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Value Creation Process

Love of humanity is Sekisui House's core corporate philosophy, and we have drawn on our philosophy, technology and people to achieve numerous innovations. Our history since our founding can be broken down into 30-year phases. We emphasized safety and security during the first phase, then comfort and eco-friendliness during the second phase. We are now emphasizing health, connectedness and learning in our third phase.

Based on our love of humanity, which is essentially the DNA of Sekisui House, and the three phases of our corporate story, we will identify risks and opportunities in our operating environment and use resources effectively and efficiently to expand our businesses and accelerate growth with the goal of creating corporate value and achieving our global vision.

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Sekisui House's Operating Environment



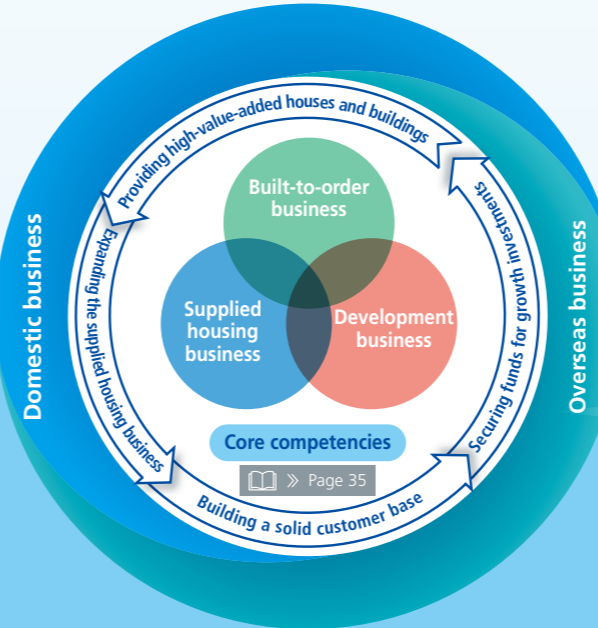
Management Resources

- People** (Human capital, investment in human resources)
Includes Group employees, female managers, and first-class architects
- Tangibles** (Manufacturing capital and natural capital)
Includes production bases in Japan and overseas, and the Resource Recycling Centers
- Capital** (Financial capital)
Includes healthy finances, cash flow generation, and ongoing investment in the foundation for growth
- Intellectual and Social Assets** (Intellectual capital and social/relationship capital)
Includes patents, design rights, the Comprehensive Housing R&D Institute, cumulative number of dwellings built, and partner building contractors

Material Issues

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

Business Model



The Sekisui House Global Vision

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Make home the happiest place in the world

- Propose happiness through the integration of technologies, lifestyle design and services
- Become a leading company in ESG management
- Make Sekisui House technologies the global de facto standard

The Sekisui House Concept of Happiness

— Customer happiness —

The creation of high-quality housing stock is our objective. We therefore focus on safety, security, comfort and beauty in providing housing of value in which customers can live for generations.

— Societal happiness —

Our social mission as a housing manufacturer is to contribute to a sustainable society through our businesses with a perspective that encompasses people, communities and the Earth.

— Employee happiness —

Initiatives to make the workplace a happy home away from home for employees, ensure diversity and inclusion and help our people autonomously develop their careers.

Expand businesses and accelerate growth

The Building of Sekisui House— Our Corporate Story

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Phase 1: Safety and Security

Phase 2: Comfort and Eco-Friendliness

Phase 3: Health, Connectedness and Learning

Corporate Philosophy of Love of Humanity, and Corporate Governance

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Sekisui House's Operating Environment, Risks and Opportunities

Social conditions continue to change rapidly, so we consider formulating plans to create value through businesses based on current predictability to be an inadequate approach. The Sekisui House Group analyzes medium-to-long-term issues that affect value creation with relation to sustainability, identifies risk factors, and positions them as opportunities for future business development. These solutions are then reflected in medium-to-long-term strategic business planning.

Megatrends

Climate change

- Acceleration of decarbonization due to concerns about global warming

Biodiversity conservation

- Initiatives to protect biodiversity from the effects of global warming
- Demand for effective use and re-use of water resources

Resource recycling

- Demand for effective use and re-use of resources
- Change in awareness, moving toward a society without plastic

Economic and policy changes

- Response to pandemics
- Promotion of workstyle innovations
- Acceptance of foreign workers
- Extension of loan deduction, expansion of housing benefit
- Increase in consumption tax

Globalization

- Acceleration of business globalization
- Increase in foreign visitors to Japan
- Inadequate number of hotel rooms

Changes in population movement

- Coming of a super-aged society
- Total population reduction
- Concentration of population in urban areas
- Social participation of the millennial generation
- Escalation of the issue of nursery school waiting lists
- Coming of a long lifespan/high death rate society
- Rising health consciousness

Technological innovation

- Coming of an IoT/AI era
- Advances in robotics technology

Specific Risk Scenarios

Impact of extreme heat on lifestyles
 Impact of extreme heat on business (production, construction sites, etc.)
 Impact of increasingly severe natural disasters
 Increased costs due to introduction of carbon tax

Changes in growing ranges and areas suitable for plants used for afforestation
 Demand for the introduction of water conservation business and facilities

Demand for higher-quality recycling
 Increased processing costs for plastic waste materials derived from fossil fuels

Global spread of infectious diseases
 Reduced workforce due to declining employee satisfaction, turnover, and work-hour regulations should reforms not go ahead
 Turnover and reduced productivity due to worsening working conditions
 End of support measures for home purchases
 Downturn in demand after the last-minute purchasing ahead of tax rate increase, and move away from home ownership

Intensification of competition
 Changes in demand due to lost opportunities and changes in circumstances

Accidents in the home, lack of care services
 Decline in the number of new housing starts, decline in the occupancy rate of properties under management, worsening problem of unoccupied houses
 Decline of rural areas
 Lost opportunities due to an inability to respond to the needs of the millennial generation
 Delay in employees returning to work
 Increasing complications and trouble with asset inheritance
 Competition to be first in advanced health-related technology

Loss of business opportunities, growing need for security measures
 Discontinuity in transfer of construction techniques

Specific Examples of Opportunities Created

Promoting net zero energy houses (ZEH)
 Promoting net zero energy buildings (ZEB)
 Popularizing highly durable (long-lasting) homes, etc.
 Growing adoption of renewable energy

Effective landscaping proposals for shrubs and trees
 Popularization of water-saving housing facilities

Promotion of recycling business through the use of high-level, thorough sorting and "wide-area certification"

Development of technologies for preventing the spread of infectious diseases in the home
 Improved productivity due to better employee satisfaction, recruitment of talented personnel
 Ensuring a high-quality workforce through improvements in the working environment
 Increased orders due to appropriate funding advice
 Various government support measures for home purchasing

Development of overseas business
 Capturing long-term demand

Expanding platinum business, providing health-conscious housing
 Provision of good-quality housing

Increased need for regional revitalization
 Expanding digital marketing opportunities
 Increased opportunities for nursery school intake, improved child support systems
 Increased circulation of existing housing and need for real estate management trusts
 Promoting the sale of housing that contributes to health

Providing highly convenient housing
 Improving construction efficiency

Management Resources



People (Human capital/Investment in human resources)

Based on our core philosophy of love of humanity, we formulated and announced the Sekisui House Group Human Rights Policy and we aim to create workplaces where all employees can practice “innovation and communication.” In our business operations, we proactively hire and train human resources with various qualifications and skills, including national qualifications required by law, and improve the skills of employees through an in-house certification system. The sharing of information throughout the Group helps us to properly deploy these qualified personnel.

Consolidated employees

28,821

- Sales representatives: 7,153
- Technical staff: 8,282

Female employees in managerial positions

273

Authorized First-Class Architects

3,311

Chief Constructors*

156

Platinum Specialists*

41

Chief Architects*

266

Structural Planning Specialists*

172

CS Meisters*

84

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

2.90%



Diversity and Inclusion

* Internal qualifications (excluding ineligible employees such as those taking maternity/childcare leave, those who have changed their job type and retirees)



Tangibles (Manufacturing capital and natural capital)

● Manufacturing capital

In our domestic businesses, we have production bases (factories) with production lines that are the key to production involving different specifications for each home in the built-to-order business, and distribution bases that deliver materials to construction sites nationwide. We are working to reduce the environmental impact of our distribution methods through a modal shift to rail transport. To improve production efficiency in the custom detached houses, rental housing, and houses for sale businesses, we are making capital expenditures centered on production equipment for materials. We are conducting capital investment in the urban redevelopment business.

Capital expenditure

¥89.5 billion

Production bases

6
5 in Japan
1 overseas

Distribution bases

40

● Natural capital

We conduct sustainable CSR procurement. In addition to procuring Fair Wood, we pursue sustainability on the basis of coexistence and co-prosperity with our suppliers through measures including due diligence for imported lumber and promotion of local production for local consumption of domestic lumber. In the field of energy, we expect to achieve our original target of employing 100% renewable energy for the electricity used in our business activities (RE100) by 2030, substantially ahead of our 2040 target, through the efforts of Sekisui House Owner Denki, a program in which we purchase surplus electricity from Sekisui House homeowners' photovoltaic power generation systems for use in the Group's business operations. In addition, our Resource Recycling Centers recycle 100% of the waste materials collected from our construction sites.

Sustainable wood procurement rate

97.2%

Waste emissions

1,022 thousand tonnes

CO₂ emissions

88 thousand t-CO₂

- Sekisui House Owner Denki
- Resource Recycling Centers

Management Resources



Capital (Financial capital)

To support sustainable growth, we must establish a strong financial base, preparing for various risks in the market environment, and maintain the financial capacity to make swift and flexible investment decisions. As a standard for evaluating financial health and an appropriate level of financial leverage, we have set a target D/E ratio of 0.45 or less, premised on maintaining our credit rating. We will strive to improve the balance sheet with an awareness of cost of capital and asset efficiency, with the intention of promoting investment and raising asset efficiency.

D/E ratio

0.37

Free cash flow

¥4.3 billion

Real estate investment

¥1,161.3 billion / **¥1,890.0 billion**
(61.4% progress) (during Fifth Mid-Term Management Plan)

Interest-bearing debt

¥549.8 billion



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

● Intellectual capital

We conduct various types of development at our advanced research facilities, which include the Comprehensive Housing R&D Institute, a base for development of cutting-edge housing-related technologies and R&D for universal design based on ergonomic studies, and the Human Life R&D Institute, Japan's first institute specializing in research into well-being. We also hold and manage numerous patents and design registrations, which are intellectual property rights related to Sekisui House's product technology, research and development, design or other areas.

● Social/relationship capital

A solid customer base built from the industry's highest cumulative number of dwellings built, together with the construction capabilities required to achieve it—these are two of our core competencies, which in turn are integral to the Sekisui House Group's connection with society. One factor in building long-term relationships with owners after delivery is the after-sales service system we have established at our customer service centers. For construction, we have established a design-build system with construction companies in the Sekisui House Group, and since our founding we have shared the spirit of a community with a common destiny that includes our partner building contractors.

Research and development expenses

¥9.4 billion

Number of patents held

716

Number of design rights held

343


Cumulative number of dwellings built

2.54 million


Number of partner building contractors involved in essential construction processes for Sekisui House

About 2,650 companies

● Comprehensive Housing R&D Institute

 Comprehensive Housing R&D Institute
(Japanese only)

● Human Life R&D Institute

 Human Life R&D Institute
(Japanese only)

Core Competencies

Our core competencies are our three greatest strengths—technical capabilities and construction capabilities driven by Sekisui House technologies, and a solid customer base derived from the industry's highest number of dwellings built—together with our unique value chain, which maximizes value for customers because the Sekisui House Group handles all processes relating to homebuilding, from product and technology development to sales, design, construction and after-sales service. These core competencies are the source of the value we create.



Technical Capabilities

- Universal design for “comfortable living—now and always”
- SHEQAS, Airkis and other original technologies for proven safety and security
- Green First ZERO and other environmental technologies
- Original DYNE CONCRETE and Bellburn original exterior wall panel manufacturing technologies
- Staff with diverse qualifications, including first-class and second-class architects
- Improved ability to make proposals through the introduction of an in-house system of qualifications (Chief Architect, etc.)



Construction Capabilities

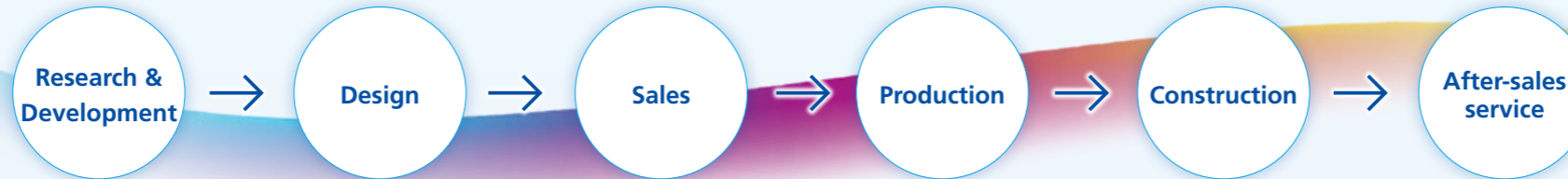
- Sekiwa Construction companies, which are wholly owned subsidiaries of Sekisui House, use a design-build construction system
- Loyal cooperative system for construction through the Sekisui House Association
- Acquisition of model approval for shortened construction timeframes
- Improved ability to make proposals through the introduction of an in-house system of qualifications (Chief Constructor, etc.)



Customer Base

- Owners of the 2.54 million dwellings we have built, the most in the Japanese housing industry
- An after-sales service system featuring customer service centers for customer peace of mind after they take possession of their houses
- Long-term relationships with rental housing owners through Sekisui House Real Estate companies
- Owner referrals and a high repeat rate

Maximizing Customer Value through Synergies from Cooperation within the Group



IoT



AI



Robotics



Blockchain

New Technologies

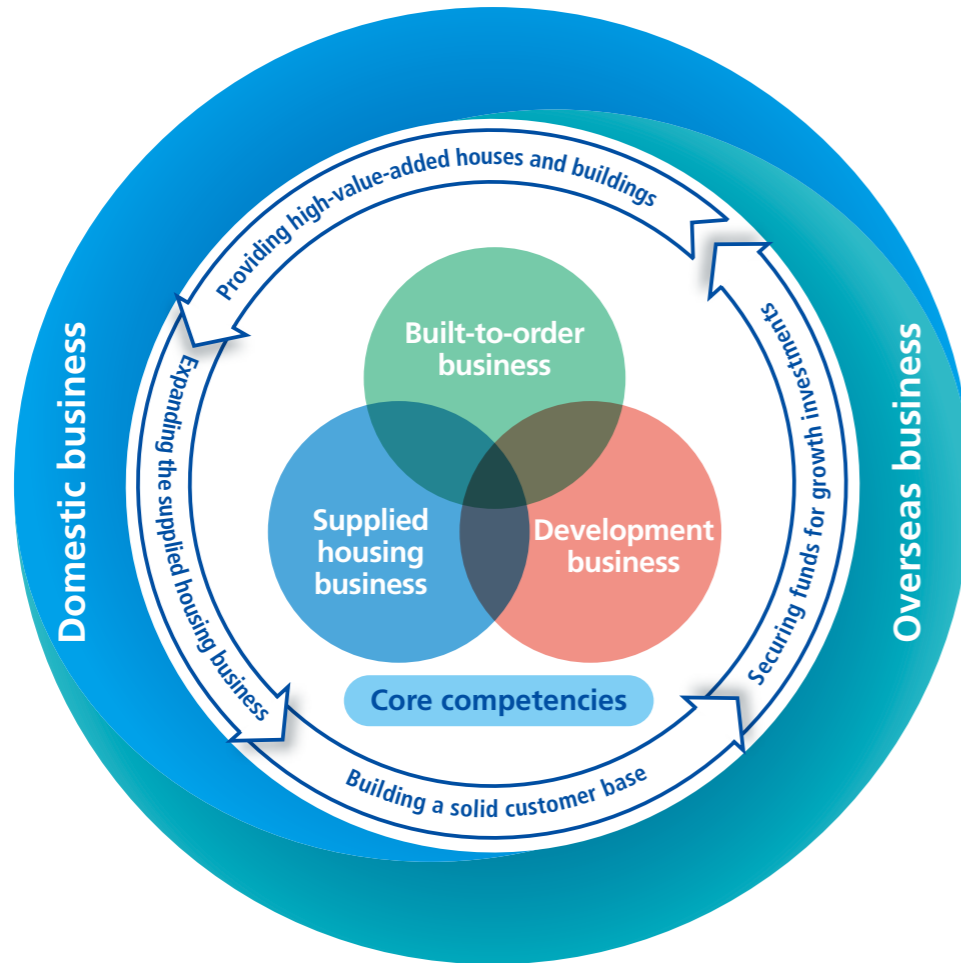
Advancing and Extending Our Core Competencies

Open Innovation

Industry-academia
collaborationInvestment in
startupsBusiness
alliances

M&A

Business Models



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

Our operations in Japan utilize three business models. The first is the model of the built-to-order business—it has established a solid customer base by providing high-value-added houses and buildings. Next is the model of the supplied housing business—it draws on this customer base to conduct remodeling, rental housing management and other operations. The profit from these businesses is then invested in our third business, development—the model for which is high-quality urban redevelopment and the development of beautiful communities that are a pleasure to live in. As we make growth investments for the future, we are also establishing a sustainable value creation process. We plan to establish the same three business models overseas through further expansion of the built-to-order business.

The Sekisui House Group will steadily achieve sustainable growth as it works to become a global company. Since 2010, we have continued to grow by reducing our emphasis on the built-to-order business through a more optimally balanced business portfolio. By leveraging high-quality housing stock to accelerate growth in the supplied housing business and increasing asset turnover in our development business, among other measures, we are enhancing all three of our core businesses to create a base for generating growth.

Domestic and Overseas Business Operations

Built-to-order business

Build a solid customer base by providing high-quality houses and buildings

Supplied housing business

Draw on the customer base from the built-to-order business to conduct remodeling, rental housing management and other operations

Development business

Invest profits from the built-to-order and supplied housing businesses in high-quality urban redevelopment and the development of beautiful communities that are a pleasure to live in

Value Chain

The Sekisui House Group aims to create happy homes by constantly evolving the basic performance and environmental technologies that are important for residents, and by combining research and proposals for new ways of living. Our unique value chain is the source of this value creation.

▶ Please see Section 6 for details.

» Pages 102–127: Environment » Pages 128–162: Social

Overview

Research and Development

We aim to create value for residents in the era of the 100-year lifespan. Our research and development therefore encompasses technologies, lifestyle design and services, based on the residential domain, and ranges from the development of advanced technologies for safety, security, comfort and health to surveys and research for proposals for happy living and services.

Strengths and Differentiating Features

- Opened the Comprehensive Housing R&D Institute in 1990, the largest of its kind in the world
- Opened the Human Life R&D Institute in 2018, Japan's first institute specializing in research on well-being
- Research and development that leverages our extensive, industry-leading residential database and expertise
- Research from the perspective of customers at *Nattoku Kobo Studio* (Home Amenities Experience Studio), a hands-on research facility

Risks and Opportunities

- Loss of business opportunities due to inability to respond to technological innovation
- Increasingly severe natural disasters due to climate change

Measures to Step Up

- R&D for disaster-resilient housing
- R&D to extend the life of houses
- R&D based on co-creation with sales, technology, production and other departments
- Information sharing and R&D with companies and educational institutions

Product Development, Design and Technologies

Our objective is to remain a leader in developing products that deliver the highest quality and technology and meet customer needs. The products we create based on this mission are houses that realize customers' dreams through customized designs using our advanced design proposal capabilities.

- Various original technologies that are ahead of the times and unrivaled by other companies
- 3,311 first-class architects
- Chief Architect, an in-house system of certification for our top creators, fosters excellent in-house architects

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

- Creation of housing that addresses lifestyle changes by integrating technologies, lifestyle design and services
- Resilience improvement and creation of versatile housing
- Rapid development of products to avoid missing business opportunities

Sales

In sales, which are the front line of customer contact, we stay closely attuned to our customers to offer value proposals for their ideal house, based on our philosophy of love of humanity. Our aim is to build strong and lasting relationships of trust with our customers.

- Established reliability and track record
- Closely attuned to customers based on our love of humanity
- Consulting capabilities that enable us to identify latent needs and expectations to propose housing where people can live happily for years to come
- Proposal capabilities for public and corporate business in addition to housing for private individuals

- Intensifying competitive environment
- Changes in housing policy, and changes in and end of support measures for home purchases

- Promotion of Long-Life Quality Housing
- Proposals for the creation of assets that offer value not only for customers but for the local community
- Strengthening of cooperation within the Sekisui House Group to reliably capture business opportunities
- Promotion of active participation by female sales representatives



Value Chain

Overview

Procurement

Building a house requires tens of thousands of components. Sekisui House works with diverse suppliers to promote sustainable procurement based on its CSR Procurement Guidelines.

Strengths and Differentiating Features

- A strong supply chain structured for coexistence and co-prosperity with suppliers
- CSR procurement as a signatory of the United Nations Global Compact*
- Fair Wood procurement based on our Wood Procurement Guidelines

* The world's largest sustainability initiative in which the United Nations and the private sector (corporations and other organizations) have joined hands to realize a sound global community

Risks and Opportunities

- Rapid increases in raw material prices and supply constraints
- Impact of natural disasters and the spread of infectious diseases
- Human rights risks in the supply chain
- Impact of wood procurement on ecosystems and forests

Measures to Step Up

- Diversification of suppliers and building of strong relationships of trust with them
- Strengthening and promoting CSR procurement for coexistence and co-prosperity with suppliers
- Promotion of supplier decarbonization and cultivation of Fair Wood procurement

Production

Our unique production system carefully manages each process from manufacture to shipping for each individual home. Under an advanced quality control system for pre-engineered housing, we promise consistent high quality for all homes.

- Strong production and quality control system through the use of cutting-edge information technologies such as AI, IoT, big data analysis and robotics technologies
- Flexible production lines and distribution systems enable production on a house-by-house basis
- Teams of technicians with a spirit of challenge to drive in-house development of production technologies

- Rapid increases in raw material prices and supply constraints
- Rising logistics costs and a shortage of drivers
- Shortages of production line labor
- Decarbonization

- Strengthening of quality control by enhancing the use of cutting-edge technologies and promotion of production and logistics reforms
- Rationalization of production through automation and creation of comfortable workplace environments
- Decarbonization through means including raw material recycling, energy saving and energy transition

Construction

We have established a design-build system encompassing our wholly owned Sekiwa Construction companies, and the Sekisui House Association, which is made up of partner building contractors. Together, they promote superior construction systems, the highest construction quality and environments, and the development of construction techniques.

- Construction capabilities of 15 Sekiwa Construction companies and about 7,000 partner construction companies that unite in the spirit of a community with a common destiny
- Group-wide system for construction quality control, continuous improvement, and record management and storage
- Three education and training centers throughout Japan and a technical training facility in Vietnam for developing outstanding people as the Group's future leaders

- Decrease in construction capabilities due to aging and shortages of skilled personnel
- Increase in employee turnover and decrease in new hiring due to delays in improving working environments
- Decrease in productivity due to deterioration of the natural environment
- Occupational accidents

- Enhancement of work efficiency and construction environments to make construction sites safer and workers happier
- Hire and train human resources that have multiple perspectives
- Strengthening of cooperation with Konoike Construction, which has strengths in construction of houses using the traditional method and in the civil engineering business

Customer Service

To ensure comfortable living—now and always, we consider proper after-sales service to be part of the intrinsic value of a home, and provide lasting security with long-term support systems such as our initial 30-year warranty program and U-trus System.

- Commitment to customer service that impresses customers
- Extensive after-sales service organization of approximately 1,500 employees
- System for centralized management of maintenance information from new construction onward

- Decline in customer satisfaction due to delays in response
- Risk of leakage of customer and other information

- Building solid relationships of trust with owners
- Enhancement of responsiveness by accepting phone calls 24 hours a day, 365 days a year, and by using AI chat bots
- Strengthening of support for Sekisui House noise and other Sekisui House Group companies
- Strengthening of information management system and handling



Stakeholder Engagement

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

Key Stakeholders	Responsibilities	Main Examples of Engagement		Results of Initiatives	
Customers (homeowners)	We will maintain a customer-first attitude and continue to value open communication so that important customer assets can be used for a long time with a sense of attachment.	<ul style="list-style-type: none"> Customer questionnaire surveys Informative magazines published as communication tools <ul style="list-style-type: none"> • <i>Kizuna</i> (detached housing, twice annually) • <i>Maisowner</i> (rental housing, twice annually) • <i>gm</i> (condominiums, three times annually) 	<ul style="list-style-type: none"> Operation of the Net Owner's Club Customer Service Center Owner Desk Suite Concier website introducing lifestyle services for homeowners 	<ul style="list-style-type: none"> Longer useful lives for housing Improved customer satisfaction Enhanced after-sale support Creation of high-quality housing stock 	
Consumers (prospective customers)	We will proactively disclose information so that we can establish a relationship of trust, with the goal of creating enriching homes and environments.	<ul style="list-style-type: none"> <i>Nattoku Kobo</i> Studio (Home Amenities Experience Studio), at the Comprehensive Housing R&D Institute Tomorrow's Life Museum Sekisui House Eco First Park 	<ul style="list-style-type: none"> SUMUFUMU TERRACE facilities <i>Sumaijuku</i> seminars Stimulating dialogue through lifestyle literacy books and other media 	<ul style="list-style-type: none"> Enhanced development of new products and technologies Accumulation of big data relating to housing 	
Business partners	We will engage in fair and equitable transactions while fostering relationships of mutual benefit in order to develop together with our business partners, utilizing a track record of customer satisfaction.	<ul style="list-style-type: none"> Establishment of the Sekisui House Association and the Sekisui House Cooperation Association Annual activity policy briefing session 	<ul style="list-style-type: none"> CSR procurement (adhering to our CSR Procurement Guidelines) Supplier evaluations 	<ul style="list-style-type: none"> Establishment of construction site environments that facilitate work (streamlining and standardization of work) 	<ul style="list-style-type: none"> Establishment of a robust, sustainable supply chain
Employees	We respect individuality so that employees can make the most of their individual capabilities. We nurture fairness and a spirit of challenge through meaningful work, create a healthy, happy workplace environment and systems where employees can develop their careers autonomously, and work to improve employee satisfaction.	<ul style="list-style-type: none"> ESG Dialogue Human relations training (annually) Compliance training Well-Being Survey Sekisui House Women's College Career interviews 	<ul style="list-style-type: none"> <i>Hito</i> in-house online magazine SHIP Collective Communication and Innovation Awards Program Challenge 6 initiative (six challenges for physical and mental health) 	<ul style="list-style-type: none"> Active participation of women and human resources with diverse characteristics Human resource training and development Occupational health and safety (including pandemic countermeasures) 	<ul style="list-style-type: none"> Maintenance and improvement of employee well-being Innovation
Shareholders and other investors	We engage in fair and highly transparent corporate management with the aim of remaining an enterprise with high social value. We do so in order to improve our corporate value through sound growth that returns profits to shareholders and other investors.	<ul style="list-style-type: none"> Financial results presentation and management plan briefing session Meetings with institutional investors and analysts General Meeting of Shareholders 	<ul style="list-style-type: none"> Publication of <i>Value Report (Integrated Report / Sustainability Report)</i> Publication of <i>Business Report</i> (twice annually) Issuance of <i>IR News Mail</i> Factory tours for shareholders 	<ul style="list-style-type: none"> Return of profits to shareholders Enhancement of information disclosure Improvement in relationships of trust with shareholders and investors through active dialogue 	
Local communities	In order to protect the global environment and enable all people to enjoy a rich and fulfilling life, we will strive to cooperate, participate and give back to society by fostering local culture and richness while making the most of our uniqueness as a housing company.	<ul style="list-style-type: none"> Sekisui House Matching Program for joint donations by employees and the Company Collaboration with NPOs such as Uzo Nishiyama Memorial Library and Kids Design Association Rokko Island Fund for Kobe Town Development charitable trust 	<ul style="list-style-type: none"> Providing training in the SDGs using case studies Providing training in programming for elementary school students 	<ul style="list-style-type: none"> Safe and secure living Community development for crime prevention and disaster preparedness Fostering of future generations (Kids First) Support for the self-reliance of disaster victims and people with disabilities 	<ul style="list-style-type: none"> Support for a diverse society Regional revitalization Coexistence with local communities Social contribution activities (including initial disaster response and recovery and reconstruction support)

Stakeholder Engagement

Employee Engagement: Aiming to Be a Partner in Happiness

We want to continue providing new value as a partner in happiness. We will therefore make all Group employees happier to make our customers and society happier.

Employee Happiness Empowers Sekisui House to Be a Partner in Happiness

As a partner in happiness, the Sekisui House Group must create an environment in which employees are motivated to work happily and enthusiastically in order to continue providing new value to customers and society. We can only achieve our vision to make home the happiest place in the world if the employees who drive our businesses are happy, which in turn helps make customers and society happy. Enhanced employee engagement, which refers to the emotional commitment of employees to their work and company, is a key responsibility in the Sekisui House Group's initiatives for employee happiness. We are therefore committed to a corporate culture with a workplace environment and systems that are fair and that encourage employees to create value and grow through their work by taking on challenges and respecting diversity while collaborating to make the most of the capabilities each employee demonstrates.

Our Well-Being Survey Communicates Our Commitment to Employee Happiness

Generally speaking, employees perform better, communicate more effectively and are more likely to innovate when they are happy. At the same time, the Sekisui House Group does not limit its concept of employee happiness to partial indicators such as satisfaction with benefits and workplace environment. We also see employee happiness as a holistic, subjective indicator that encompasses job satisfaction, personal development and every other aspect of work and personal life.

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



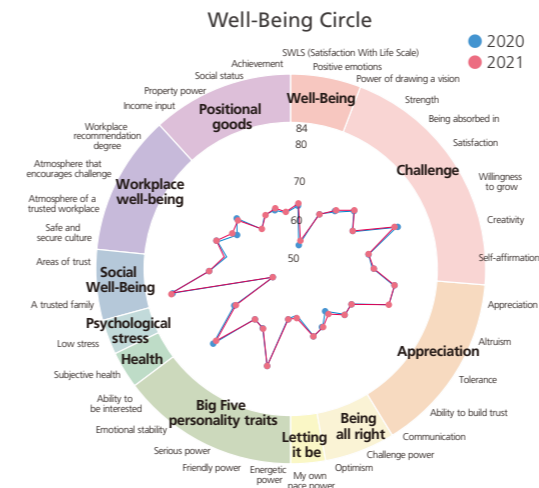
- Factor 1: Let's try!
(self-realization and growth)
- Factor 2: Thank you!
(connection and gratitude)
- Factor 3: It will turn out all right!
(positive and optimistic)
- Factor 4: Be yourself!
(independent and self-paced)

The Sekisui House Group has high scores for Factor 2, "Thank you!," indicating that our corporate philosophy has permeated the Group.

Based on this mindset, the Sekisui House Group initiated its Well-Being Survey in 2020 to analyze the correlation between individual and workplace happiness for all employees. The survey results show that the Sekisui House Group as a whole is happier than other workplaces because its scores are higher than the average for organizations taking the survey. Furthermore, happiness diagnostics that measure the happiness of individuals had high scores for items such as gratitude and altruism, and also high scores for items related to happiness in the workplace such as contribution to others, personal growth and teamwork. These results indicate that love of humanity, our corporate philosophy, has permeated the Group. We conducted this survey for the second time in 2021, and compared the results to the 2020 survey. We found that scores for items such as encouraging new challenges in the workplace, positive emotions, and recognition from others had increased significantly. At the same time, scores for items related to stress and recreation were relatively low, indicating room for improvement.

The Sekisui House Group visualizes individual and workplace happiness to give all employees direct insights into their own happiness. We also use survey results in discussions and workshops as a means to increase employee happiness. These ongoing initiatives engender a psychologically safe workplace culture that facilitates innovation through energetic communication while empowering employees to act autonomously to achieve happiness.

Our Well-Being Survey Holistically Gauges Employee Happiness



Initiatives including ESG dialogue, career interviews and the SHIP Collective Communication and Innovation Awards Program have raised scores for items including our culture of encouraging new challenges and satisfaction with evaluation by others.

