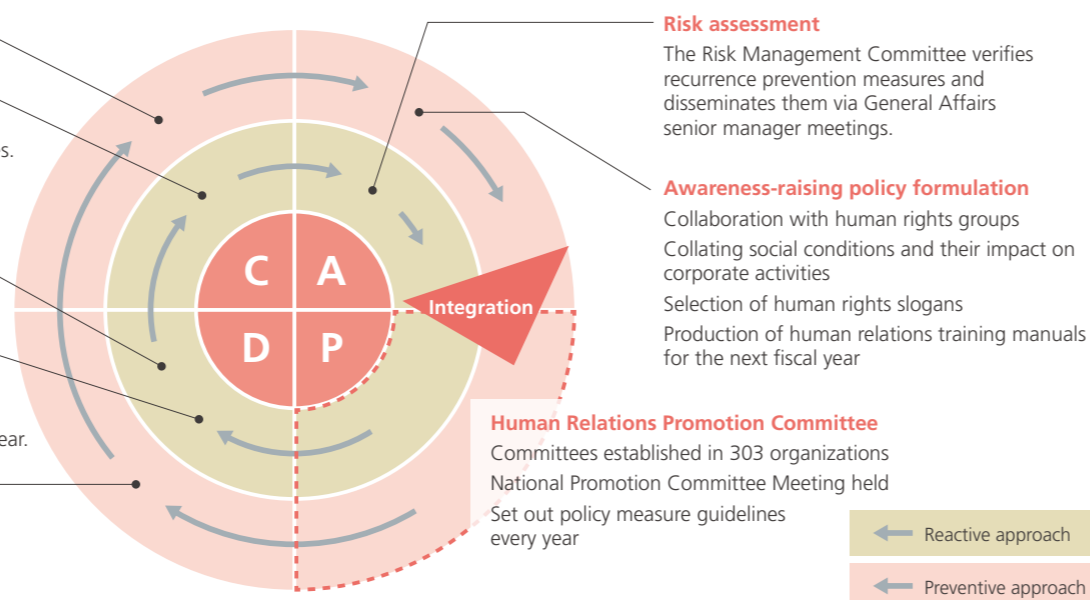
Neutral and fair decisions based on facts
Disciplinary Advisory Board implements disciplinary actions and personnel measures depending on the case.

Sexual and Power Harassment Hotline

Full-time personnel provide consultation support
Consultation desk personnel are assigned to all worksites
Consultation desk personnel attend skills training once a year.

Human relations training

Required for all Group employees including temporary employees and part-time employees.
Three hours per year for all employees



Respect for human rights

• Human Rights Groups

Following our support and signing of the Ten Principles in the four fields of human rights, labor, environment, and anti-corruption stated in the United Nations Global Compact in 2018, we joined the subcommittees (HRDD and human rights education) of the Global Compact Network Japan (GCNJ), a local network based in Japan.

We also collaborate with related organizations that work on various human rights issues, including the *Buraku* (discriminated communities) issue, and continuously collect information and utilize it for in-house education and training.

Related organizations working on human rights issues

- The *Buraku* Liberation and Human Rights Research Institute
- The Corporate Federation for Dowa and Human Rights Issue, Osaka
- Fair Hiring and Human Rights Awareness Promotion Center
- Osaka City Corporate Human Rights Promotion Council
- NPO Multi-Ethnic Human Rights' Education Center for Pro-existence
- Normalization Society

Proper operation of our human rights reporting system

As stated in the Human Rights Policy, the Group has put several reporting systems, including our compliance helpline, in place to understand concerns and potential negative impacts on human rights resulting from our business activities. We are also appropriately operating our consultation desk system for full effectiveness.

The Human Relations Office has established a Sexual and Power Harassment Hotline to provide consultation on all human rights issues, including various types of harassment and consultation to create a comfortable working environment for employees with disabilities. In addition, we assign one male and one female in charge of the consultation counter (788 people total, as of February 2022) across 100% of our business sites, including at Group companies. We hold training sessions every year for employees in charge of the consultation counter to improve their skills and strengthen cooperation with the Human Relations Office. All employees are made aware of these consultation services through the Company intranet, human relations training manuals, and posters. In response to consultations and reports, we promptly make responses, and then conduct investigations and take corrective and remedial measures, as necessary. When using these services, we strictly protect confidentiality and ensure that the users will suffer no disadvantage due to their consultations and reports.

At our overseas subsidiaries, we have established consultations systems for each country and operating company.

We also take inquiries about human rights on our public website.



[Sekisui House Group Compliance Helpline](#)
(Japanese only)

4 Indicators and Targets

• Sexual and Power Harassment Hotline

	2019	2020	2021
Cases	161	167	169
Of which, harassment cases	90	92	97
Of which, cases involving corrective action*	92	79	79

* We respond to all reports received, including providing support for the person reporting. Numbers shown are cases for which facts were confirmed and corrective action was taken once deemed necessary, and completed.

Our Sexual and Power Harassment Hotline has become a well-known and easy-to-use contact point, and handled 169 cases in FY2021. Besides harassment, the hotlines have also handled cases involving management and human relationships in the workplace. We tailor corrective action, advice and support to the content of each case.

• Public Website Human Rights Cases

	2019	2020	2021
Inquiries	—	7	32

Established when the Sekisui House Group Human Rights Policy was formulated in April 2020

• Employees Receiving Human Relations Training

	2019	2020	2021
% of employees	100%	100%	100%

A report confirmed that all organizational units received training (303 units in FY2021).

Respect for human rights

5 Activities and Other Related Information

Continuous human rights education for employees

• Human Relations Training

To raise awareness of human rights issues and foster a work environment in which employees can work comfortably, human relations training is held for all Group employees* every year, with work leaders at each business site serving as facilitators.

* Training manuals are distributed to temporary, part-time, and fixed-term employees as well, and all employees are encouraged to attend training.

FY2021 Promotion committee member training for managers (2 hours a year)

- Communication in the workplace to prevent power harassment
- Diversity management

FY2021 All employee training including managers (3 hours a year)

- Internet society and human rights
- LGBTQ - What is a workplace where everyone can work in their own way?

We selected two themes for all employee training, and one theme (power harassment) for promotion committee member training, from among the identified priority issues. Since 2020, we have implemented this training for all employees using the remote conference system.

• Soliciting Human Rights Slogans

Each year, we solicit human rights slogans from all employees and their families for Human Rights Week, from December 4th to 10th. In 2021, we held our 38th slogan solicitation, and a total of 25,058 entries were submitted, from which we selected one outstanding work and five excellent works. We are distributing posters containing these six works to various organizations and Group companies.



"Sekisui House Group Human Rights Slogan 2021"

LGBTQ initiatives in the real estate business

In our real estate business, we have started to create a system to ensure that all prospective tenants, including LGBTQ individuals, are treated equally and fairly during screening. Among various initiatives, we are revising application forms and conducting training to raise awareness, including among partner real estate companies.

Initiatives to protect the human rights of non-Japanese workers

We reviewed the working environment for non-Japanese workers employed by our business partners at production facilities. We have reviewed signs at factories, collaborated with contractors in factories, and checked the working environments including working hours.

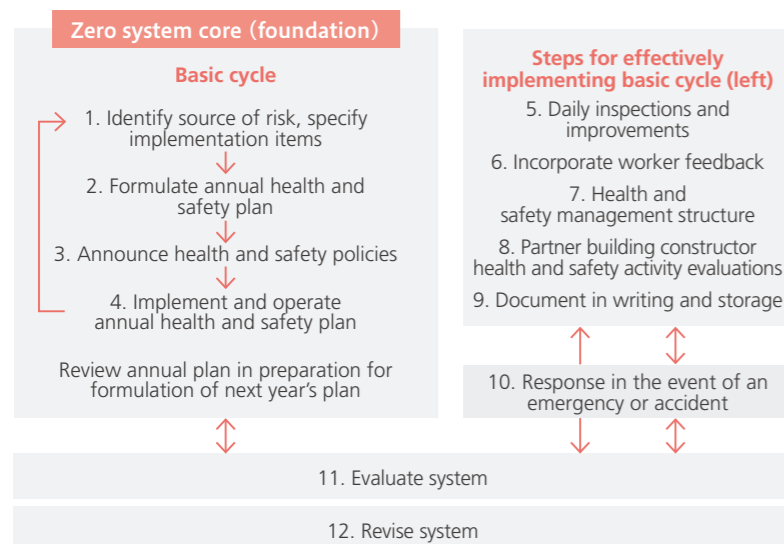
S Occupational Health and Safety

1 Governance

Occupational health and safety management system in construction departments

In addition to the Occupational Health and Safety Management System recommended by the Ministry of Health, Labour and Welfare, we have incorporated the Sekisui House Zero Hazard System, which we developed ourselves by taking into account the characteristics of construction sites, to develop health and safety management activities. In order to reduce occupational accidents, it is important not only to take legal measures and preventive measures against the recurrence of past accidents, but also to identify and evaluate sources of risk through risk assessment, as well as formulate and execute agenda items in annual plans. By building and improving our management tools while respecting and passing on the knowledge accumulated over many years, we are working to raise the overall standard, and intend to maximize the benefits of ensuring health and safety at construction sites.

Outline of Sekisui House Zero Hazard System



We are working on systematizing safety management to improve the efficiency of analyzing trends in accidents and incidents throughout the Company. In addition, we have digitized the reporting of disasters to enable prompt reporting of accidents, information sharing, and more efficient information management. This enables us to digitize information and analyze disaster trends more accurately and meticulously.

In addition, in order to make the safety management system more efficient and reliable, we have developed and operated a “Safety Promotion App” to run on smart devices. This app makes it possible to quickly confirm and report on findings and corrections to partner building contractors and construction workers, as well as keeping a record of findings and records during safety patrols of construction sites.

In the event of an occupational injury or accident involving an employee, the Human Resources and General Affairs Department is promptly notified by the workplace where the injury or accident occurred, and the incident is shared with the entire Company through the Health and Safety Committee and other means. If an occupational injury or accident occurs at a construction site, the site shall inform the Construction Quality and Workers Safety Promotion Department, which shares the information with the entire Company.

Our Company-wide construction quality control system

Quality control plays an important role in the overall workmanship of a home. We employ a Company-wide system of quality control in the construction of every building to assure premium quality, ongoing improvement initiatives, and the management and preservation of construction quality records.

• Construction quality control systems to produce high-quality buildings

We bring together Sekisui House on-site supervisors, Sekiwa Construction companies’ construction managers, and the construction technicians of partner building contractors to make ongoing improvements in processes to maintain and improve construction quality. They have also set up an inspection system that assigns individual responsibilities.

Chief Inspector System

A Chief Inspector (an employee who has completed chief inspector training and earned qualifications as an inspector) carries out special inspections to ascertain the construction quality of a project, to determine the quality system in action and inspection capabilities, to provide support to on-site supervisors and construction managers for inspection work, and to implement quality improvements for critical control points.

Construction Quality Council

Consisting primarily of technology leads from each workplace, the council analyzes and evaluates construction quality inspection results.

It systematically identifies flaws, studies and shares particulars necessary for improving quality, and promotes quality improvements ranging from plan proposals to implementing specific improvement activities.

Certification Training and Inspection Training

Inspector certification training and inspection training are carried out for on-site supervisors and construction managers to raise the standard of inspection techniques.

Visualizing construction quality level and assuring full accountability

We have introduced the Q-COMS and F-COMS construction quality control systems for managing and preserving construction quality records for every building and to provide internal controls. The CANVAS project workflow information system centralizes management of the data, such as construction site inspection records and construction management reports.

Quality control information is linked with photographs for the purpose of visualization, and a special app for construction site supervision by the on-site supervisors and construction managers (at Sekiwa Construction for permanent works) on a smart device to provide timely worksite management and raise the level of quality even higher. We are also considering the method with such smart devices for checking quality in real time. Inspection data— based on input

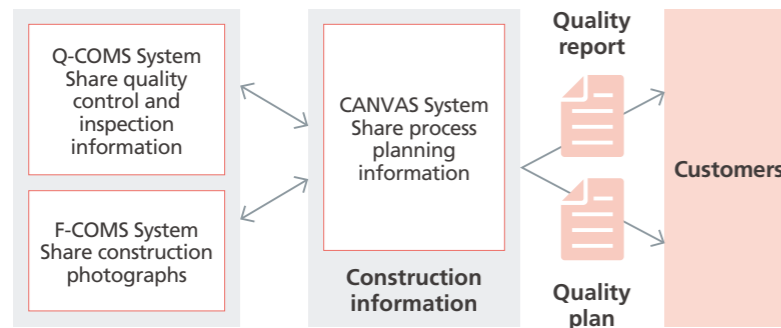
Occupational Health and Safety

data—is collected and analyzed, and used to set directions for construction quality improvement initiatives.

We are also creating a practical accountability support system to provide explanations to homeowners during construction, which will help prevent misunderstandings and distrust due to lack of information.

On-site supervisors use tools created with the CANVAS system, such as quality plans and quality reports, to provide explanations of matters as required at whatever stage they are needed. By fulfilling our duty of accountability, we are able to put homeowners at ease at the end of construction, allowing them to plan and prepare for moving in.

Outline of Company-wide Quality Control System



2 Strategy

Priority themes and outline of a plan for construction site accidents for the fiscal year

The Group is promoting initiatives to reduce accidents, including those at construction sites. Our priority themes for FY2022 were “elimination of fall accidents,” “securing appropriate working environments,” and “prevention of accidents involving general public.” In particular, in response to an increase in fall accidents in the previous fiscal year, we are focusing on eliminating fall accidents, which carry a high risk of serious injury. In FY2022, we will continue to thoroughly implement the practice of basic safety activities, and establish practical measures to realize safe and secure construction sites.



Poster of slogan for FY2022
“Making safe and secure environments, and ‘communicating’ to prevent accidents!”

- **Outline of annual construction health and safety plan for FY2022**
- Further intensify our focus on countermeasures against serious accidents (that could potentially be fatal to humans), such as fall accidents.
- Properly arrange equipment and work spaces at the construction site to create an environment where constructors can work safely with a sense of security.
- Thoroughly prevent recurrence and establish a system to prevent incidents for events that may lead to human-related accidents, such as falling objects and contact with heavy machinery.

3 Risk Management

Implementation of health and safety training

Due to amendments to the law, starting on January 2, 2022 we have completely transitioned to the use of products that are compliant with new

standards for crash prevention devices (safety belts) which are worn when working at high places.

The Company confirmed the attendance status of special training for work with full harness safety belts, and held this training nationwide to ensure the thorough use of safety belts.

In order to rebuild our installation standards for scaffolding around internal stairways, we conducted special training for workers engaged in scaffolding assembly, etc. and made advance preparations for the future development of the operation of internal stairway scaffolding.

When holding training, we took thorough measures to prevent the spread of COVID-19, and provided subsidies and support for acquiring necessary qualifications, such as web-based lectures and practical training implemented by setting up bases with a small number of trainees in attendance.

Going forward, we will continue to provide subsidies and support for attendance according to the circumstances, in order to implement health and safety training at our construction sites.

4 Indicators and Targets

Trends of occupational accidents

Accidents and illnesses resulting in lost worktime in FY2021 are as shown below. The Health and Safety Committee, a committee mandated by the Industrial Safety and Health Act and other laws, thoroughly analyzes the causes of occupational and commuting accidents that occur and shares information, thereby raising awareness of safety and health, preventing unsafe behavior, and discouraging long working hours that lead to accidents and illnesses. The number of contractor fatalities due to occupational accidents in Sekisui House construction departments over the past three years was zero in FY2018, FY2019 and FY2020, and one in FY2021.

Occupational Health and Safety

Frequency Rate of Accidents Resulting in Lost Worktime (Total of one or more days of lost worktime)

Departments	Frequency rate of accidents resulting in lost worktime (FY)		
	2019	2020	2021
Administration (employees)	0.42	0.45	0.32
Production	Employees	0.45	0
	Contractors	0.27	1.59
Construction (Contractors only)	2.92	2.27	2.49

Frequency Rate of Occupational Illness (Total of one or more days of lost worktime)

Departments	Frequency rate of occupational illnesses (FY)		
	2019	2020	2021
Administration (employees)	0.07	0.32	0
Production	Employees	0	0
	Contractors	0	0
Construction (Contractors only)	0.43	0.37	0.20

Calculation standards

Lost worktime injury frequency rate: Number of fatalities and injuries due to lost worktime injuries per million total working hours

Occupational illness frequency rate: Number of occupational illnesses per million total working hours

Scope of aggregation: FY2019: Employees and contractors of Sekisui House

From FY2020: Administration and production departments: Employees of Sekisui House (on a non-consolidated basis), as well as contractors of Sekisui House, Sekisui House noie, and Konoike Construction Co., Ltd. (including sole proprietors and employers)

The total working hours of Sekisui House employees and contractors in the administration and production departments are calculated based on actual working hours.

Total working hours of contractors of Sekisui House and Sekisui House noie of the construction division were calculated as 8 hours per man per day.

The total working hours of Konoike's contractors in the construction division were calculated as nine hours per man per day.

* In order to improve accuracy, we have revised the frequency rates of accidents resulting in lost worktime and occupational illnesses in "Construction (Contractors only)" in FY2020.

Number of Deaths

2019	2020	2021
0	0	1 person (employer) at a construction site

Scope of aggregation: contractors for Sekisui House (including sole proprietors and employers)

Occupational accidents at construction sites

- The number of occupational accidents resulting in one or more days of lost worktime at construction sites was 99% of that in the previous fiscal year, so the trend has leveled off.
- Although there had been no fatalities since 2018, there was one fatality (enrollee of special enrollment insurance for small and medium-sized business operators) in FY2021.
- The number of falls that lead to serious accidents (one day or more days of lost worktime) was 158% of that in the previous fiscal year.
- Heat strokes (one day or more days of lost worktime) decreased to 53% of that in the previous year. There were no cases of long-term lost worktime with a high rate of serious illness.
- While there were no human-related accidents, instances of components falling have been reported. Therefore, we will continue to take preventive measures such as investigating the causes of accidents, conducting thorough risk management at the planning stage, and ensuring the implementation of measures to prevent recurrence.

Number of cases	2019	2020	2021
Construction site accidents (excluding heat stroke)	123	100	99
Heat stroke	18	15	8

* Totals represent the number of accidents resulting in one or more days of lost worktime.

* Scope of aggregation: contractors for Sekisui House (including sole proprietors and employers)

Reference: Comparison with Industry Averages

Sekisui House calculates frequency rates differently than the Ministry of Health, Labour and Welfare, which uses the industry averages shown below.

Occupational accident rate	2018	2019	2020
Manufacturers	1.20	1.20	1.21
General contractors	1.09	1.69	1.30
Contracted amount	¥1 billion or more	1.00	1.65
	¥500 million or more, less than ¥1 billion	1.46	1.61
	Less than ¥500 million	1.13	2.06

Source: Ministry of Health, Labour and Welfare, "Survey of Industrial Accidents"

* Figures through FY2020 because data for FY2021 was not available when this report was being produced.

5 Activities and Other Related Information

Occupational health and safety activities at construction sites

In FY2021, we worked on the priority themes of "elimination of fall accidents" and "prevention of toppling accidents."

- **We focused on the construction environment as part of our "thorough measures to prevent falls," which can lead to serious accidents (accidents that could be fatal).**
 1. We have begun to confirm the factory shipping of handrails to install around the outer periphery of buildings, as well as consider expanding the scope of our support for temporary handrails.
 2. We have clarified standards for installing scaffolding around internal stairways, and are now in the process of verifying sites to put them into practical use.
- **As part of our fall prevention measures, we have promoted thorough measures to keep worksites tidy.**
 1. We have placed a priority on tidying up, securing safe walkways, and preventing slippage, thereby strengthening check items when patrolling sites.
 2. As tools to promote tidying up on site, we have newly added and utilized 11 items related to tidying up in our Safety Promotion App.
- **To prevent accidents involving the general public, we worked on the priority theme "elimination of accidents involving overturning construction equipment" and took measures to prevent recurrence.**

Occupational Health and Safety

Benefits programs for partner building contractors and working with the Sekisui House Association

The greatest strength of the Group is the Sekisui House Association, which consists of Group companies and partner building contractors involved in construction. As of February 2022, the association includes the 15 companies in our Group company Sekiwa Construction Ltd. and approximately 7,000 partner building contractors throughout Japan (including the partner building contractors of Sekiwa Construction companies, which are members of the Sekiwa Association).

From its very start, Sekisui House has pursued “design-build” construction. Our partner building contractors are irreplaceable, and we hold them in high regard, fostering relationships of trust and mutual interest that will last over the long term in the spirit of a “community with a common destiny.”

To realize customer satisfaction, the Sekisui House Association cooperates with each Sekisui House office to pursue initiatives aimed at implementing safety measures, improving construction quality, providing solutions for customers and neighbors, achieving zero emissions, keeping the construction site tidy, developing worker skills, and improving working conditions.

The association also serves as a place for information exchange that allows individual worksites and partner building contractors to share issues they face and study possible solutions, and offers training and study opportunities to improve work processes and construction quality.

And, the Sekisui House Association is a tremendous driver of action for us in times of natural disaster, such as when an earthquake or flood strikes, from the initial response to actions required for restoration and reconstruction.

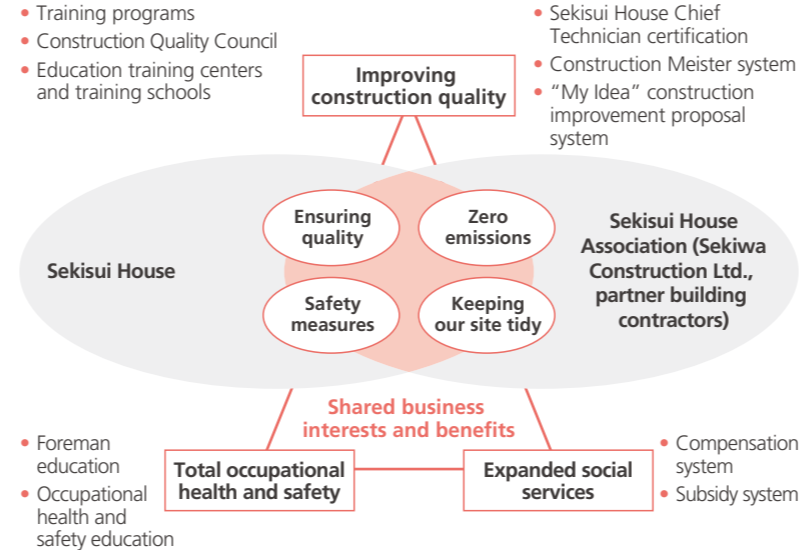
We will continue striving for customer satisfaction by working with the association and raising the value of the Sekisui House brand as we work toward shared goals.

We also run various benefit programs to support partner building contractors and construction technicians who work on our construction sites across Japan.

The Sekisui House subsidy system is designed to support improvement in workforce management at partner building contractors and to expand benefits for construction workers. The amount of subsidies given in FY2021 totaled about ¥0.93 billion.

The Sekisui House Cooperation Association was established in 1982 to improve employment practices and expand benefits to partner building contractors. It assists in the running of various systems at Sekisui House, including our construction site safety assurance system and funded pension system.

Achieving Customer Satisfaction with the “Shared Goal” Mindset



Initiatives to improve work site productivity

With the total number of construction workers on the decline, we are working to ensure ongoing, reliable construction management by strengthening our technologies, while also taking steps to make the most of our existing construction capabilities. We have launched two sets of working groups to improve productivity and reduce person-hours—one to focus on solutions employing physical resources and the other to focus on solutions involving systems and people. We have organized a Technical Directors’ Council, Construction Management Committee, and Worksite Productivity Improvement Working Group, consisting of technical deputy directors representing locations around the country, the head office, and factories. We are identifying and studying issues that lead to increased productivity, such as the SHAWOOD large-scale fixed sash combined construction method to reduce the burden of construction.

In August 2019 we established the House Association–Sekiwa Construction Factory and Construction Committee to discuss, review, and provide feedback in response to construction site improvement requests submitted by the Sekisui House Association and Sekiwa Construction.



The SHAWOOD large-scale fixed sash combined construction method

Occupational Health and Safety

Sekisui House Chief Technician certification

The Sekisui House Chief Technician certification, established in 1983, is a self-certification system run by the Sekisui House Cooperation Association. In April 1985, this certification became the first of its kind in the construction and housing industry, obtaining ministerial authorization for being in line with national certifications.

The examination is held once a year, and in FY2021, 147 people passed. Certified individuals now number 6,348, and the certification is helping on-site work leaders to maintain and improve construction quality.

The purpose of the certification is to evaluate the skills of technicians fairly and appropriately, and to maintain and improve quality. To be eligible to take the certification exam, one must have three years or more experience doing the relevant type of technical work on-site for Sekisui House, plus complete a short course. The three types are: foundation work, framing/ exterior work and interior finishing.

After obtaining the certification, further experience leads to becoming a Construction Meister.



The blue construction helmet is worn by a certified Sekisui House Chief Technician.

The Construction Meister System

The Sekisui House Group has two systems that honor superior technicians in the field across Japan—the Construction Meister System and Sekisui House Remodeling Meister System.

The Construction Meister System, established in 2010, recognizes the technical skills of construction workers at our construction sites and honors them as superior technicians. Its aim is to foster the development of advanced skills in young workers. Certified Construction Meisters boost the motivation and pride of all construction technicians by becoming role models, fostering an atmosphere of diligence and the pursuit of high-level skills, thereby contributing to higher quality and greater customer satisfaction throughout the Company.

In FY2021, we had a total of 360 certified Construction Meisters—77 foundation work technicians, 102 framers/exterior specialists, and 181 interior carpenters. Among these are 80 First Meisters and two Top Meisters. Each recipient is awarded a certificate and incentive pay. Since 2010, a total of 3,227 Sekisui House technicians have been certified as Construction Meisters.

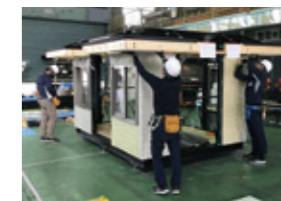
In 2020 we created a new Quality Champion Commendation System to honor Construction Meisters who are exceptional promoters of quality. The commendation also focuses attention on our social responsibility as a leading construction company to ensure superlative quality and technique. Under this new system, 66 Construction Meisters and 67 Construction Meisters were commended for quality in FY2020 and FY2021, respectively.

We also have the Sekisui House Remodeling Meister System, established in 2008, which certifies and registers superior technicians working for partner building constructors who do remodeling work for Sekisui House. The certification system also extends to a number of areas including homeowner satisfaction, work volume, attitude and consideration for others on the construction site, attention to safety, management capabilities, and ability to foster young talent.

Training centers and training schools

Sekisui House has established training centers and training schools where we conduct training that allows technicians from each company in the Sekiwa Construction group as well as technicians hired by partner building contractors to learn techniques and acquire skills. The schools also teach proper conduct to facilitate interaction as members of society and prepare trainees for the working environment. Our schools are unique in that they do not merely provide the opportunity to acquire technical skills and knowledge necessary for construction with Sekisui House, but also the opportunity to study our corporate philosophy, which is indispensable for achieving customer satisfaction.

In FY2021, classes were held under strict restrictions due to the COVID-19 pandemic, with 28 trainees completing the framing/exterior course and 53 completing the interior finishing course—a total of 81 technicians. A total of 2,968 technicians have completed courses and are working as construction technicians and construction managers around Japan. After completing training, we hold variety of training at each center, and are working continuously to improve technical knowledge and skills.



Framing/exterior course: completion test



Interior finishing course: completion test

Occupational Health and Safety

Overseas technical training centers

In November 2019, with our facility in Hanoi, Vietnam we became the first housing manufacturer to establish a technical training center in Vietnam for housing construction. The center strengthens our system for taking on technical trainees from Vietnam.

We have a service agreement with the JIC Kyodo Kumiai Support Association to help local organizations make preparations for recruits. The center gives technical trainees a chance to learn Sekisui House's construction techniques and study Japanese in a practical way while remaining in familiar surroundings in their home country so that they can start work without any problems when they arrive in Japan. Explanatory meetings for families, training fees, and other expenses are all covered by Sekisui House, and a supportive atmosphere is created so that technical trainees can work in Japan without any concerns.

In January 2020, the six trainees who went through the foundation course in Hanoi came to Japan. Since that time, however, the spread of COVID-19 has prevented us from conducting education or training as planned.

In 2021, we began supporting recruitment interviews, technical training lectures, Japanese language study and other activities online. We are also hiring more local staff and establishing a system that enables us to conduct training at any time, in preparation for resuming the entry of technical trainees into Japan.

■ FY2021 Results: 17 trainees coming to Japan, 11 trainees interviewed for recruiting



Local fundamental training

Local exterior training



Online interviews

Online Japanese studies

Recruitment and Assignment Schedule (Requires a minimum of 10 months from application acceptance to assignment)

Acceptance Application	Recruitment	Interview/Pass	1st month	2nd month	3rd month	4th month	5th month	6th month	7th month	8th month	9th month
	Local recruitment One month		Preliminary education (Japanese, other languages)					Technical training (fundamental course)	Entry into Japan	Assignment	
Explanatory meetings	(1) In the process of acceptance	(2) Hiring interview	(3) Preparation of immigration documents		(4) Technical training plan		Enrollment qualification certification Application issuance Application	(5) Visa acquisition at the local office	(6) Immigration training	(7) Joining the company	(8) Working on site

Initiatives for occupational health and safety by Konoike Construction (a Group company)

Konoike Construction, one of our Group companies, has maintained certification for the Construction Occupational Health and Safety Management System (COHSMS) since 2014 at all offices as an initiative for occupational health and safety, and conducts regular internal audits.

G

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G Strengthening Our Sustainability Governance System

1 Governance

ESG Promotion Committee

We have established the ESG Promotion Committee, which includes two external committee members with special expertise, as a consultative body to the Board of Directors. The committee meets once every three months and enhances its effectiveness by exchanging views on the progress and challenges of our ESG management initiatives.

In addition, with the ESG Management Promotion Headquarters acting as a responsible department, and based on discussions in the ESG Promotion Committee, we are working to further promote ESG management, both within our Company and in collaboration with Group companies in Japan and overseas.

 » Pages 98–99: ESG Management Promotion Structure

Discussion about sustainability in the Board of Directors

The ESG Promotion Committee discusses the planning, formulation and execution of the Group's basic policies concerning ESG management. The committee reports on its activities to the Board of Directors as necessary. In addition, the Board of Directors discusses basic sustainability policies such as investment in human capital and intellectual property.

2 Strategy

Sustainability basic policy

With the aim of becoming a leading company in ESG management, and in order to achieve our global vision, the Board of Directors has set ESG initiatives as priorities that support the Group's management foundation, and the board is promoting these initiatives by incorporating them into the Mid-Term Management Plan.

Guided by resolutions by the Board of Directors, the Group has identified increasing the quality of housing stock (customer happiness), contributing to a sustainable society (social happiness), and diversity and inclusion (employee happiness) as material (essential) issues when promoting ESG management, and the Group is implementing initiatives to address materiality.

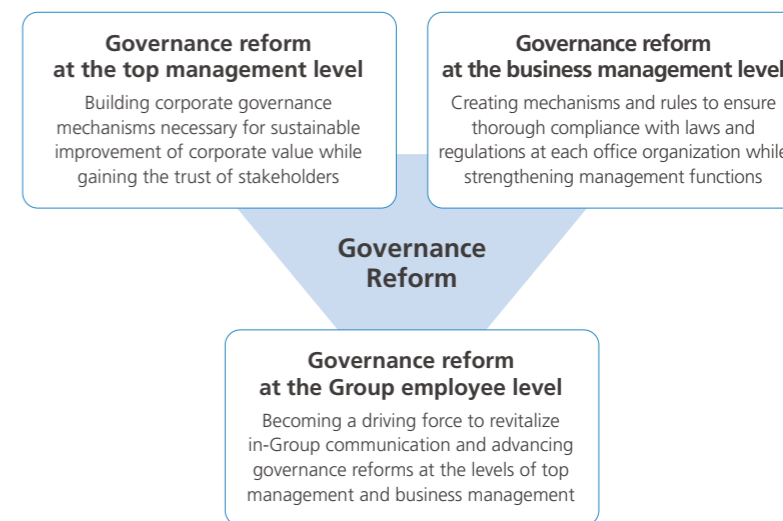
In addition, we have sought to analyze medium-to-long-term issues that affect value creation with relation to sustainability, identify risk factors, and position them as opportunities for future business development.

To provide new value to our customers and society as a partner in creating happiness, we are implementing a human resources strategy with the aims of diversity and inclusion, workstyle innovations, and self-directed career development. The Company has formulated a health management policy based on the belief that improving physical and mental health, which are integral to an employee's happiness, is indispensable to the realization of the Company's global vision, and is therefore engaged in promoting "happiness" health management.

By both investing in intellectual property and protecting the results of our investments, we have built up our core competencies of technical capabilities, construction capabilities, and customer base. In addition, by demonstrating our competitive advantage through our unique value chain that handles all of the processes of housing development, we provide value to our customers, which forms the basis for supporting continuous corporate growth.

Enhanced governance for ESG management

We are moving forward with governance reform at three levels.



- Governance reform at the top management level
- Governance reform at the business management level

 » Page 71: Corporate Governance

- **Governance reform at the Group employee level**

Based on the Fifth Mid-Term Management Plan, we are implementing governance reforms at the senior management and business management levels. We are also implementing ways to stimulate communication among employees and organizations within the Group. For these reasons, we encourage bottom-up feedback, which we link to governance reforms at the senior management and business management levels.

Strengthening Our Sustainability Governance System

In order to promote ESG management with the participation of all employees, we hold ESG dialogue between employees divided by level, under the theme of “how to manage our business to ensure greater happiness for employees, customers, and society.”

Throughout Group companies, ESG dialogue is encouraged to develop initiatives aimed at creating a virtuous cycle of fostering employee engagement, accelerating communication, and generating innovation, which will then increase our corporate value.

In addition, we strive to vitalize communication, which tends to be lacking as smart work is becoming the standard practice. To do this, we provide opportunities for communication and training, including opportunities for dialogue in line with themes based on the Group vision during Corporate Ethics Month (every October) as set by the Japan Business Federation (Keidanren). We also provide opportunities for exchanging opinions on organization-wide issues based on the results of the Governance Awareness Survey, an anonymous questionnaire survey for all employees conducted every year* on awareness of corporate ethics, the working environment and other factors.

* Some offices implemented this program in FY2021 due to the unified timing for implementation across the Group.

3 Risk Management

Investing in human capital

Having positioned FY2021 as the first year of personnel system reforms, we introduced a highly transparent evaluation system and career interviews based on full communication between supervisors and members to support the self-directed careers of employees. Furthermore, with the objective of training and selecting future organization leaders (for the heads of branches, the head office and factories, etc.), we have run the *Keiei-juku* management training program since 2018. In addition, the SHINE! Challenge Program also started in 2019. Through these programs, we are building a foundation to systematically

produce the next generation of business leaders. Further, we provide a range of training courses for branch managers and leaders to strengthen the ability of individual branches and teams to manage, develop human resources, and invigorate their organization. These courses also support employee career development.

For health management, we conduct a Well-Being Survey of all employees, and offer advanced proposals through Sekisui House FIT, our smartphone app developed in-house, to promote exercise and prevent lifestyle-related diseases.

Investing in intellectual property

Among our intellectual property, we work to protect technology and designs with patent rights and design rights. In addition, we also strive to protect feedback from our customers, as well as the expertise and data we have accumulated through many years of efforts, as important trade secrets. We are very particular about naming at the stage of commercializing investment results, and protect those names with trademark rights, treating names as symbols of how we provide customers with satisfaction and peace of mind throughout the value chain. In addition, we are now placing higher than ever importance on these activities, and in August 2021 we established the Intellectual Property Office as a specialized organization to oversee intellectual property. We are complementing in-house human resource development by hiring intellectual property specialists, including people who have been responsible for intellectual property at other companies.

In addition, in recognition of the importance of research and development, we are investing an adequate amount in research and development expenses and making active capital investments in our R&D bases, with a focus on the Comprehensive Housing R&D Institute and the Human Life R&D Institute. In recent years, we have actively invested in fields that contribute to the promotion of future businesses through industry-academia collaboration and partnerships with companies in different industries, with a focus on new business areas such as the Platform House business. Furthermore, we have actively invested in areas

outside of direct technology development, as well as *Nattoku Kobo*, which provides opportunities for a variety of living environment-related experiences. We have integrated the results obtained from these investments and positioned them as management resources (intellectual capital).

Governance awareness survey of all Sekisui House and Sekisui House Group employees

Based on the Sekisui House's corporate philosophy, we use an anonymous questionnaire to conduct an annual governance awareness survey with all Group employees to verify that workplace environments have been changed to ensure that everyone is working together effectively throughout the Group. By regularly surveying awareness of corporate ethics, the workplace environment and other factors, we gain an understanding of the current situation, and based on the survey results we provide opportunities for exchange of opinions on an organizational level as we focus on creating a more open workplace culture.

Note: Some offices implemented this program in FY2021 due to the unified timing for implementation across the Group.

Commendation system incorporating ESG indicators

To promote ESG management throughout the Sekisui House Group, we have incorporated ESG indicators into the President's Awards for workplaces.

In line with our ESG promotion policy, we have set eight objective indicators directly related to business: leading the way to a decarbonized society and protection of ecosystems under environment; health and productivity management and employee happiness under social; and strengthening management at workplaces under governance. From August 2021, we have introduced a similar commendation system, after selecting indicators that match the business contents of Group companies Sekisui House Real Estate, Sekisui House Remodeling, and Sekisui House noie.

G Promoting Compliance

1 Governance

System for promoting Group-wide compliance

To ensure that the entire Group complies with all applicable laws and regulations, we have established a specialized functional department in charge of compliance and a business management department that comprehensively manages each business unit. The specialized functional department promotes cross-sectional management of the respective duties for the entire Group's divisions, in cooperation with the business management divisions. For further improvement, the status of management is reported and verified by the Risk Management Committee, which was established as a consultative body to the Board of Directors.

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2 Strategy

Sekisui House Group Corporate Ethics Guidelines

In October 2003, the Group formulated the Sekisui House Corporate Ethics Guidelines and put them into effect as the standards to be followed by the Company, its officers and employees. The content of these guidelines is revised as necessary in line with changes in the business environment. Since 2005, we have been holding Corporate Ethics Month every October to spread awareness among all Group executives and employees. In addition, every year we have executives and employees submit a Pledge of Compliance with the Corporate Ethics Guidelines.

From the viewpoint of anti-corruption, we have also stipulated entertainment and gifts in these guidelines with respect to customers, suppliers, public officials and other individuals. Based on that provision, we have established Anti-Corruption Guidelines and are disseminating information on them within the Company.

Compliance training implementation

We provide all Group employees with legal training every year on themes such as laws and regulations and risk as a continuous effort to foster compliance and risk awareness. In FY2021, in response to a comprehensive evaluation report on an incident involving transactions for land for condominiums, we conducted one hour of training for all Group employees for the purpose of disseminating information, and reported on the status of this training to the Board of Directors. From FY2022, we will change the name to Compliance Training, and work to foster an awareness of compliance and risk in a wide scope that extends beyond laws and regulations.



[Sekisui House Group Corporate Ethics Guidelines](#)

Internal reporting system and whistleblower protection

We have a whistleblower system in place for all Group employees. In compliance with the Whistleblower Protection Act, employees notify the Compliance Office in the Legal Department by email or telephone of any conduct that violates laws or corporate ethics. Our corporate law office has served as an external point of contact since October 2016.

In September 2021, we changed the name to the Sekisui House Group Compliance Helpline, and made changes to the system, such as handling reports anonymously, and sharing information on reports to external contact desks with the Audit and Supervisory Board. In line with the amendments to the Whistleblower Protection Act in June 2022, we made corporate officers subject to whistleblowing up to one year after their retirement or the end of their tenure, and established Company regulations setting forth responsibilities for corporate officers, including prohibiting them from conducting disadvantageous treatment of whistleblowers on the basis of such whistleblowing.

Sekisui House Group Compliance Helpline

	Point of contact	Method	Content of report
SCS (Sekisui House Group Compliance Support) System	Compliance Office (in Legal Department) (External) Sekisui House corporate law office	Phone Letter Email	This includes all cases that violate or could potentially violate laws, regulations, or corporate ethics for businesses and business activities for Group employees and business partners that the Group has an ongoing relationship with.
Sekisui House Global Helpline	(External) law office	Email (English language support is available)	Cases at overseas subsidiaries that violate or may violate laws and regulations and corporate ethics in relation to businesses and business activities
Sexual and power harassment hotline	Legal Department Human Relations Office	Phone Email	Consultation pertaining to sexual/power harassment and other human rights issues, including concerns and problems related to interpersonal relationships; consultation aimed at creating a comfortable workplace for disabled employees, etc.
Personnel related hotline	Human Resources and General Affairs Department	Intranet	Labor management issues in general, such as work hours and working on scheduled days off

Note: We also provide an external (outside the Company) contact for counseling by a professional for Group employees and their families.

Promoting Compliance

We also provide helplines that provide counseling on labor management issues in general and hotlines dedicated to consultation regarding sexual and power harassment.

In addition, the Sekisui House Group Supplier Company Corporate Ethics Helpline has been established as a system for handling consultation regarding concerns pertaining to legal and corporate ethics infractions and transaction-related issues connected to Sekisui House Group business activities from directors or employees of partner building constructors and supplier companies with whom the Group has an ongoing business relationship. Furthermore, in June 2020, we established and began operations of the Sekisui House Global Helpline for employees of our overseas subsidiaries in English-speaking regions, using a third-party law firm as a contact point (another contact has been established for subsidiaries in China with Chinese language support).

Though it would be ideal to solve problems through discussions in the workplace, we also believe it is important to have an internal reporting system in place that employees can freely turn to for help. We educate employees about this system with leaflets and human relations training.

3 Risk Management

Initiatives for compliance with laws and regulations related to construction

The Group obtains permits and licenses based on laws and regulations, such as the Real Estate Brokerage Act, the Construction Business Act, the Act on Architects and Building Engineers, and the Housing Quality Assurance Act. At the same time, we conduct business activities based on administrative regulations, as well as laws and other regulations related to construction, labor, the environment, and other matters involved in executing business. Violation of laws and regulations related to construction in particular could incur significant expenses for remediation or administrative sanctions, such as suspension of business that could affect the Group's business performance.

Measures to prevent compliance violations include a legal and regulatory

check system to verify mistakes and omissions of procedures for design, according to the Building Standard Law, and we have structured a double check system for branches and the head office to prevent the occurrence of mistakes for type approval. In addition, to ensure the effective assignment of full-time technicians under the Construction Business Act, we are checking their assignment status and are continuing to secure qualified personnel and improve their skills.

Personal information protection initiatives

To follow the amendments to the Personal Information Protection Law enacted on April 1, 2022, we have revised the Rules for Handling Personal Information. We have also designated the executive officer in charge of legal affairs as the person in charge of handling personal information, and are working to manage personal information with effective systems. Our Privacy Policy and Information Security Policy are disclosed on our website.

We handle customers' personal information at Sekisui House Group worksites, such as housing exhibitions and land sales offices. In accordance with the Personal Information Protection Law and the Rules for Handling Personal Information, we have implemented ongoing e-learning and educational training for employees. We are promoting the full awareness of personal information protection among employees.

In addition, we have set up a specialized Customer Information Service Office within the CS Promoting Department, and have established a system that supports compliance with the Personal Information Protection Law for the entire Group. Among various options, customers may request disclosure, correction, suspension of use or deletion of their own personal data by lodging a Contact for Inquiries About Customer Information application with the Customer Information Service Office. In the event of the loss or theft of customers' personal information, in addition to informing customers about the issue immediately, we shall post necessary notices on our website concerning what information was lost or stolen, as well as notices regarding our future handling of the situation. At the same time, we shall make every attempt to recover this information.

Additionally, in view of the fact that personal information protection laws are being put in place in various countries around the world, we are making efforts to protect personal information in our overseas businesses as well, by developing systems, providing training and other means in accordance with the businesses we operate in each country to comply with local laws and regulations.



[Sekisui House, Ltd. Privacy Policy](#) (Japanese only)



[Sekisui House, Ltd. Information Security Policy](#) (Japanese only)

Basic policy on tax

The Sekisui House Group recognizes a significant responsibility to respect stakeholders' trust. To safeguard this trust, the Group must comply with regional tax laws and regulations in Japan and internationally where the Group operates and to make tax payments transparently and appropriately, observing the principle of tax fairness. Disclosure of the Group's basic tax policy follows.



[Sekisui House, Ltd. Basic Policy on Corporate Governance](#)

4 Indicators and Targets

In FY2021, there were no serious violations of laws, regulations, or voluntary norms related to bribery or corruption within the Group.

• Breakdown of Taxes Paid in Each Country

Disclosure of the Group's tax payment records in FY2021

Country	Amount
Japan	¥48,995 million
United States	¥10,010 million
Australia	¥83 million
China	¥5,646 million

Promoting Compliance

Legal compliance status

- **Penalties for non-compliance of the anti-corruption policy**

In FY2021, no disciplinary action or dismissal took place against any employee for non-compliance of the anti-corruption policy. To the best of our knowledge, no cost was incurred on penalties, surcharges or settlement related to corruption.

- **Infractions and penalties related to the environment**

There were no major infractions or penalties of environmental laws or regulations in FY2021. There were no accidental spills or other incidents impacting the environment surrounding our factories. No environment-related fines were imposed on the Group.

- **Infractions and penalties related to products and services, safety and hygiene**

In FY2021, there were no legal or regulatory infractions or penalties paid related to the provision and use of our products and services. There were also no infractions of health and safety related regulations or voluntary standards.

- **Infractions and penalties related to customer privacy**

In FY2021, there were no substantiated petitions for redress related to customer privacy infringements or customer data loss.

- **Legal action related to monopolistic practices**

In FY2021, the Group faced no legal action, substantial fines or punitive measures in connection with violations of laws or regulations related to competition and monopolistic practices.

G Strengthening Risk Management

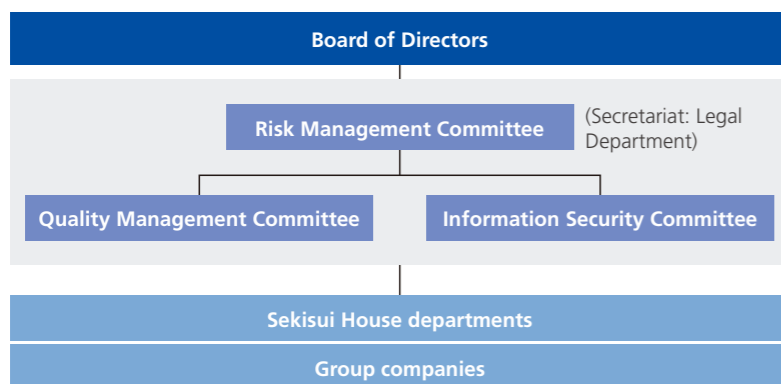
1 Governance

Our risk management system

The Group has established a Risk Management Committee (chaired by Satoshi Tanaka, Representative Director of the Board, Executive Vice President, Executive Officer) as a consultative body to the Board of Directors, with the aim of accurately understanding important risks in business activities, monitoring whether those risks are properly managed, and mitigating the impact on the Group's businesses in the event that such risks materialize.

This committee meets once a month, in principle. Based on the monitoring results of departments at the head office and bodies meeting to discuss target risks, the committee summarizes and verifies the development of the risk management system, gives advice, and regularly reports on deliberations to the Board of Directors. Moreover, we recognized the importance of quality control and information security by establishing the Quality Management Committee and the Information Security Committee within the Risk Management Committee. These committees take a professional, intra-divisional approach to reviewing risks as well as countermeasures, and regularly report their deliberations to the Risk Management Committee.

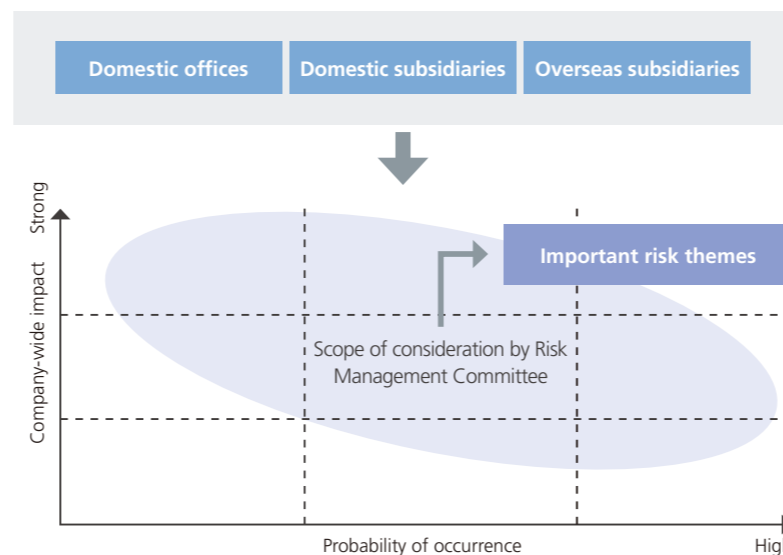
Risk Management System Diagram



2 Strategy

Risk management process

We monitor the Group's domestic offices as well as domestic and overseas subsidiaries, and we conduct interviews with every department in the head office. The Risk Management Committee uses the information from monitoring and interviews conducted during the previous fiscal year to identify risk issues under themes that include labor law and labor management, human rights, compliance, quality management, information security, the environment, and crisis management. Each year, the committee then evaluates the probability of occurrence and degree of impact on the Group for these risk issues, and selects material risks based on these evaluations. The department responsible for each important risk theme and meeting bodies formulate a basic risk management plan at the beginning of each fiscal year, report on progress to the Risk Management Committee, and make improvements based on the opinions and advice of the committee, in this way using a PDCA cycle for risk management.



We implement risk management for Sekisui House on a non-consolidated basis and all Group companies. Significantly material executive action at major subsidiaries requires the approval of Sekisui House, Ltd. or resolutions of the Board of Directors. In addition, the Group's governance network is structured to uncover risk information for the Group, strengthen checking by general affairs managers at domestic and overseas Group companies, as well as encourage information sharing among management departments, including the Auditing, Human Resources and General Affairs, and Legal Departments.

Responsible departments at the head office report incidents that could have a Group-wide impact to the Risk Management Committee in accordance with the Crisis Response Manual. For especially serious situations, those considered to have exceeded the crisis intensity specified in this manual, the Chairman of the Risk Management Committee can decide to establish a specialized Crisis Countermeasures Headquarters team to systematically consider how to prevent the situation from getting worse and to help resolve it quickly.

Strengthening Risk Management

3 Risk Management

Strengthening the quality control system

The Group takes all possible measures to ensure the quality of design, production and construction. It also implements a long-term warranty system and regular inspection service for our detached houses and multi-unit buildings, which are our core products. If serious quality problems occur due to unexpected human errors or other factors during our long support period, considerable costs could be incurred or the reputation of the Group could be severely degraded, which may affect the business performance of the Group.

As a countermeasure, the Quality Management Committee within the Risk Management Committee promotes unified quality management as an organization that brings together five study groups for products, design, production, construction, and customer satisfaction. In particular, the Quality Management Committee helps prevent construction quality defects through improvements to the quality control priorities that are based on the annual construction quality management plan formulated at the beginning of each fiscal year, and regularly reports the status of initiatives to the Risk Management Committee. We are also promoting multifaceted initiatives aimed at securing construction competencies, especially those closely related to construction quality, such as leveling the amount of construction work, improving onsite productivity, and proactively training technical trainees, including workers from overseas.

Initiatives to strengthen information security

Infection by computer viruses and advanced cyberattacks could allow personal information and confidential information to leak or be tampered with or cause system shutdowns. This could have a wide range of adverse consequences that could negatively affect business performance, confidence in the Group, competitiveness, stock prices, and shareholder value.

The Group has positioned information security as one of the important management issues to address in order to minimize risks that may hinder the

continuation of the business itself, such as information leakage or suspension of operations caused by a cyberattack. For that reason, we have established the Information Security Committee (chaired by Osamu Minagawa, Managing Officer) to make a more specialized response to risks, under the Risk Management Committee, which is a consultative body to the Board of Directors. A priority issue is establishing an information security governance system that includes the entire Group and is based on the Information Security Policy, which is the fundamental policy for Group information security, and associated rules for managing confidential information.

With regard to IT system development, operation and management, we are continuing to develop environments for the effective processing of business affairs, and regularly review our rules and standards. In addition, we are developing processes to follow in the event of security incidents, with progress confirmed by the Information Security Committee.

We are adopting work styles that are not limited and, are taking stronger measures that are suitable for the multi-cloud era. We are also consolidating important data on a cloud platform, and distributing tablet terminals that are specialized for remote connection to the Company to those employees who request them, thus migrating from conventional PCs to secure mobile PCs. In response to diversifying workstyles amid the prevailing trend of telework and the new threat of cyberattacks, we are strengthening technical measures and enhancing organizational strength at the same time. Regarding procedures to prevent IT system failures and cyberattacks, we are continuously striving to increase the e-literacy of employees and improve the procedures by providing education and training every year and on other occasions as necessary.

We also manage customer information based on our rules for handling personal information and our Privacy Policy, with each organizational unit assigning a manager responsible for handling personal information, implementing safety measures, and establishing a system to thoroughly inform all employees. At the same time, we teach employees through online courses how to handle personal information, and we raise awareness of the

roles and responsibilities of each employee regarding the protection of personal information.

We regularly check current security levels through security assessments by external organizations to strengthen our security governance system.



[Sekisui House, Ltd. Information Security Policy](#) (Japanese only)

Promoting labor management

Long working hours for employees can lead to health problems, including mental illness, and in some cases can lead to extended leaves of absence. In addition, we need to avoid occupational accidents at offices and construction sites. Especially at construction sites, mistakes in work procedures and work methods can lead to injuries, and a serious or even fatal accident could result in monetary damages and reputational damage with the general public.

We counter these risks with labor management that promotes workstyle reforms to curb long working hours and to keep tabs on the status of work at the head office, factories and offices every month. The Human Resources and General Affairs Department promotes effective labor management as necessary by monitoring and through labor management training. In addition, every organizational unit helps to prevent occupational accidents through a health and safety committee that regular verifies disaster prevention, situations that involve accidents, and then implements measures to prevent any reoccurrence. A particular emphasis at construction sites is creating a safe and secure work environment based on the annual Company-wide construction health and safety plan under the direction of the Construction Headquarters at the head office to reduce frequent accidents. Other initiatives include compliance with procedural manuals and setting up a confirmation system.

Strengthening Risk Management

Response in the event of a natural disaster

The Sekisui House Group recognizes that it is the mission of housing manufacturers to quickly restore the lives of customers that suffer from large-scale natural disasters and provide new housing, including emergency temporary housing. To this end, we have established the Action Program for Handling Natural Disasters that prescribes Company-wide policies and measures.

In the event of a large-scale natural disaster, the first step toward recovery is to quickly ascertain the condition of employees and their families in the affected region. The speed of initial responses is linked to the formation of support systems for worksites and rapid response to Company-wide needs, which in turn enables us to promptly provide support to customers. For this reason, we not only conduct periodic evacuation drills at each worksite, but also require all employees to always carry a response survival card containing safety reporting procedures and other information to be used in the event of a natural disaster.

We confirm the condition of our employees and their families, while setting up a Disaster Response Headquarters at our head office to respond to the disaster by sending relief supplies using each factory as a base for a quick response. We also cooperate with local response headquarters to facilitate a swift recovery.

In addition, we currently have a Customer Service Center Owner Desk in Osaka and Fukuoka that can respond to house owners' requests for consultation and urgent repair 24 hours a day, 365 days a year. We carry out integrated and complementary operations to ensure that these desks can fill in for each other in the event of a large disaster and support customers by serving as emergency reception centers capable of coordinating with the Customer Service Center in the affected region as well as with Sekisui House Remodeling, Ltd.



[Action Program for Handling Natural Disasters](#) (Japanese only)

Business continuity planning

Delays in the initial response due to unclear response plans during large-scale natural disaster could impair business continuity at our locations, which could in turn affect the Group's business performance.

The Sekisui House Group maintains preparedness through business continuity planning (BCP) to cope with major natural disasters. The Group has also formulated the Sekisui House Group Basic Policy Concerning Disaster Countermeasures. A disaster manual has also been released to every organizational unit, and we are prepared to ensure business continuity at all business sites in the event of a disaster.

In the event of a disaster at the head office, we are prepared to continue business operations through offices that can serve as substitute head offices: the Tokyo office (Akasaka, Minato-ku) and the Comprehensive Housing R&D Institute (Kizugawa, Kyoto).

We do business internationally, which puts the employees of overseas subsidiaries and employees on international business trips at risk from natural disasters, terrorist attacks and riots. We have created a response manual that incorporates a system for prompt information sharing, and we have contracted with a specialized overseas crisis response support company to have a support system in place for our local employees in the event of an emergency.

4 Indicators and Targets